# Provider Feedback on state contracts with DHSS

Presented to the DHSS Reorganization Contract Subgroup

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**February 7, 2020**

# Contents

- Survey feedback from DANA members
- Qualitative insights from specific organizations
- Implications to service quality in community

# Survey Data Methodology

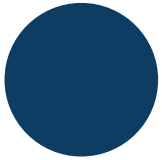
DANA members and members of the Ability Network were invited in November/December 2019 to answer survey questions related to their experience with State agency contracts and grants. Questions were derived from a 2013 Urban Institute survey on government grants/contracts and from the 2018 Nonprofit Finance Fund's state of the sector survey.

- 23 organizations completed the survey
- 17 have state contracts with the Department of Health & Social Services

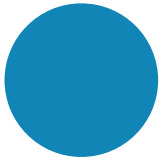
*This reports the responses of the 17 who contract with DHSS. Though a small sample, these responses reflect the commentary by many DANA members*

# Profile of Responding Nonprofits

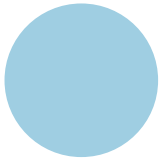
n = 17 who contract with DHSS



75% Health & Human Service Mission
25% other (safety, housing, education)



55% budget over $5 mm
35% budget under $1 mm
10% budget between $1mm and $5mm



45% fiscal year aligns with State
65% other (Jan 1, Oct 1)

