After years of flat funding, nonprofits could face cuts

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Meriden -- If all goes according to plan, the glassed-in attachment to The Arc of Meriden-Wallingford's building will soon be filled with fish, worms and vegetables.

Executive Director Pamela Fields envisions the future aquaponics set up -- made from donated equipment and built by community volunteers -- as an employment opportunity for the people with intellectual and developmental disabilities who The Arc serves. But having the ability to grow produce and raise fish for eating at The Arc's group homes, day programs and café is also aimed at another major need on Fields' mind: saving money.

The agency has already frozen staff wages at just over $11 an hour, making it hard to keep the most talented, while increased health insurance costs have cut in to workers' pay. Increased gas prices have meant that trips for clients, which once included museums across the state, are now largely limited to Meriden. Programs that were located in leased space near the center of the city have been moved to The Arc's main building, saving on rent but leaving the clients with disabilities more isolated.

The state is moving toward increasing its reliance on private nonprofit providers like The Arc to serve people with developmental and intellectual disabilities, closing state-run group homes and closing new admissions to public residential programs.

But at the same time, nonprofit leaders say, the state is starving them financially. The rates paid to nonprofits have been flat for four years and aren't scheduled to increase next fiscal year. With the cost of gas, heating oil and food rising, agencies have had to find other ways to save money.

"I think one might describe the sector as anorexic in certain ways because it's been revenue starved for two decades," said Patrick J. Johnson Jr., president of Oak Hill, which serves people with disabilities. He called the situation unsustainable.

And it could become even more challenging for the agencies as the state's previously projected fiscal cushions for this and the next few years have all but disappeared. The state's current spending plan could be as much as $145 million in the red, according to the legislature's nonpartisan Office of Fiscal Analysis.

Contracts with nonprofits, which represent about 7 percent of the budget, or $1.4 billion, stand out as targets for potential emergency budget cuts. The reasons go beyond math; they're among the largest pools of state spending that the governor has the authority to unilaterally rescind.

Municipal aid, by contrast, can't be touched without legislative approval, and the state's share of funding for Medicaid, the largest item in the budget, can't be reduced without federally approved changes in coverage.

Similarly, Gov. Dannel P. Malloy's concessions deal with state employee unions prevents him from ordering layoffs in most bargaining units until mid-2015. The state is also contractually obligated to make its payments on bonded debt, which represents about 10 percent of the $20.14 billion budget.

Malloy ordered $79 million in emergency budget cuts last week. Some of the reductions were aimed at freezing vacant positions, but others hit programs implemented through nonprofit providers.

And while nonprofits are not officially slated to take a hit in funding during the upcoming fiscal year, that could change as future projected surpluses have all but evaporated. In its list of budget options for the fiscal year that begins July 1, the state Department of Developmental Services included cuts to funding for private providers of day and residential services. The department noted that doing so would destabilize some providers, who could stop offering services.

In a statement, DDS said it is working to produce equitable service rates within the budget allocation. Under a new rate system for day service providers being implemented over the next seven years, 48 percent will see a decrease compared to their current rates, while 52 percent will receive the same amount or more.

A shift to the private sector

The fiscal challenges facing many nonprofits comes as the state moves toward increasing reliance on the private sector to serve people with developmental and intellectual disabilities.

Some private providers say the state could free up resources to serve more people and better fund services by more aggressively making the shift to a fully private system. Recent reports have pointed to lower costs in the private sector. In addition, there are now 550 people on a waiting list for residential services.

For years, the state has prohibited new admissions to Southbury Training School, a public institution that housed 429 people as of June. A 2010 legal settlement requires the state to evaluate all residents for community placement, although residents and their guardians can decide whether to move or not. DDS also does not allow new admissions to its other residential facilities, including five institutions known as regional centers that together have 227 residents.

The state has no official plan to close Southbury, although relatives of residents there are worried state policies will cause it to happen.

