



Maximizing Impact Through Outcomes Contracting

Secretaries' Innovation Group

June 13, 2018

The following information is based on publicly available legislation. The information may change as the law is implemented.

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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 (13th 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



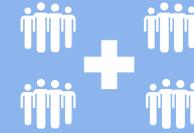
- Supporting rapid access to mental health and substance use treatment may improve health outcomes down the line
- By getting into care quickly, we aim to avoid crisis outbreaks later on

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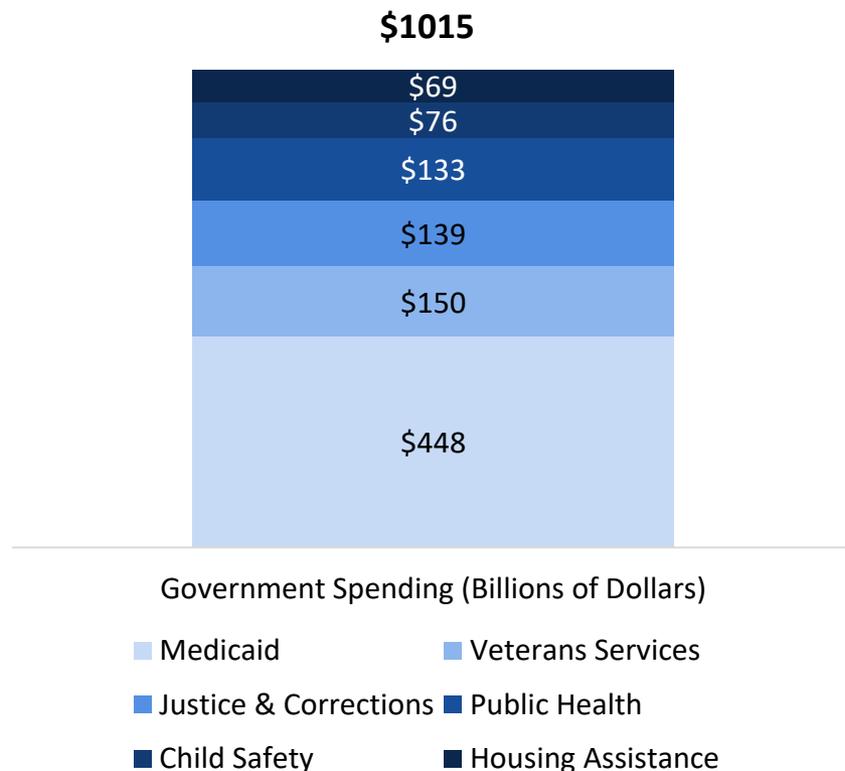
What is the Social Impact Partnerships to Pay for Results Act (SIPPRA)?

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 Spending¹

With outcomes-oriented government...



