**GOVERNOR’S CABINET ON NONPROFIT HEALTH AND HUMAN SERVICES**

 **RATE SETTING METHODOLOGIES WORK GROUP DRAFT**

 **Minutes of meeting May 29, 2012**

**Members present:** Barbara Lanza, Cindy Butterfield, Barry Simon, Marcie Dimenstein, Glenn Connan, Scott McWilliams, Patrick Johnson

**Members Absent:** Joel Ide, Judy Dowd, Deborah Chernoff, Joseph Drexler, Chris La Vigne

**Guests Present:**  Frank McCarthy, Mary Anne O’Neill

1. Meeting was called to order at 1:40 PM by co-chairs McWilliams and Johnson and members present were welcomed and most of those absent had notified the workgroup of scheduling conflicts.
2. The minutes of May 10, 2012 were approved unanimously.
3. Scott McWilliams distributed a working paper summarizing the results of analyzing five key indicators of financial health among private non-profit agencies derived from the original 101 agencies utilized in the random sample for last year’s Commission study. There were modest improvements in some and declines in others of the agencies analyzed and comparing 2009 and 2010 data. The workgroup reviewed 5 tests and found a decline from 2009 to 2010 in the number of agencies with a substandard defensive interval declined from 21% to 13%. The operating reserve ratio declined by 2% to 65% from 63%. The savings indicator improved by 3%, while the debt ratio increased by 2% and the current ratio improved modestly by 3%. The number of agencies in the sample declined from 101 to 86 and the question arose about where did the other 15 agencies go since they did not submit independent audits to the state for 2010? Did they merge, go out of business, stop doing business with the state? Members volunteered to research this prior to the next meeting. The impact of those 15 agencies being no longer available in the sample can have a dramatic impact on the sample data and its validity.
4. Dr. David Garvey at the UConn Center for Non-Profit Leadership and the Urban institute continue to be helpful as we pursue multiyear aggregate trend data from their data base built on information gleaned from the 990 IRS filings. We continue to iron out technical issues. The Urban Institute does issue an annual state by state National Study of Nonprofit-Government Contracting. The latest summary available is 2009 data and this presents some alarming facts such as CT is ranked the 7th worst state in the nation for failure to cover full cost of contracted services. It also indicates that 73%of non-profit agencies with expenditures over $1 Million are in deficit compared with 40% nationally.
5. The data on Husky A, & C remained unavailable due to a major failure of the DSS eligibility management system. Chris La Vigne was not able to attend our meeting because of the crises created by the system failure. Husky B is managed by a contracted enrollment broker and that data should be available along with the A & B data for our next meeting. The data will be a snapshot in time from which to build trend data moving forward.
6. Much time was spent reviewing the recommendations resulting from concerns expressed by community non-profit agencies through their trade associations. A working document developed by a subgroup of our work group led by Marcie Dimenstein shared 14 draft recommendations which were edited by those present and referred back to the subgroup for further work. Principal among the draft recommendations is: “The state must develop a long-term funding plan to increase grant amounts and fee for service rates. In fiscal years with flat funding, a calculation will be completed to project the reduction in present value in funding for each program and a commensurate service reduction plan will be submitted by the contractor to the state agency for approval. “ These recommendations will continue to be refined at our next meeting along with residual recommendations from the 2010 Commission and modifications to the cost standards recommended in 2006 by the CT Non Profit Human Service Cabinet.
7. In 2005-2006 there was a Cost Standards Working Group created by the CT Nonprofit Human Service Cabinet Steering Committee which worked very closely with OPM at that time. Some significant strides were made but a number of issues remained unaddressed. These will be reviewed for possible resurrection and reconsideration in this forum.
8. Recognizing the short time remaining Patrick Johnson volunteered to draft a couple of paragraph introduction to the work group report which Scott McWilliams works with other members to assemble the data reports in preparation for our next meeting.
9. The next meeting of the workgroup is June 6, 2012 from 1:30 to 4:00 PM at Haviland Hall, Fiscal Services Conference Room at CT Valley Hospital. A final meeting is scheduled for June 14th if necessary. We are scheduled to submit our report and final recommendations to the Governor’s Cabinet on June 15th.
10. Meeting adjourned at 3:15 PM.