



# Maximizing Impact Through Outcomes Contracting

Secretaries' Innovation Group

June 13, 2018

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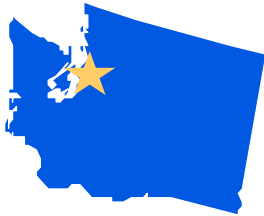
## ***Why outcomes contracting?***

Why does Third Sector believe in it?

What is the Social Impact Partnerships to Pay for Results Act (SIPPRA)?

# King County aimed to increase timely access to outpatient behavioral health services through performance incentives

## Overview of the King County Outpatient Treatment on Demand (OTOD) Initiative



King County is the largest county in Washington (13<sup>th</sup> in US), with a population of 2.1M. Seattle is the largest city in the County.



Approximately **55,000 individuals** receive outpatient mental health or substance use treatment in the County every year.



The OTOD initiative directs **\$115M in annual funding** (up to \$2.3 million in performance incentive payments) toward an increased outcomes focus to promote more timely access to care for clients.

<https://www.sccgov.org/sites/scc/pages/about-the-county.aspx>

# The County decided to use outcomes contracts to incentivize providers to achieve longer-term, high-bar outcomes

## King County mental health contracts before/after

### Traditional Performance-Based Contracting



Ties payments to **inputs** and **outputs** like job placement, medical procedure delivered.

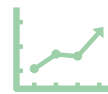


**1-3 year funding cycle** requires short contract periods; no time for course correction or improvements



Most contracts are actually just **cost-reimbursement** with no link to performance at all and no incentive for innovation.

### King County Outcomes contract



Bonus payments tied to **short term metrics** (same day access to care) and longer term health outcomes monitored



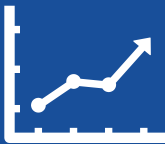
**Three year contract continues with the optional amendment;** next procurement may include additional payment points.



**Outcomes contract** uses County Medicaid capitated funds to implement “volume to value” in healthcare across all providers

# This initiative supports better health outcomes and paves the way for continued outcomes-oriented contracting

## *Rapid access may improve health outcomes*



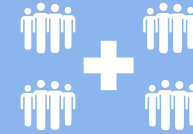
- Supporting rapid access to mental health and substance use treatment may improve health outcomes down the line
- By getting into care quickly, we aim to avoid crisis outbreaks later on

## *Model for Medicaid Value-Based Purchasing*



- Model for using data to set performance targets and engaging stakeholders serves as exemplary model for Medicaid funding shift toward Value-Based Purchasing

## *Exploring potential for outcomes work across their jurisdiction*



- Developing second outcomes oriented contract for individuals charged with domestic violence and have substance use disorder
- Embedded outcomes approach in the Budget agency to influence all public funding

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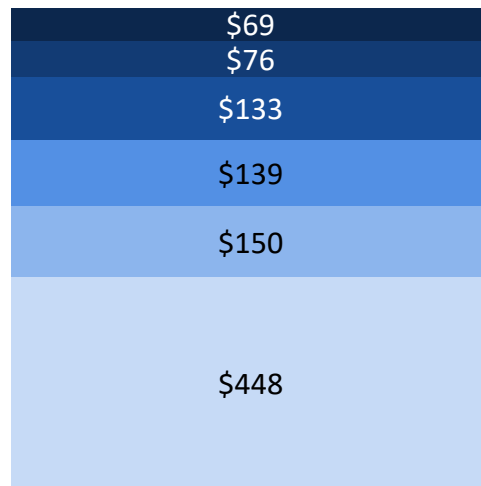
# We believe there is at least a \$1T annual government funding opportunity to dramatically improve outcomes for the most vulnerable Americans

## Third Sector's Vision for Change

*Annual Federal Government Spending<sup>1</sup>*

*With outcomes-oriented government...*

**\$1015**



Government Spending (Billions of Dollars)

- Medicaid
- Veterans Services
- Justice & Corrections
- Public Health
- Child Safety
- Housing Assistance