A report prepared for the legislature's Program Review and Investigations Committee recommended that DDS speed up its phasing out of public residential facilities and, eventually, only operate residential care for "extremely hard-to-place" clients or those ordered into DDS care by superior or federal courts -- about 25 people. It also recommended that DDS evaluate all regional center residents for possible community placement, and that in cases where clients, relatives or guardians opt to against moving, teams of experts evaluate the situation every year and present recommendations. The committee voted last week to draft legislation based on the recommendations.

The report noted that it cost $349.31 per day for a person to live in a privately run group home in 2010, compared to $875.39 for a state-run group home, $905.96 at Southbury and $907.07 at the regional centers. The report also found that privately run facilities had fewer deficiencies identified in investigations than publicly run ones.

Nora Duncan, executive director of The Arc of Connecticut, which was a plaintiff in the lawsuit that led to the Southbury settlement, said process of working with Southbury residents to consider community placements is working well.

"The more this happens, the more resources there are," she said, noting the hundreds of people waiting for residential services.

But advocates for Southbury question the cost and quality comparisons and say it's unclear the state would save so much money. And they raise concerns about the possibility of Southbury closing or, by being emptied of residents, effectively being starved.

David Kassel, communications director for the Southbury Training School Home and School Association, said that family members are concerned that changes like the closure of certain cottages on the campus and plans to move people into dormitory-like settings will push people to move out.

"We're just concerned that this is all part of the start of a process to eventually make things a little bit worse for people at Southbury and get them more inclined to leave," he said.

The association Kassel represents took issue with the report's findings, arguing that the quality measures, which looked at the number of deficiencies found and the number of homes without deficiencies, didn't take into account the fact that individual publicly run facilities had more residents on average than privately run ones. In addition, he said, some of the higher costs at Southbury reflect services that people would need to get outside group homes, including medical and dental care, which could end up being shifted to Medicaid or Medicare.

There's also less staff turnover, he said, in part because workers are better paid and, the association believes, better trained. "That's another reason why we take issue with the program review committee's finding on that quality finding, because it doesn't match with what our experience is," he said.

Underfunding of the private sector is also a source of trepidation for families of Southbury residents weighing their options, he said.

"That certainly makes it part of the equation that people look at when they consider the community system, and one of the reasons that there is concern that the care is not as good," he said.

"On the edge"

Lois Nitch, whose son lives in a group home run by Oak Hill, said she thinks the money spent at Southbury could be spent more wisely. But Nitch, the chairwoman of Oak Hill's parents and guardians organization, said she understands the concerns of the relatives of Southbury residents, many of whom are in their 50s and 60s and for whom transitions could be difficult.

"If that were my son or daughter, I would be frightened also," she said. But she added, "I think they'd be pleasantly surprised, provided that there's funds to provide a home that has good quality of care."

Nitch worries about funding for the private sector, and the potential for people in group homes to become more isolated if cuts make it harder for them to take field trips or get involved in the community.

"You want people out in the community to become part of a community," she said.

Nonprofit leaders share those concerns.

A group home on a residential street doesn't necessarily mean that people living there are integrated in the community, said Warren Sparrow, executive director of Options Unlimited, which runs six group homes. One man living at a home Sparrow's organization runs needs three staff to accompany him if he goes into the community, but the home only has that many workers available for him for six hours a week -- the only time he can walk outside.

"That's not good enough," Sparrow said. "He has a right to live in this community."

To make do with flat funding, Options Unlimited has put off maintenance for facilities until just before they're up for licensure inspection, Sparrow said. He worries that any further erosion of funding will mean making more of the agency's employees part-time so they won't qualify for benefits. Already, his and other agencies face turnover of close to 40 percent a year, he said.

Some private providers said many of their workers have two or more jobs and get their health insurance through the state's HUSKY program for low-income children and families.

Nonprofits that contract with the state are "on the edge," said Deb Heinrich, the nonprofit liaison to the governor. She said the governor's cabinet on nonprofit health and human services has been looking at how rates are set and is discussing sustainability.

Heinrich said she hopes that the state will be able to address some funding issues in future budgets, and noted that Malloy, in attempting to close a $3.5 billion budget deficit last year, worked hard "not to balance that on the backs of the nonprofits."