

# The Partnership between the State of Connecticut and Nonprofits

## *Executive Summary*

March 2013



## Introduction

This report is titled *The Partnership between the State of Connecticut and Nonprofits*. In developing this report it has become clear that the real focus of the report is the vast number of Connecticut residents who require the support and services provided by the State to live their lives. This group of people ranges from our youngest citizens to our oldest who require support due to: mental illness, homelessness, substance abuse, poverty, neglect, crime, etc. We believe that the State has an obligation to commit resources to assist many of those belonging to this population. This study looks at the service delivery system serving this population and specifically at the way the State has evolved to the delivery of these services by nonprofit organizations. What we found was a confusing, non-integrated, inconsistent and out-of-balance system that, due to these factors, cannot be as effective or efficient as needed. We also found that the current administration is making honest efforts to improve the system with the advent of the Nonprofit Liaison cabinet position, the establishment and the work of the Governor's Cabinet on Nonprofit Health and Human Services, and the creation of a new \$20 million bond pool that will allow nonprofits to invest in capital projects that will lower administrative costs and improve the delivery of services. It is in this spirit, with a goal of a more efficient and effective system focused on the state population that is being served by these services, that we present this report.



## Findings and Observations

There is no overarching health and human services strategy in the State of Connecticut.

- 11 The State of Connecticut, through 7 state agencies, is contracting with nonprofit providers through purchase-of-service (POS) contracts at a rate of \$1.3 billion/year which represents over 5% of the State's total annual expenditures.
- 12 Each State Department that utilizes POS contracts has:
  - A unique definition of its service region.
  - Different processes and procedures for RFP development, contracting, rate setting, performance measurement, payment, quality measurement and data collection.
  - Responsibilities and programs that overlap with other agencies for the effective delivery of services to Connecticut's most vulnerable populations.
  - Different data reporting requirements for nonprofits.
  - Inconsistent and misaligned reporting out of the department making the reporting of progress against population results impossible.
- 13 This splintered approach to providing these services causes:
  - A lack of coordination and progress to achieving the population results that should matter to the citizens of Connecticut.
  - No performance measurement and performance management for the population results that should matter.
  - A difficult environment for those in need to seek appropriate services.
  - An inefficient structure in which nonprofits must conduct business with the State which causes the nonprofit cost structure to be higher.
- 14 There is a mindset of mistrust and a resistance to change between the nonprofit community and the State.
  - To the credit of this administration, legislators and agency heads:
    - Improvement to the system is happening as initiatives are under way at both the agency and state levels.
      - The establishment of the Nonprofit Liaison has demonstrated a commitment to address the issues relating to the State's relationship with nonprofits.
      - The creation and the work done by the Governor's Cabinet on nonprofit health and human services have increased awareness and further demonstrated commitment to these issues.
      - Created a new \$20 million bond pool that will allow nonprofits to invest in capital projects that will lower administrative costs and improve the delivery of services.



## Findings and Observations

At least four State-sanctioned commissions/studies and national organizations have studied the status of service delivery by nonprofits in the State of Connecticut.

- Nonprofit community has experienced financial decline over 10-year period.
- Years without COLAs have caused providers to reduce expenses (e.g., employee health benefits).
- Rates should be set at a minimum to cover the costs of care (as outlined by the evidenced-based practices to have the desired results).
- Public sector positions pay significantly more than comparable private/nonprofit positions.
- Benefits (including health and retirement) are significantly higher in the public sector.
- Nonprofit providers should be funded adequately enough to pay its lowest-paid employees enough to attract a qualified workforce.
- Incentives should be put in place for nonprofits to earn extra benefits (e.g., enhanced retirement).
- Public delivery of residential services is much more expensive than services provided by private providers.
- On average, it costs 2.5 times more to take care of clients in a public community living arrangement as a private one.
- In services where the cost difference is so great, dual provision of services should be migrated away from.
- 50% of nonprofits reported deficits – 5<sup>th</sup> highest in U.S.
- 66% of nonprofits had to freeze or reduce salaries – highest in U.S.
- 53% of nonprofits reported problems with late payments – 3<sup>rd</sup> highest in U.S.
- The work and recommendations made in prior studies and in the ongoing initiatives are either incremental changes or (where strategic) have no specific accountability.
- Our many interviews with nonprofit and state-agency leaders have allowed us to observe that there is fundamental agreement amongst and between these groups.
  - A Health and Human Services Strategy is needed in the State of Connecticut.
  - Population results should be the basis for the System and should be the ultimate accountability framework.
  - The population being served by these services should be the common focus and driver of improvements to the system.