**Decisions** are driven by data and insight, with measurable uses and outcomes for every dollar

**Funding** flows towards organizations that continuously innovate to deliver improved outcomes for people in need

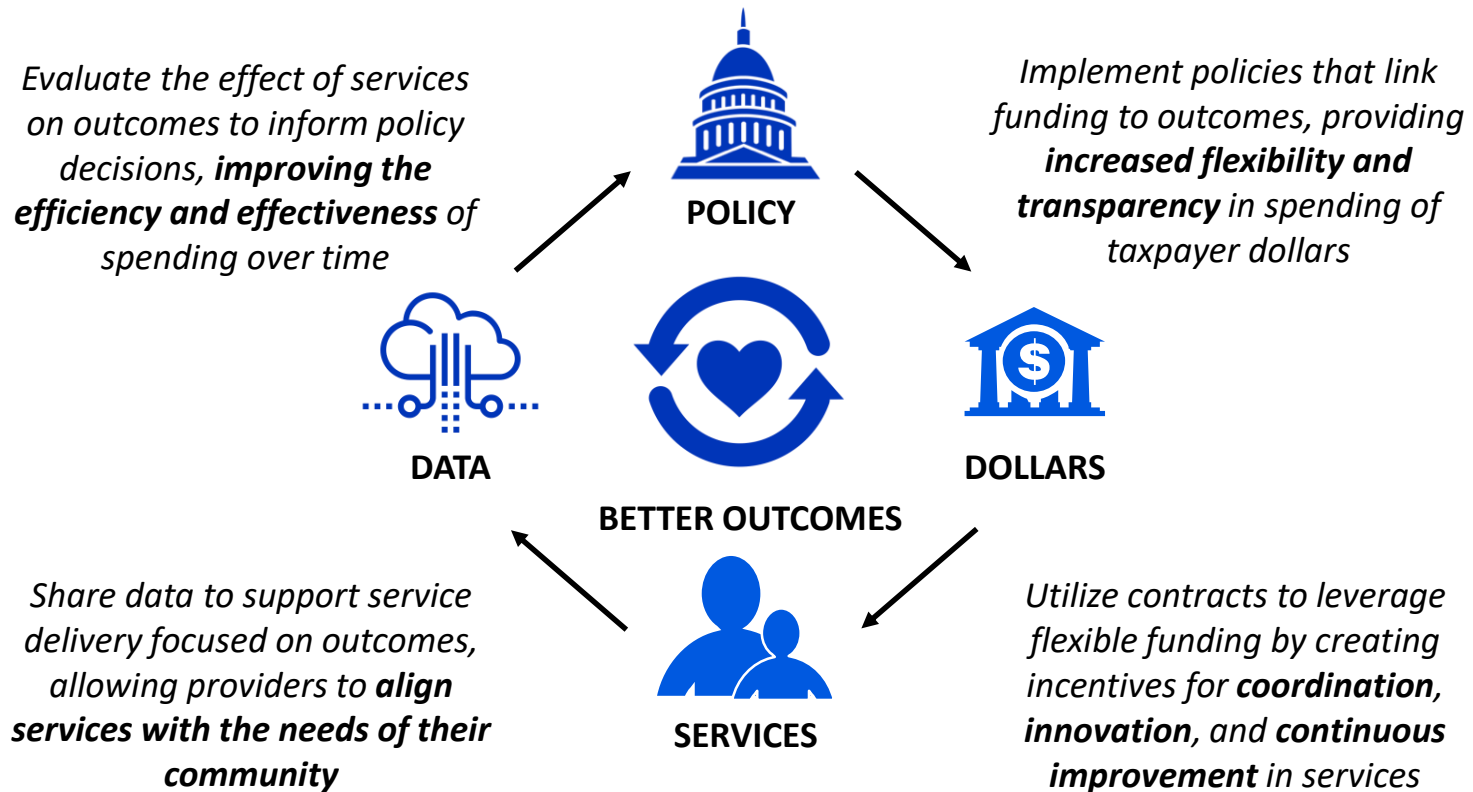
**Real solutions** emerge to eliminate social issues that have been entrenched in our communities for generations

**Change** comes from agencies innovating to achieve measurable outcomes

1) Based on data from USAFacts.org, supplemented with data from the United States Department of Health and Human Services

# Third Sector helps government agencies use innovative contracts to align policy, dollars, data, and services around improved social outcomes

