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## Social services could save the state money

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The State of Delaware has long recognized that human services are often best delivered by nongovernmental organizations. Many services for senior citizens, the disabled and homeless, or children living in poverty are funded using tax dollars but actually provided by nonprofit organizations, businesses or hospitals.

This approach draws on specialized expertise without duplicating infrastructure. The state Department of Health and Social Services operates a network of centers where both governmental and nongovernmental organizations can be found, enhancing public access.

Delivering human services through contracts has expanded over the years and is now critical to our well-being, from public health to day care. Thousands of workers are employed to provide contracted services, from minimum-wage earners to salaried professionals.

A great deal of money passes through the Department of Health and Social Services and the Department of Services to Children, Youth and their Families. In fiscal 2007, \$65 million (39 percent of the DSCYF budget) went to contracted services throughout Delaware. DHSS contracted expenditures were \$990 million (56 percent of total expenditures, including Medicaid).

Over the past two years, the Center for Community Research and Service at the University of Delaware has analyzed contracting relationships between nonprofits and state government. This work was funded by a grant from the Jessie Ball duPont Fund. Each contract has a logic with its own strengths and weaknesses. But it is striking that neither state government nor the nonprofit sector seems to treat these 1,400 contracts for human services as an integrated whole, resulting in problems and inefficiencies.

Nonprofits find themselves reporting the same information to the state in several formats because they have multiple contracts with different agencies. Nonprofits usually pay more for products because they purchase on a much smaller scale, and these costs are built into their contracts with the state. State agencies duplicate audit and oversight efforts.

In good economic times, such inefficiencies are a nuisance. In bad economic times, any one of these problems could cause a crisis in the larger service delivery system.

The state is dependent on willing partners to enter into contracts to provide services. Our analysis of randomly selected requests for proposals showed that 25 percent had only one bid response, while 19 percent had at least 10 bid responses. If the state were to make the RFP process more "user friendly," it might attract new willing partners.

For example, the state could place RFP announcements where those new to the process can easily find them (on the opening Web portal to the department), and streamline administrative and financial reporting methods so that providers can efficiently give information for accountability purposes.

The nonprofits can also do more to trim expenses by working through a central purchasing group. Nemours Health and Prevention Services recognized this and asked the United Way of Delaware to collaborate on creating one. It is called the Nonprofit Purchasing Group of Delaware ([www.npgd.org](http://www.npgd.org)).

But nonprofits throughout Delaware are not doing all they can to use this money-saving program. Our analysis of three representative nonprofits indicated they could achieve savings between 8 percent (largest nonprofit) and 35 percent

(smallest nonprofit) by making identical purchases through NPGD. Nonprofits could lower the cost of supplies, technology services, gasoline and energy costs for buildings because NPGD negotiates volume pricing with vendors.

The human services delivery system in Delaware has many advantages. It is vulnerable, though, because it is approached as a collection of isolated contracts. State agencies and nonprofit providers need to begin working across the two sectors in ways that enhance the system as a whole, regardless of the economic storms that are sure to come.

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