## Recommendations

Leadership – The Governor must focus his leadership on meaningful *long-term* changes needed to achieve the population results that would benefit every citizen in the State of Connecticut.

- We believe we must go beyond incremental and voluntary measures to improve the Health and Human Services System in Connecticut.
  - The State of Connecticut should create a Health and Human Services Strategy that is based on the “cross-agency population results” identified in the Report by the Governor’s Cabinet on Nonprofit Health and Human Services (10/1/2012).
    1. All Connecticut residents live in safe families and communities.
    2. All Connecticut residents are economically secure.
    3. All Connecticut residents are developmentally, physically, and mentally healthy across the lifespan.
    4. All Connecticut residents who are elderly (65+) or have disabilities live engaged lives in supportive environments of their choosing.
    5. All Connecticut residents succeed in education and are prepared for careers, citizenship, and life.
    6. All children grow up in a stable environment, safe, healthy, and ready to succeed.
  - These population results should be the basis for the creation of a new Health and Human Services Model.

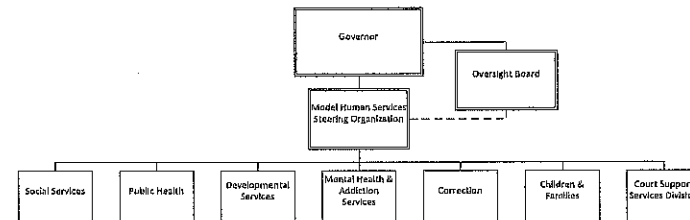
**Rationale:**

- A long-term strategy based on agreed-upon end results is the basis needed to bring change to the existing system.



## Recommendations

The Governor should appoint or transition the Cabinet on Nonprofit Health and Human Services as an advisory board to create the strategy and establish a new Health and Human Services Model for the State of Connecticut.



**Rationale:**

- Adopt a system that has the authority and accountability to implement real changes.
- Have oversight and advisory board that provides input for all constituents, including:
  - State agency heads
  - Nonprofits
  - Foundations
  - Businesses
  - Labor
  - Legal
  - Accounting
  - Others



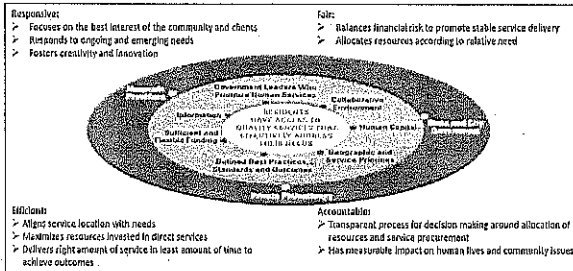
## Recommendations

- Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.
  - Create and adopt an organization that can implement the specifics of the Health and Human Services Strategy.

**GOAL: CONNECTICUT residents are able to reach their full potential based on their life stage and to contribute to the vitality of their community and the state/city.**

**Rationale:**

- Create within state government the accountable organization to drive the strategy across existing state agencies.



Source: "Fair and Accountable Partnership Principles for a Sustainable Human Services System." Chicago, IL: Donors Forum. January 2010.

## Recommendations

Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.

- The goals of the new organization should be:
  - The delivery of the "cross-agency population results" defined by the Cabinet
  - The creation and implementation of one POS system for the State of Connecticut that is based on best practices
  - A client-centered approach that is truly enabling effective and efficient service delivery to those that need the services
- The results of the work group should also address the challenges that would need to be overcome for effective implementation to occur.
  - This includes the identification and delivery of new skills training required to deliver such a client-centered model:
    - Facilitation
    - Negotiation
    - Complex contract management
    - Performance management
    - Client-centered focus
- "For government to realize the advantages associated with privatization, public managers need to have expertise in contract management and the ability to negotiate, monitor, and communicate expectations and technical information (Kettl 1993; Van Slyke 2003). Yet, Kettl suggests that policy makers 'look at puzzles like contract management [by racing] past the details to get what they see as the real issues'."<sup>1</sup>

<sup>1</sup> Van Slyke, David. "Agents or Stewards: Using Theory to Understand the Government-Nonprofit Social Service Contracting Relationship." *Journal of Public Administration Research and Theory*. 2007.

## Recommendations

Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.

