**GOVERNOR’S CABINET ON NON-PROFIT HEALTH AND HUMAN SERVICES**

 **RATE SETTING METHODOLOGY WORK GROUP**

 **REPORT TO CABINET 2-17-12**

The Rate Setting Work Group is currently reviewing how each state agency involved in human services sets rates and determines cost. Because to do this across all programs would be onerous and not possible in the time allotted we are focusing on group homes (a.k.a. community living arrangements, supported residences, transitional living facilities, community detention, half way houses, etc. ) as a case study. The objective is to determine if there might be a more standardized approach to rate setting for such facilities. It is evident from a cursory review that significant variations exist due to the origin of funding, the client populations, client needs, facility census limits, average length of stay and staffing requirements as well as outcome or performance expectations. A grid reflecting comparative data is being developed. It is apparent from our last meeting that significant variations exist and include outcome expectations where, for example, high turnover or low turnover may be welcome in one setting but a negative indicator in another.

The work group is also examining the variations in how costs are addressed by state agencies. Here too there are significant variations. The Work Group will work with the University of CT, Center on Non-Profit Management, which has established a comprehensive data base on the financing of non-profits gleaned from the federal IRS 990 forms which provide required detailed annual financial reports. We will be meeting with them to review the data. We are seeking to create a multiyear analysis of the financial fragility of the sector utilizing the same formulas and analytics as was used by the Commission last year. We will also be reviewing sample cost reports from the various agencies to cross walk line items and ascertain consistency.

After reviewing this material and how our charge interfaces with the Bidding and Procurement Work Group we will formulate recommendations to address the issue of market inflation through fixed cost increases and the absence of offsetting revenue in state contracts with community based non-profit providers.