# Profile of Responding Nonprofits

n = 17 who contract with DHSS

## Serves low-income

- 25% Exclusively
- 60% Primarily
- 15% NA

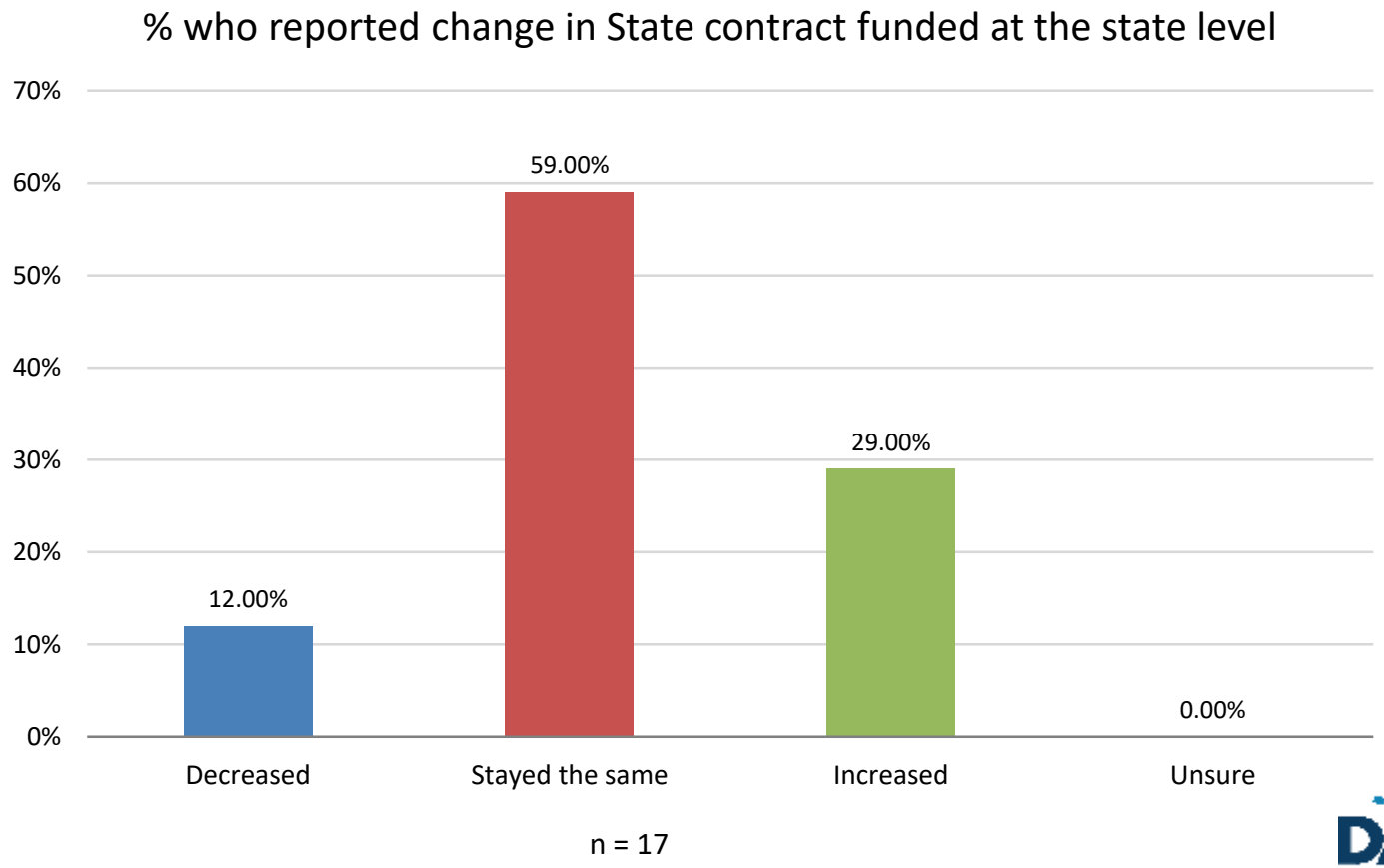
## Service Demand Change in recent FY

- 80% Increased
- 20% Stayed the Same
- 0% service decrease

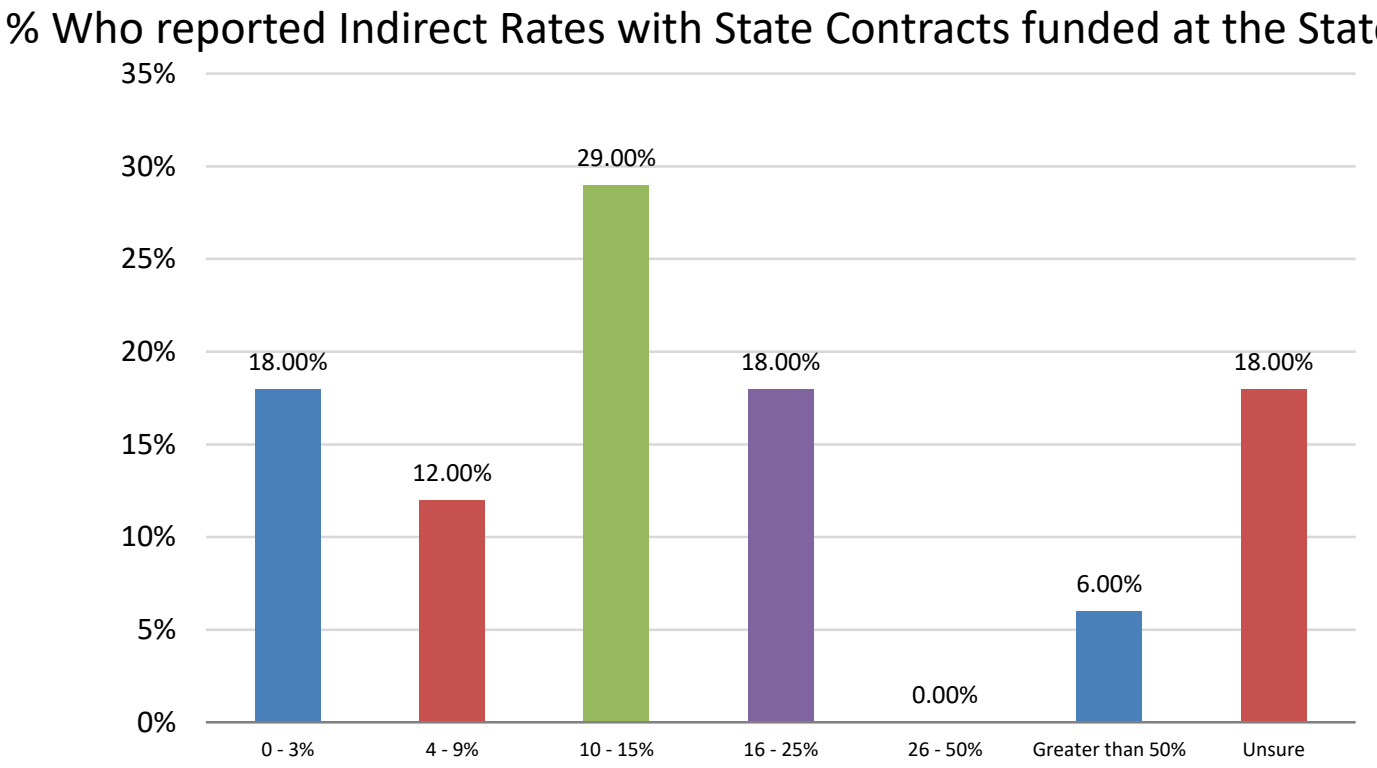
## Able to meet service demand

- 20% Yes
- 70% No
- 10% Unsure