- Some of the areas of authority and responsibility should include all the elements as described at a high level within the Illinois model as well as detailed elements including:
  - *The creation and implementation of one POS system that is based on best practices for:*
    - RFP development, contracting, payment, rate setting and performance measurement
  - *The determination of the proper balance of state versus nonprofit provision of services.*
    - Based on facts of performance and efficiency.
  - *To become the information hub for all human services by:*
    - Becoming the owner of the Connecticut Nonprofit Strategy Platform.
    - Creating and enforcing common data requirements and providing reporting.
    - "Identifying, collecting, and developing information necessary to assess performance fully at both the program and the population levels proved more time-consuming than PRI anticipated. This is partly because Connecticut has no comprehensive long-term plan (strategic or otherwise) for state government and formal statements of state policy are few. At the agency and program levels, the clear articulation of desired results is rare. Consequently, little information is collected or compiled about whether long-term goals are being met or target populations are better off."<sup>1</sup>
  - *The development and implementation of integrative service delivery amongst and between the State and nonprofits to deliver population results.*
  - *The development, initiation and management of alternative methods of funding, e.g.:*
    - Social impact bonding
    - Community and other foundations

<sup>1</sup> Legislative Program Review & Investigations Committee, "RBA Pilot Project Study of Selected Human Services Programs (P.A. 09-166)," January 15, 2010. 9

## Recommendations

Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.

- This new organization should follow a prescribed path of development that builds toward pre-defined goals and benefits.

**CT21**

Source: "Getting Performance Measures to Measure Up" in *Quicker, Better, Cheaper?: Managing Performance in American Government*, Doll Forsythe, ed., SUNY Press Albany, 2001. 10

## Recommendations

Create a new Human Services Model within Connecticut's State Government that is based on the Cabinet's principals and leverages other states' lessons and best practices.

- To further investigate the creation of a new Human Services Model, the Governor's Task Force should create a new work group to define the scope, responsibilities, organization, technology, authority and accountability required for this to work.

### Rationale:

- Many of the previous reports conducted by commissions, review panels or special investigation committees call for the creation of a permanent mechanism to continue the work.
- The findings within all of this work are relevant, well thought out, highly endorsed and very specific. The problem is that they are reports and there is no entity or agency that has responsibility and accountability to implement the recommendations.
- "An ongoing body, similar to this commission, should be created and charged with tackling the issues before us, working to add value to the process of implementing the specific recommendations, achieving specific results over specific timeframes, and as this Commission has been, should be comprised of a cross-section of representatives from State Agencies, Private Providers and their representative organizations, Labor, and persons who are recipients of benefits under health and human services programs." – Commission on Nonprofit Health and Human Services.<sup>1</sup>



<sup>1</sup> Final Report of the Commission on Nonprofit Health and Human Services, 3/31/2011.

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## Recommendations

" The nonprofit community needs to become a catalyst to change the existing State Strategy for Health and Human Services.

- Nonprofit leadership needs to be more proactive in driving innovation and change within its own community.
- Active network development that looks to create partnerships, collaboration and integrated services aligned by the population-results-based goals should be a major priority.
- Honest and proactive efforts to merge, integrate, close and rationalize nonprofit organizations for the sake of efficient and effective delivery of services and of strengthening the community should be a priority.
- Leadership should be driving a shift from single organization causes to broad or population results causes. This shift will create tremendous appeal to investors and help to simplify the marketing of nonprofits and create alignment to a population-results-based State strategy.
- In the course of developing new alliances and networks based on population results, define the technology requirements needed to be successful collectively. In this way, the collective needs of a cause-based network can drive synergies and cost efficiencies in purchasing and developing technology. This is the intended behavior that the State is trying to drive in offering to fund these types of investments in the existing OPM program and in the Governor's proposed new bond funding effort aimed at nonprofits.
- In a networked and collaborative way, investigate the opportunity to utilize shared services. Back-office functions including human resources, accounting and technology are ideal candidates to be shared across organizations. There are many best practice examples that can be followed as a road map to create efficiency and effectiveness.
- Create nonprofit shared workspace centers. Many examples exist (e.g., Boston, San Francisco, New Jersey) where this concept has allowed nonprofits to not only save money, but to facilitate collaboration and networking to become more effective.