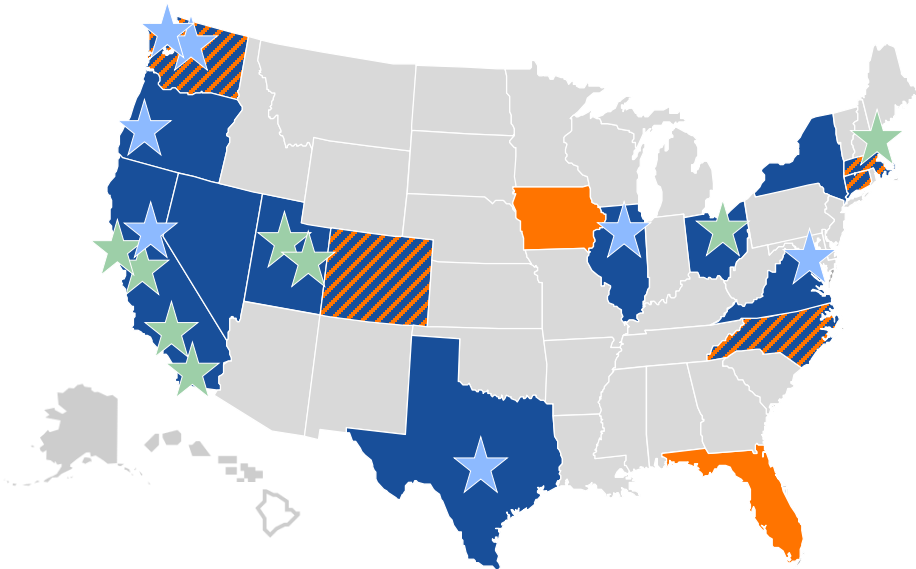
## Anatomy of an Outcomes Orientation







# Third Sector has supported over 40 communities in driving hundreds of millions of dollars in public funding towards outcomes-oriented contracts

## Third Sector's Community-Level Engagements Since 2011



New cohort:

-  New partners
-  New partners, existing geographies

40+

**Consulting Engagements**  
Community-level changes to improve societal outcomes

7

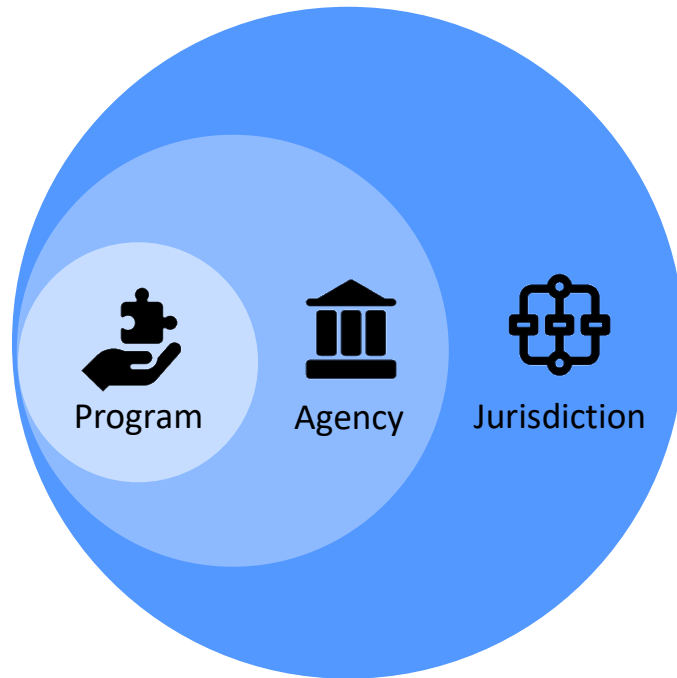
**Contracts in Development**  
Actively negotiating outcomes-oriented contracts & building necessary systems

8

**Launched Outcomes Contracts**  
Self-sustaining efforts with government end payments

# Third Sector supports government in adopting an outcomes orientation at any level – from an individual program to an entire jurisdiction

## Third Sector Engagement Levels



### **Program Level:**

Third Sector leads engagements that apply an outcomes orientation to a single, specific program

### **Agency Level:**

Third Sector helps an agency develop an outcomes orientation that shifts incentives for multiple programs

### **Jurisdiction Level:**

Third Sector helps multiple agencies adopt an outcomes orientation across an entire City, County or State