# Though service demand is up, most contracts did not increase

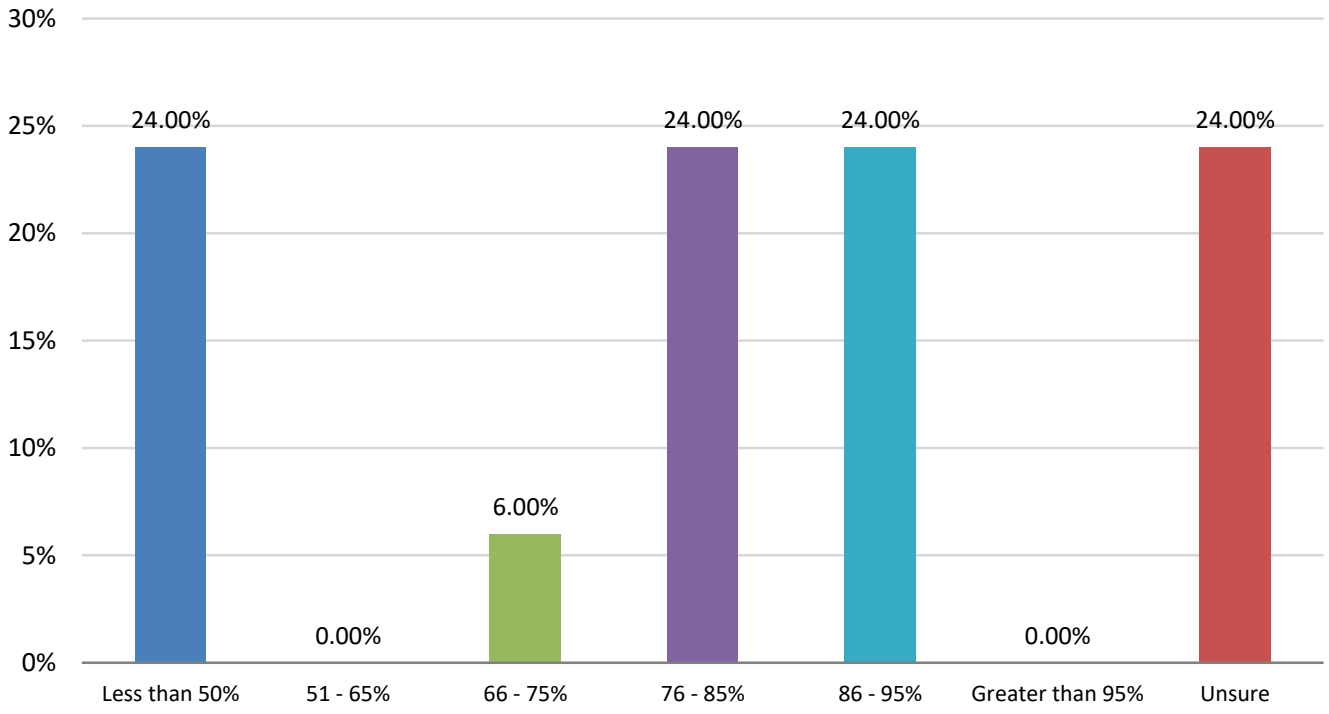


# Indirect Rate for State Contracts vary widely with 30% reporting less than 10%



# Most reported the State Contracts are not covering the full amount of direct costs

% reporting level of direct cost covered by their State contract funded at the state level