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## Recommendations

- **The State needs to demonstrate its commitment to the delivery of these vital health and human services to the citizens of the State that require them. These citizens should have as many rights and protections as all other constituents when the State must make budget decisions.**
  - Create one Purchase-of-Service contract for use by all agencies.
  - Modify the standard Purchase-of-Service contract between the State and nonprofits to reflect a business-like approach toward working with nonprofits and ensure the delivery of these vital health and human services even in difficult economic times.
  - Some of the business terms of the contract should be reviewed and modified to provide these protections:
 

- For-cause cancellation only	- Cancellation cost recovery
- Non-retroactive	- Defined revenue retention rules
- Adequate cancellation periods	- Others



## Best Practices in Health and Human Service Delivery Outside of Connecticut

- Washington State has a "Priorities of Government" approach to budgeting which provides a framework to help discern what state services best achieve pre-determined, expected statewide results.
- Illinois has developed several principles and best practices for creating an effective human service delivery system that brings together nonprofits and state agencies.
- New York and Illinois have constitutional commitment to the responsibilities of the State to provide Health and Human Services. Additionally, New York has outlined detailed recommendations toward building a healthy and sustainable nonprofit sector for service delivery.
- Minnesota has implemented and demonstrated success in utilizing performance-based contracting in the delivery of public services. Additionally, they have implemented a Shared Master Index (SMI), a database that serves a cross-referencing tool to coordinate client services across state and county systems for multiple program areas (e.g., eligibility for cash, food, medical, child support and welfare programs).
- Texas has implemented an integrated enrollment system which provides the technical foundation to support a menu of options for residents to apply for state services. The system automatically applies program rules and determines eligibility, streamlining determination of cash, medical and food assistance eligibility.
- Indiana utilizes managed competition, an approach where public and private providers compete for service contracts and clients wherever multiple companies offer the same core services -- a necessity for facilitating competition.
- Oklahoma's Department of Rehabilitation Services has implemented a milestone contracting methodology. This approach represents one of the most promising ways to achieve accountability and autonomy simultaneously.
- Arizona has created a dictionary and taxonomy of human services, which is a collaborative effort to develop a common language by major funders and planners throughout the State who participate as members of the Arizona Taxonomy Committee. The purpose of this Committee is to uniformly describe services and identify consistent terminology.
- While many states have shifted to health and human services systems based on the private provision of services, there is evidence that privatization cannot be the whole answer. In 2001, North Carolina's General Assembly called for sweeping changes to the state's mental health care system. The state privatized the provision of local and regional mental health services by requiring that local jurisdictions construct out delivery of services. As a result, the quality of care that North Carolinians with mental illness receive has declined while allegations of fraud and waste have increased.
- Shared workspaces for nonprofits have shown to significantly improve effectiveness and efficiency among local resident organizations while helping them achieve their organizational missions through cost savings, improved quality and accessibility of space, higher visibility in the community, improved employee morale, and increased collaboration with other resident organizations.
- England has been on the forefront of innovations in public-service delivery. Two concepts include collaborative service delivery and co-design. Each are built around integrating multiple stakeholders into each service and requires feedback and input for continuous improvement.

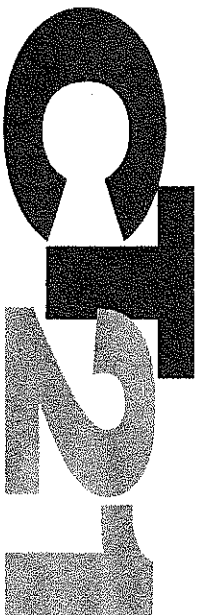
## Best Practice in Health and Human Service Delivery in CT Performance-Based Contracting in the Judicial Branch

- The Judicial Branch's Court Support Services Division (CSSD) has implemented performance –based contracting with its purchase-of-service partners.
  - The Judicial Branch CSSD contracts for \$100m in services, nearly 20% of the Judicial Branch budget
  - Contracted program performance can impact risk reduction
- Key objectives are:
  - To more formally integrate Results-Based Accountability (RBA) into the contracting process
  - To standardize inclusion of contractor past performance in the RFP review process
  - To acknowledge excellent contractor performance
  - To address contractor under performance in an objective and consistent manner
- Benefits to CSSD and contractors are that:
  - It provides an objective method for the Judicial Branch to responsibly spend taxpayer dollars and improve public safety
  - Incentives are created for contracted agencies and staff to improve program performance, financial management, and contract compliance
  - There are graduated consequences for under-performing contractors
  - It integrates Results-Based Accountability (RBA) Principles into the contracting process



Source: "State of Connecticut Judicial Branch Court Support Services Division – Performance-Based Contracting," January 14, 2013.





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