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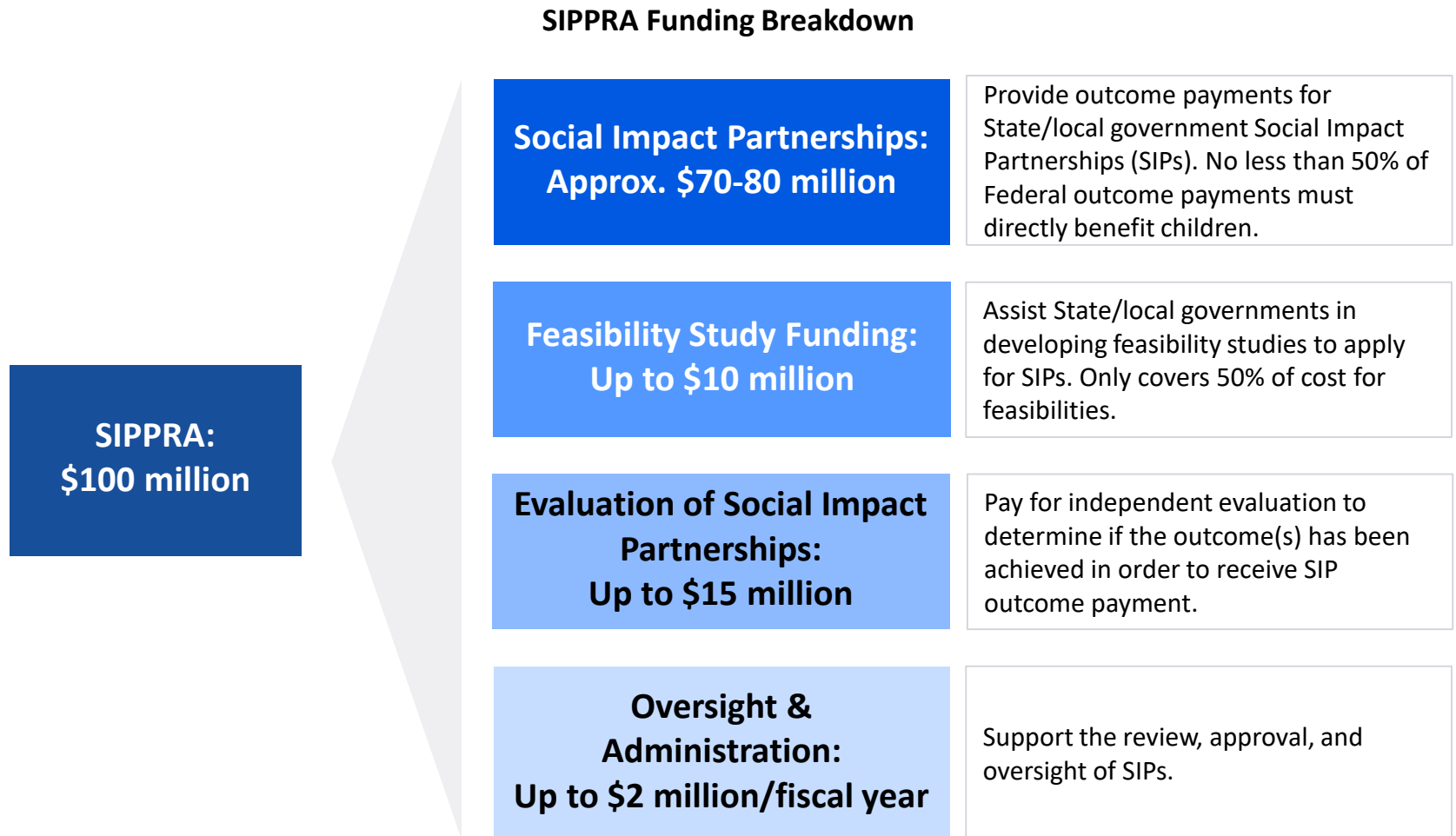
***What is the Social Impact Partnerships to Pay for Results Act (SIPPRA)?***

# The Social Impact Partnerships to Pay for Results Act (SIPPRA) provides funding that will accelerate State/local outcomes contracting projects.

## Overview of SIPPRA

- In February 2018 SIPPRA was established by the federal government to provide up to \$100 million for state and local governments to use as outcome payments in Pay for Success (PFS) projects.
- SIPPRA is an important step in the transformation of the ongoing management of public dollars for outcomes and will accelerate local government's capacity to use data-driven decision-making across multiple agencies and programs.
- **In the next 6-9 months, States who have completed a feasibility study can submit an application for these funds.**

# The \$100 million available through SIPPRA is focused on providing federal outcome payments to projects and funding feasibility studies.