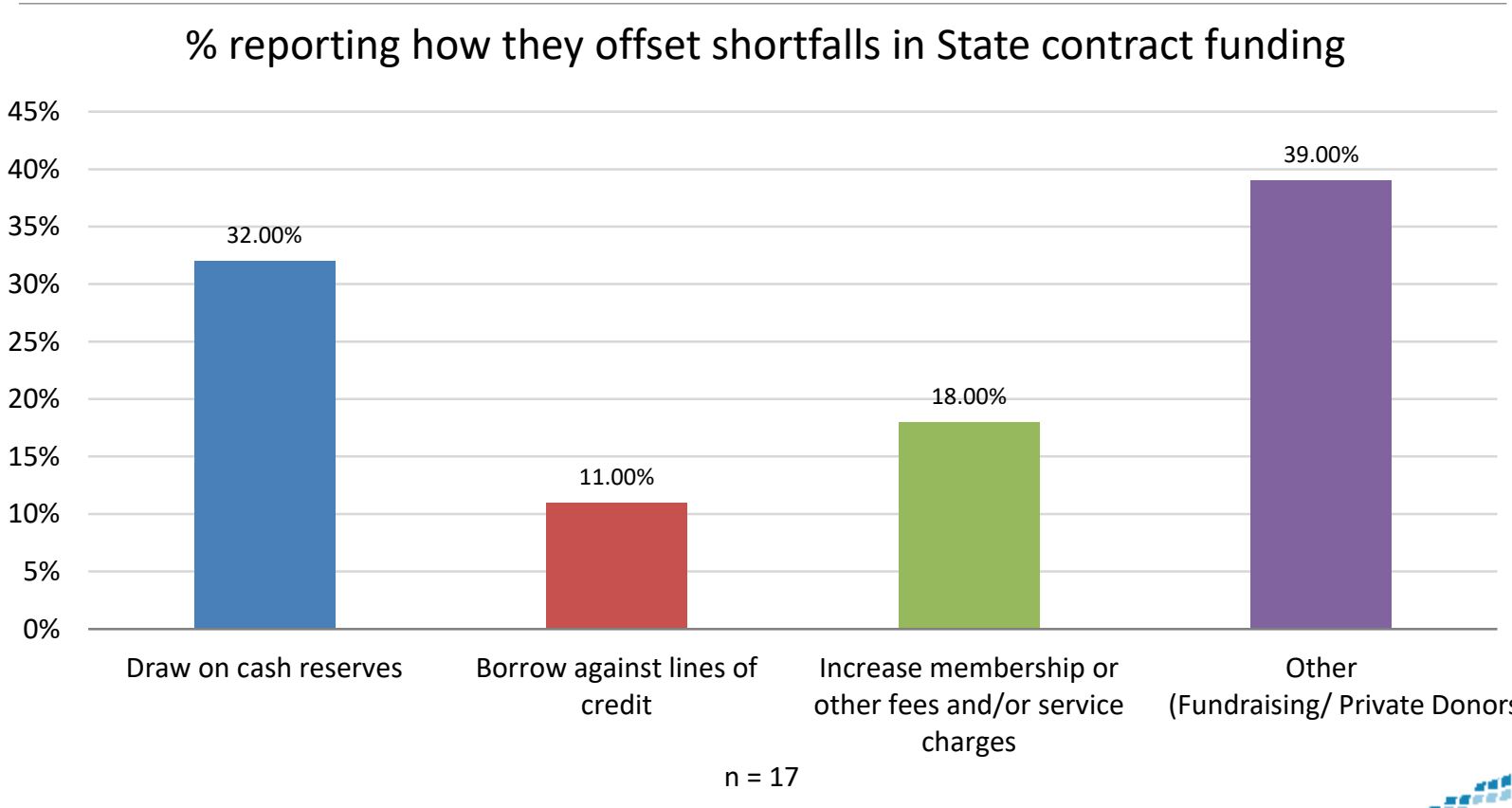



n = 17

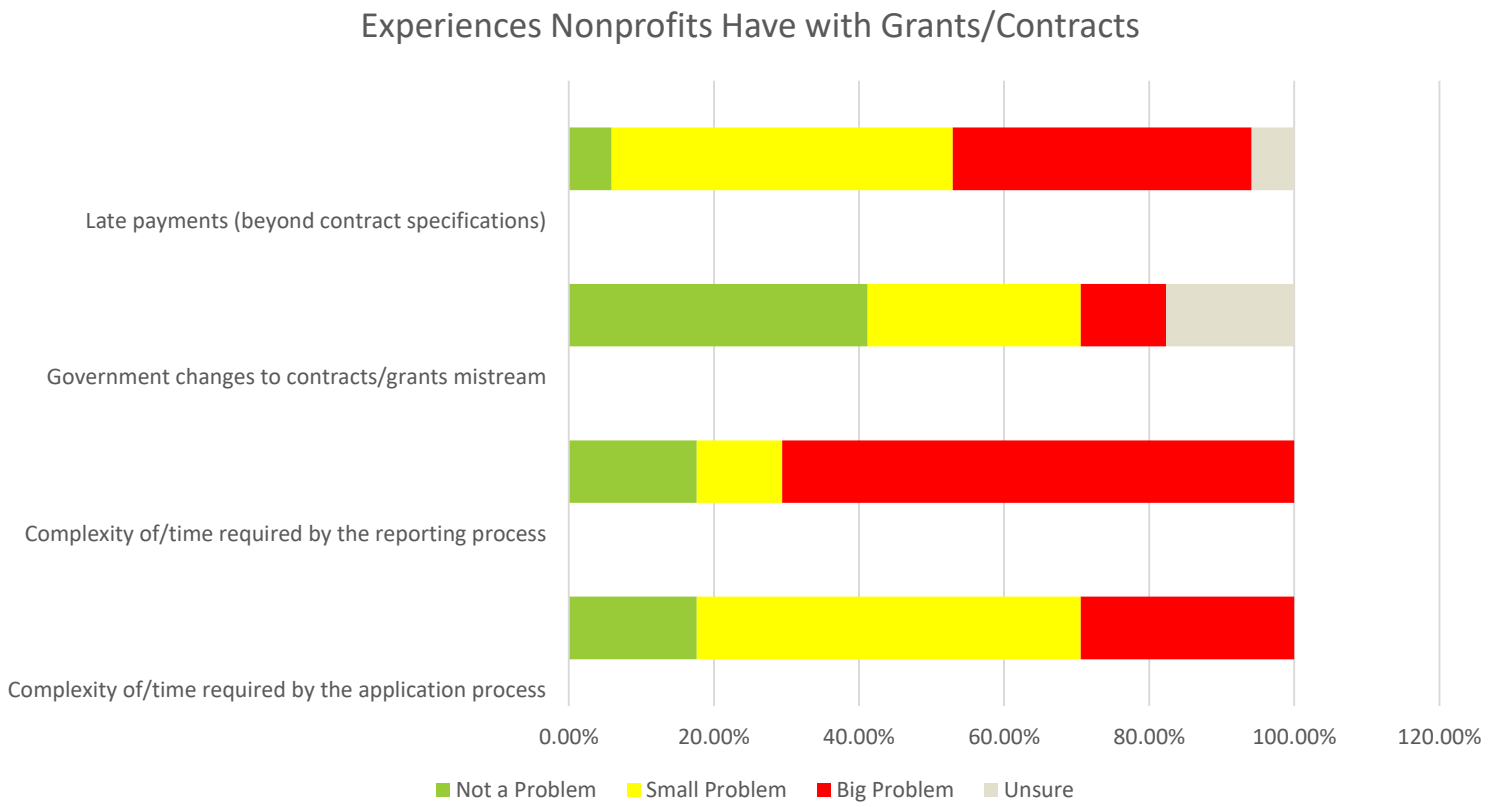
# Feedback from WestSide Family Healthcare

- Half of our contracts that pay for staff do not cover our full costs.
- On average, WFH pays an additional 35% for expenses that the grants won't cover. The total dollar amount to cover this shortfall is over $100k.
- 4 grants are designed to cover staff.
  - 2 of those do not cover market rate salaries or the full costs of employing those FTEs.
  - The remaining 2 cover market rate salaries, but not the full cost of employing those FTEs (additional overhead expense and management oversight).
- Shortfall in funding the necessary staff needed.
  - For example, we budget for 2.0 FTE in the RFP and get funding for 1.5.
  - The 0.5 becomes very difficult to recruit for in our experience, because most candidates want full time.
  - So, either the position sits open for a longer than normal period (less services provided), or we have to allocate our own resources to increase the position to full time in order to fill it.

# Most cover the shortfall by dipping into reserves or asking for private support.



# Greatest challenges in contracting with the State are Late Payments and Reporting Process




n = 17

# Feedback from Easter Seals on Reporting

Currently have about a dozen different contracts with various divisions (DPBH, DDS, DMS, DSAAPD, etc).

