

SENATE BILL NO. 400—SENATORS SPEARMAN, SEGERBLOM, PARKS,  
WOODHOUSE, CANNIZZARO; CANCELA, DENIS, FORD,  
GANSERT, MANENDO AND RATTI

MARCH 20, 2017

JOINT SPONSOR: ASSEMBLYWOMAN DIAZ

Referred to Committee on Government Affairs

SUMMARY—Authorizes the Director of the Department of Health  
and Human Services to enter into success contracts.  
(BDR 18-310)

FISCAL NOTE: Effect on Local Government: No.  
Effect on the State: Yes.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted material~~ is material to be omitted.

AN ACT relating to public health; authorizing the Director of the  
Department of Health and Human Services to enter into  
success contracts; requiring the Department to publish on  
its Internet website certain information concerning such  
contracts; requiring the Department to report certain  
information to the Legislature; and providing other  
matters properly relating thereto.

**Legislative Counsel's Digest:**

Existing law creates the Department of Health and Human Services and, within the Department, the Aging and Disability Services Division, the Division of Public and Behavioral Health, the Division of Welfare and Supportive Services, the Division of Child and Family Services and the Division of Healthcare Financing and Policy. The Department is responsible for administering the provisions of law relating to its divisions. (NRS 232.300) **Section 3** of this bill authorizes the Director of the Department to enter into a success contract to accomplish any purpose within the jurisdiction of the Department or any of its divisions. **Section 2** of this bill defines the term "success contract" to mean a contract with a person or local government which provides for the person or local government to: (1) provide or arrange for the provision of services; (2) finance the cost of those services by soliciting investments; and (3) receive payment upon the achievement of specified objectives. **Section 3** requires that a success contract include certain terms and prescribes other requirements relating to such contracts. **Section 3** also requires the



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15 Department to publish the rationale for entering into a success contract on the  
16 Internet website maintained by the Department. Finally, **section 3** requires the  
17 Department biennially to report to the Legislature certain information concerning  
18 success contracts. **Section 4** of this bill creates the Success Contract Account to  
19 provide payments due under the provisions of a success contract.

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THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN  
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

1     **Section 1.** Chapter 232 of NRS is hereby amended by adding  
2 thereto the provisions set forth as sections 2, 3 and 4 of this act.

3     **Sec. 2.** *As used in this section and sections 3 and 4 of this*  
4 *act, unless the context otherwise requires, "success contract"*  
5 *means a contract between the Director and a person or local*  
6 *government that provides for the person or local government to:*

- 7         1. *Provide or arrange for the provision of services;*  
8         2. *Finance the cost of those services by soliciting investments;*  
9     *and*  
10        3. *Receive payment upon the achievement of specified*  
11 *objectives.*

12     **Sec. 3.** 1. *The Director may enter into a success contract*  
13 *with a person or local government to accomplish any purpose*  
14 *within the jurisdiction of the Department or any of its divisions.*  
15 *Each success contract must include:*

16         (a) *A requirement that payment be conditioned on achieving*  
17 *specific outcomes based on defined performance targets;*

18         (b) *An objective process by which an independent evaluator*  
19 *will determine whether the performance targets have been met;*

20         (c) *A description of the services to be provided under the*  
21 *contract and the persons who will provide those services;*

22         (d) *A schedule that prescribes the dates by which each*  
23 *performance target must be achieved, the date by which each*  
24 *payment must be made and the amount of each payment;*

25         (e) *A description of the investments that the person or local*  
26 *government will solicit to raise the money necessary to finance the*  
27 *cost of services and a provision prohibiting investors from earning*  
28 *a return on investment that exceeds 13 percent per year;*

29         (f) *Procedures by which either party may terminate the*  
30 *contract early and a transition plan to prevent or mitigate any*  
31 *adverse impact resulting from early termination; and*

32         (g) *A prohibition on any investor having input concerning the*  
33 *manner in which services are provided pursuant to the contract*  
34 *after the contract becomes effective.*

35        2. *A success contract must be awarded through a competitive*  
36 *bidding process conducted in accordance with the provisions of*



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chapter 333 of NRS. The Director may issue a request for proposals on his or her own volition or after receiving input from any person or entity. Each request for proposals must describe the services to be provided pursuant to the contract, the desired outcomes and the proposed duration of the contract.

3. Before entering into a success contract, the Director must:

(a) Determine that entering into the contract will improve the services provided pursuant to the contract and reduce the costs of the Department for providing the services;

(b) Determine that the success contract will not create a conflict of interest for any employee or independent contractor of the Department or any other person or entity; and

(c) Consult with any other state agency that may be affected by the contract.

4. For each success contract entered into pursuant to this section, the Department shall publish on its Internet website a report that sets forth the rationale for entering into the contract and the basis for that rationale.

5. On or before October 1 of each even numbered year, the Director shall submit to the director of the Legislative Counsel Bureau for transmission to the Legislature a report concerning each success contract in effect at any point during the 2 immediately preceding fiscal years. The report must include the outcomes of each such contract, including the estimated costs saved by the State because of the contract.

**Sec. 4. 1.** The Success Contract Account is hereby created in the State General Fund. The Account must be administered by the Director.

2. The interest and income earned on:

(a) The money in the Account, after deducting any applicable charges; and

(b) Unexpended appropriations made to the Account from the State General Fund,

must be credited to the Account.

3. Any money in the Account and any unexpended appropriations made to the Account from the State General Fund remaining at the end of a fiscal year do not revert to the State General Fund, and the balance in the Account must be carried forward to the next fiscal year.

4. The Department may apply for and accept gifts, grants and donations of money from any source for deposit in the Account.

5. The money in the Account must only be used to:

(a) Provide payments due pursuant to success contracts awarded in accordance with the provisions of section 3 of this act; and



1     ***(b) Administer the provisions of sections 2, 3 and 4 of this act.***

2     **Sec. 5.** NRS 232.290 is hereby amended to read as follows:

3     232.290 As used in NRS 232.290 to 232.484, inclusive, ***and***  
4     ***sections 2, 3 and 4 of this act,*** unless the context requires otherwise:

5     1. “Department” means the Department of Health and Human  
6     Services.

7     2. “Director” means the Director of the Department.

8     **Sec. 6.** The provisions of subsection 1 of NRS 218D.380 do  
9     not apply to any provision of this act which adds or revises a  
10    requirement to submit a report to the Legislature.

11    **Sec. 7.** This act becomes effective upon passage and approval  
12    for the purpose of adopting regulations and performing any other  
13    administrative tasks that are necessary to carry out the provisions of  
14    this act and on January 1, 2018, for all other purposes.