## States can use the next 6-9 months to complete a feasibility study that will be required for a successful SIPPPRA application

- Feasibility studies will allow States to determine a variety of project details necessary for SIPPPRA applicants, including:
  - beneficiary population,
  - priority outcomes,
  - intervention/program model,
  - payment terms,
  - evaluation design, and
  - budget/economics
- An important aspect of SIPPPRA will be demonstrating the benefit to the ***federal*** government that results from successfully achieving project outcomes.

# Appendix

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# Social Impact Partnerships (SIPs) funding will allow State/local governments to received federal outcome payments for projects.

## Overview of Social Impact Partnership Funding

### Applicants

- **State and/or local governments for use as outcome payments ONLY. Funding is not provided to cover project costs during or before implementation.**
- Applicants will need to provide details on a variety of project details, including outcomes, intervention, payment terms, evaluation, intermediary, and economics.
- Previously completed feasibility studies are acceptable to provide these details.

### Selection Criteria/ Requirements

- Maximum project length of 10 years.
- Social benefit and savings (program-by-program basis as well as in aggregate) to federal government of the SIP's outcomes.
- Social benefit and savings to State/local governments of the SIP's outcomes.
- Likelihood, based on existing evidence, that the State/local government and service provider(s) will achieve the outcomes.
- Quality and rigor of independent evaluation.
- Capacity and commitment of State/local government to sustain intervention, if appropriate, beyond the period of the SIP.

### Issue Areas

- Broad range of outcomes are prioritized, including: workforce, education, health, child welfare, homelessness, and justice.
- "Other measurable outcomes defined by the State and local governments that results in positive social outcomes and Federal savings."

Note: Formal applications and selection criteria will be released in the coming months.



# Up to \$10 million in funding for feasibility studies is available to State/local governments who plan to apply for SIP funding.

## Overview of Feasibility Study Funding

### Applicants

- State and/or local governments who plan to use feasibility study funding to ultimately apply for SIP outcome payment funding.
- **Feasibility study funding will pay for up to 50% of total feasibility study cost. Additional funds would need to be secured to support full cost of work.**
- Application must detail potential project outcomes, intervention, evaluation design, intermediary, and economics (including estimated government savings).

### Selection Criteria/ Requirements

- Feasibility must be completed no later than 9 months after receipt of funding.
- Likelihood that proposal will achieve desired outcomes.
- Value of the outcomes expected to be achieved as a result of each intervention.
- Potential social benefit and savings to the Federal Government if the SIP is successful.
- Potential social benefit and savings to the State/local governments if the SIP is successful.

### Issue Areas

- Broad range of outcomes are prioritized, including: workforce, education, health, child welfare, homelessness, and justice.
- “Other measurable outcomes defined by the State and local governments that results in positive social outcomes and Federal savings.”

Note: Formal applications and selection criteria will be released in the coming months.

# Two new governing bodies are established to award funding to SIP projects and advise on policy for the future of outcomes contracting.

## Overview of SIPPRA Council and Commission

### Federal Interagency Council on Social Impact Partnerships

#### Summary of Duties:

- Advise and assist the Secretary in the development and implementation of projects;
- Address issues and advise the Executive Branch on the future of SIPs in the US; and
- Certify SIPs and ensure rigorous evaluation methodology, likelihood of impact, and expected savings to the Federal Government.

#### Members:

- Chair – Director of the Office of Management and Budget
- One officer or employee of: Labor, Health and Human Services, Social Security Administration, Agriculture, Justice, Housing and Urban Development, Education, Veterans Affairs, Treasury, and Corporation for National and Community Service.

### Commission on Social Impact Partnerships

#### Summary of Duties:

- Assist in reviewing applications for funding;
- Make recommendations on the funding of SIPs and feasibility studies; and
- Provide assistance and information as requested by the Secretary and Federal Interagency Council.

#### Members:

- Chair – Appointed by the President
- Nine members appointed by leaders of each party of Congress and Chairs/Ranking members of the Senate Finance Committee and House Committee on Ways and Means.

## Disclosure

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