- Archaic processes
  - we have 4 contracts that require copies on 'CD's.
  - Not all boiler plate applications are writable
- Redundancy
  - for every one of the 12 contracts, each year, a submission of similar documents: 501c3 proof, business references, work plans (that seldom change), etc.
- Variability an Unexpected Requests
  - Process/documents for submission varies by Division, and sometimes within the Division
  - A change in contact point person can mean a change in expectations that are not outlined in the contract.
  - The state requests additional data not in the contract nor in the work plan & an expectation we will not only mine the data but also be in compliance with a requirement that was not anticipated.
  - Negotiation is not consistent across all contracts-- with a few Divisions declining any suggestion of such.
  - "Indirect costs allowed"-- not consistent across the contracts.
- No change in reimbursement for prolonged periods - vendors have to find more in private donations to offset - limited changes in fees with increasing expenses.

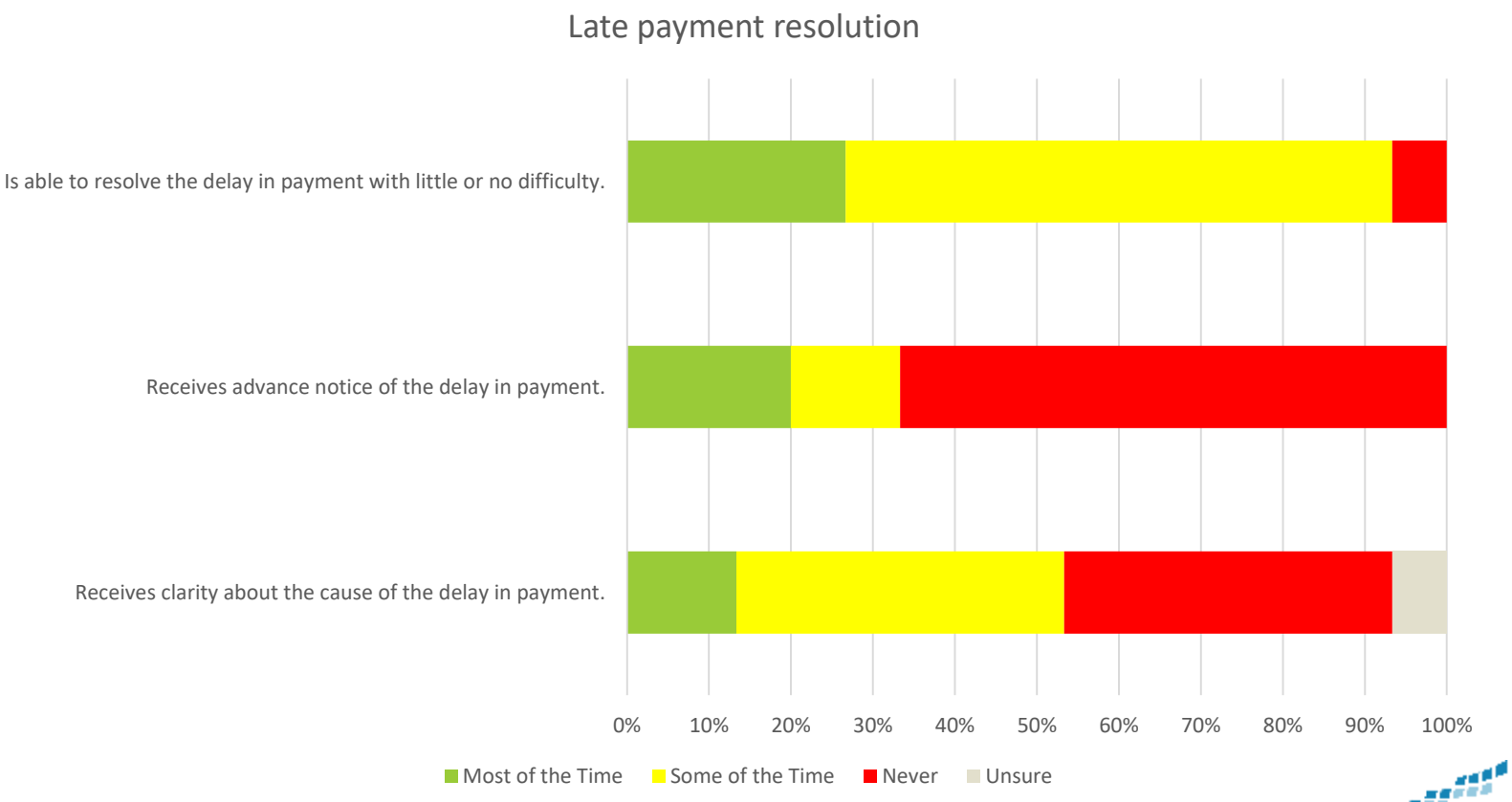
# Feedback from the Behavioral Health Committee of the Ability Network of DE

- Timeliness of renewals and amendments
  - Receipt of documents only a few days before they go into effect awaiting addendum or contract renewal
  - Providing services without an active contract
- Contracts don't align with the scope of work (one size fits all)
  - Insistence contract language remain uniform **though it does not apply or may be inaccurate for vendor relationship**
  - Reporting expectations that are not clear until after contract signed
  - Contradictions in the contract boiler plate and the scope of services
  - Expectations provider participate in initiatives that are outside the scope of contract services

# Feedback from the Behavioral Health Committee of the Ability Network of DE

- Payments
  - Late payments for contracted services
  - Lack of ability to negotiate during process including indirect rate
  - Unfunded and or underfunded contractual expectations
- Current internal systems gaps exist to ensure an equitable contracting system
- Lack of or inconsistency in who is responsible for contract and contract negotiation

# When late payments occur few nonprofits are notified or can easily resolve the delay

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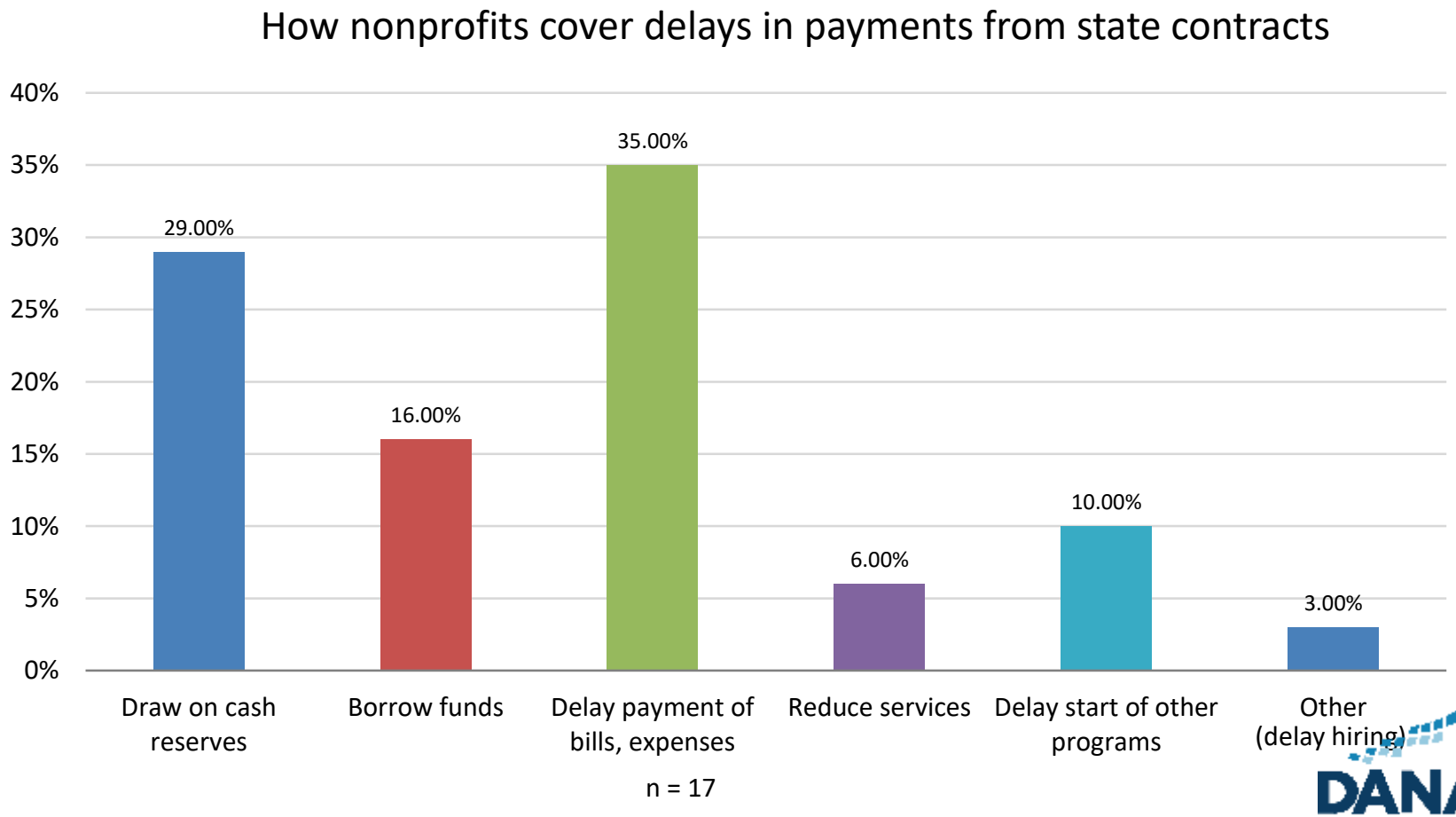
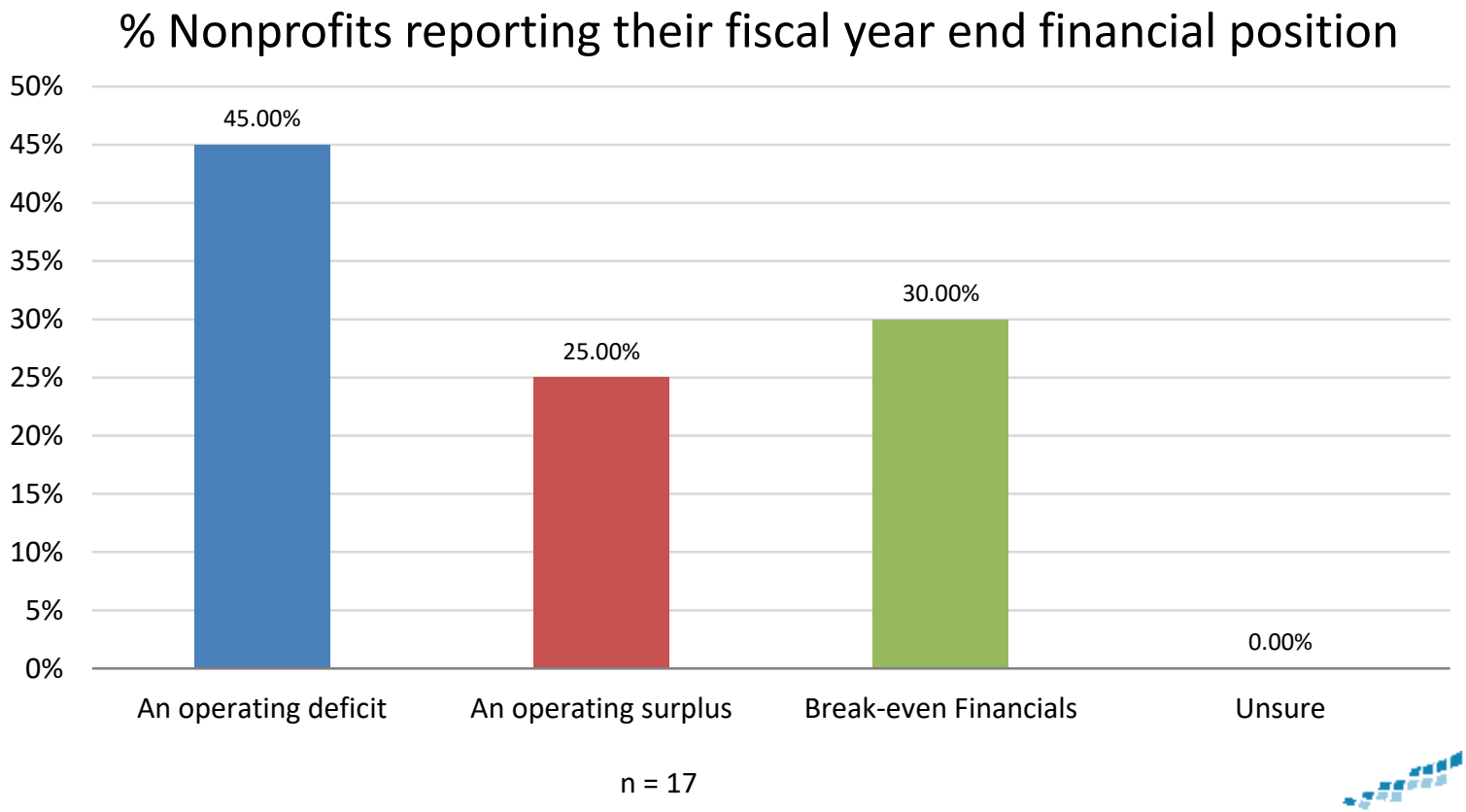
# Late payments from State contracts results in nonprofits paying their vendors late, taking on debt or reducing services



# These challenges result in few nonprofits who contract with DHSS able to operate with a surplus at the end of the year



# Additional issues

- State division's desire to contract at under $50K levels to avoid RFP. Results in nonprofits doing the same level of administrative management for several small contracts, vs one large one.
- No ability to file a grievance when payments are late, terms change
- No ability to Negotiate
- Some agencies are choosing not to renew contracts with the state –creating gaps in service

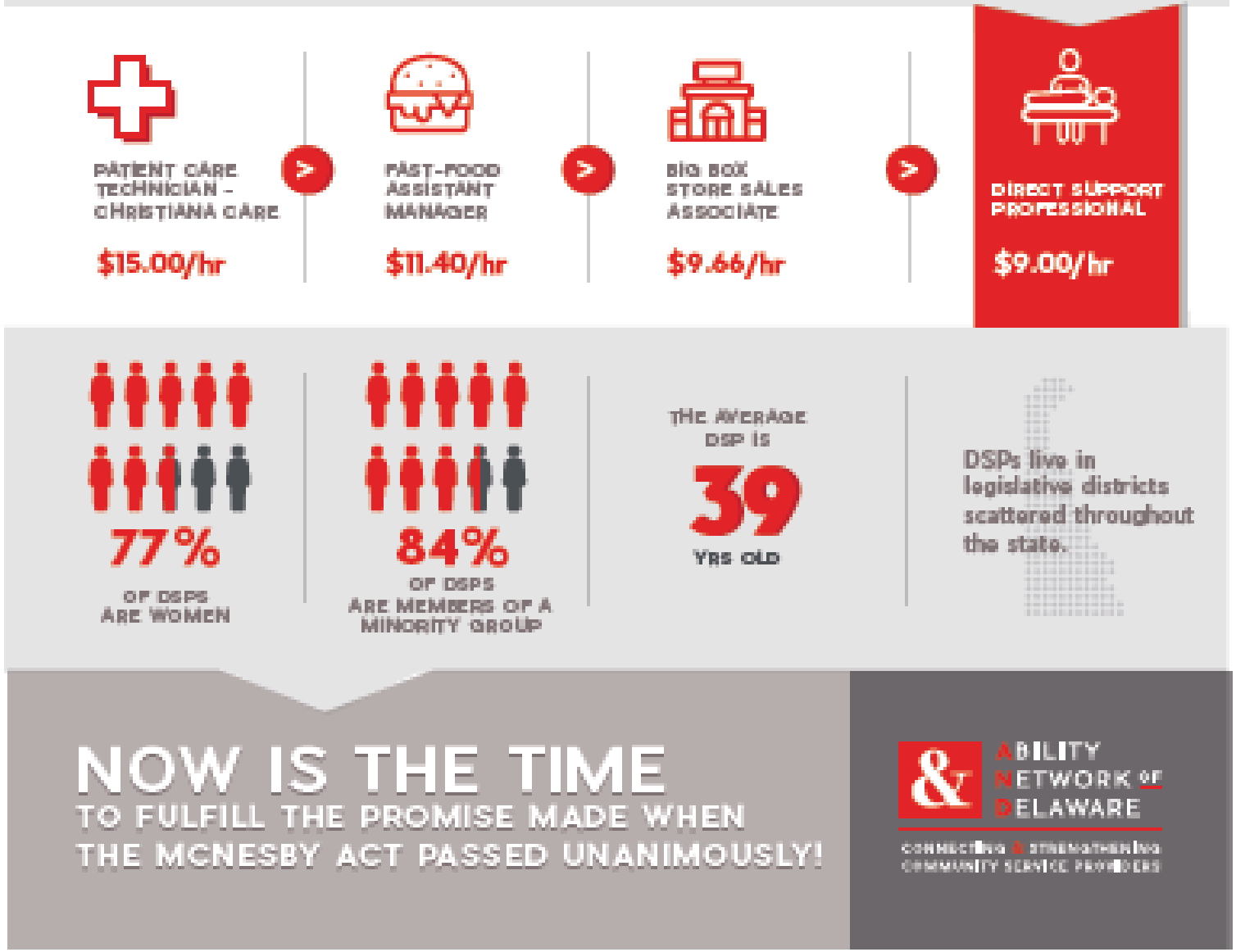
# Implications for DHSS Partners in Service Delivery

- Partners are not getting paid to cover the full cost to serve nor to meet rising service demand
- They experience late payments and do not get advance notice
- They have difficulty in getting these resolved easily
- They try and cover the gaps and shortfalls with private donations, with reserves (if they exist), or make late payments to their vendors (impacting their future credit worthiness)
- Few DHSS partners end their year with an operating surplus, reducing ability to cover future funding shortfalls or unexpected expense requirements

# Implications to Services

- Without contract rate increases – nonprofits cannot raise wages even when the State mandates wage rate increase.
- Without rate increases – service availability shrinks
- High stress for staff not knowing if they are going to keep their job due to contract delays
- High turnover of staff due to low benefits/ fixed pay
- Competitive market due to low wages results in 30%+ open positions
- Loss of providers as it becomes not sustainable


14 IS FAIR
FOR DIRECT CARE
Delaware Passed the McNesby Act in 2018 to fix the broken system and fully fund services for adults with intellectual and developmental disabilities (I/DD).
It's Time to Keep the Promise.
The Amount of Financial Support DDDS Provides for DSP Wages:
Current Funding
DSP SALARY
$9.00/hr
$1.9M
IN ADDITIONAL FUNDING
DSP SALARY
$9.35/hr
Governor's recommended budget for 2019
$14M
IN ADDITIONAL FUNDING
DSP SALARY
$10.72/hr
#14isFairfor DirectCare
$42.2M
IN ADDITIONAL FUNDING
DSP SALARY
$14.11/hr
Full Funding
Failing to fund services for Intellectual and Developmental Disabilities will hurt the system. DSPs will leave for better paying jobs that require less training and stress.


PATIENT CARE TECHNICIAN – CHRISTIANA CARE
$15.00/hr
FAST-FOOD ASSISTANT MANAGER
$11.40/hr
BIG BOX STORE SALES ASSOCIATE
$9.66/hr
DIRECT SUPPORT PROFESSIONAL
$9.00/hr
77%
OF DSPS ARE WOMEN
84%
OF DSPS ARE MEMBERS OF A MINORITY GROUP
THE AVERAGE DSP IS
39
YRS OLD
DSPs live in legislative districts scattered throughout the state.
NOW IS THE TIME
TO FULFILL THE PROMISE MADE WHEN THE MCNESBY ACT PASSED UNANIMOUSLY!
ABILITY NETWORK OF DELAWARE
CONNECTING & STRENGTHENING COMMUNITY SERVICE PROVIDERS

# Recommendations

- Follow Federal OMB guidelines for contract terms and indirect rates
- Follow Department's guidelines and require all divisions pay a minimum 10% indirect costs
- IT improvements – transparency & coordination, no more CDs!
- Require new employees honor terms & reporting requirements of contract until time for renewal
- Be clear about who key contacts are for resolution of issues around payments, terms to ensure nonprofit can reach the right person
- Create a means for providers to raise issues without risk of losing future contracts, and have a process to address those issues promptly

# Recommendations

- Pay on time – and if you can't communicate early and often
- When the state changes minimum wage requirements or adds in new regulations and reporting, all contracts need to be automatically adjusted to cover those cost increases
- Reporting and compliance requirements should be outlined in the contract.
- A central repository for agency specific items that do not expire, and have agencies provide only those supporting documents that expire-- such as liability, changed work plans and/or budgets.