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

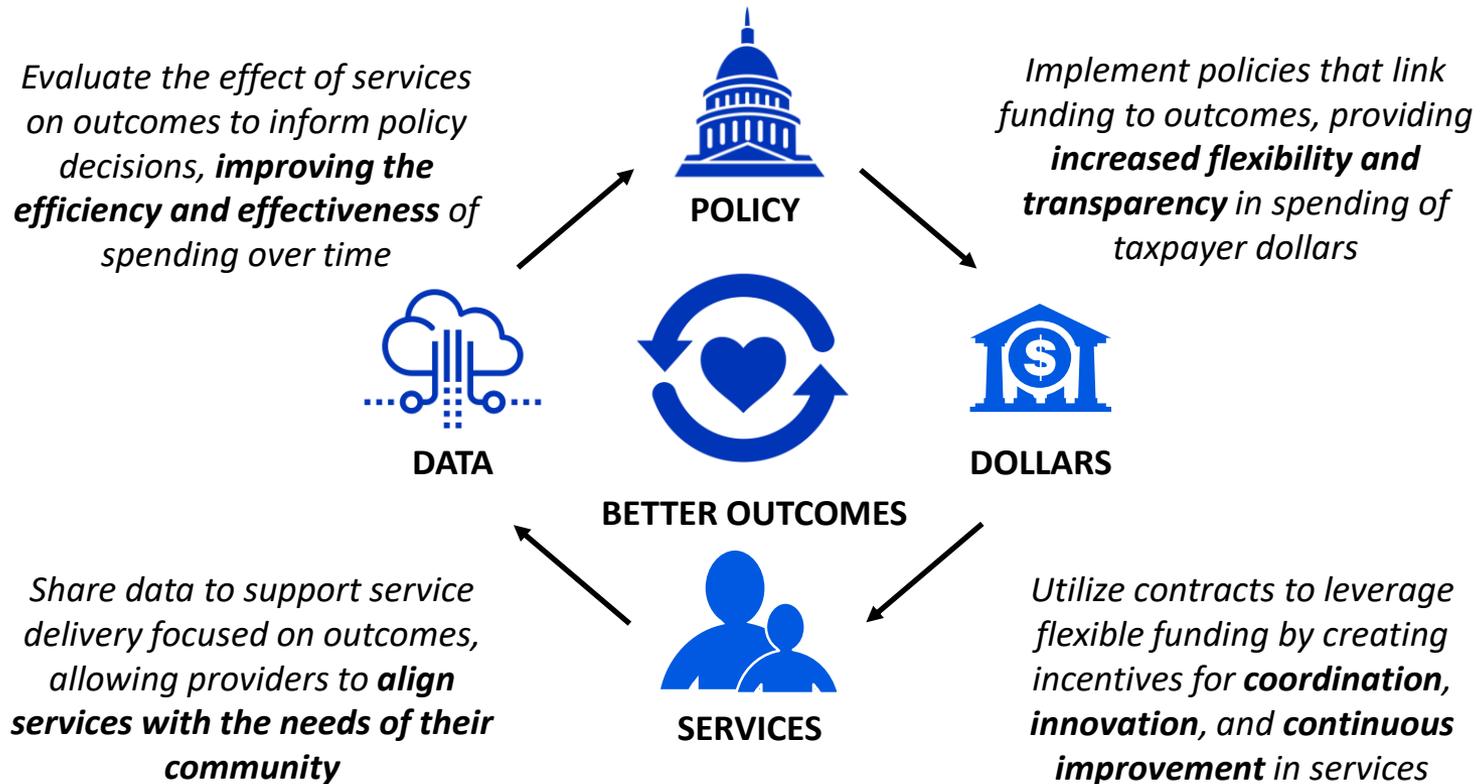
Real solutions emerge to eliminate social issues that have been entrenched in our communities for generations

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

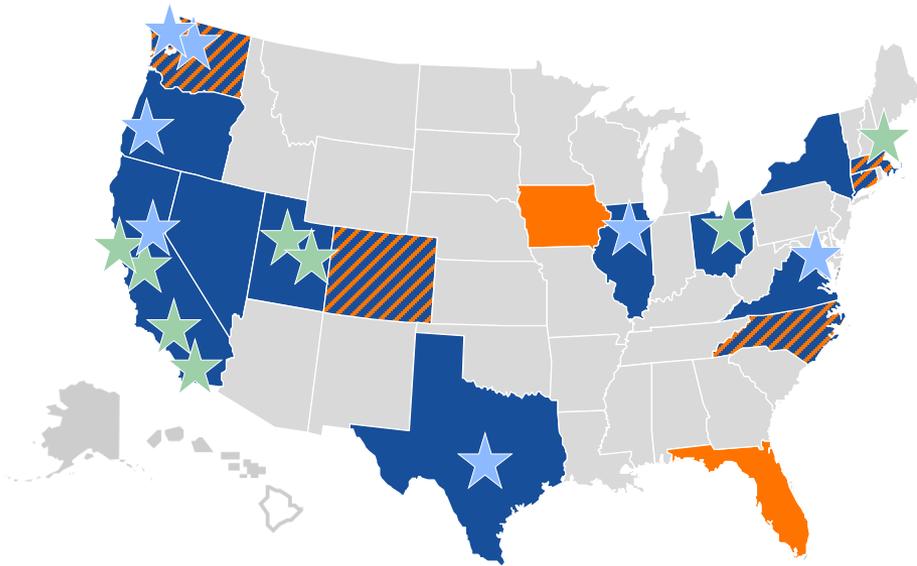
Third Sector helps government agencies use innovative contracts to align policy, dollars, data, and services around improved social outcomes

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



40+

Consulting Engagements
Community-level changes to improve societal outcomes

7

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

8

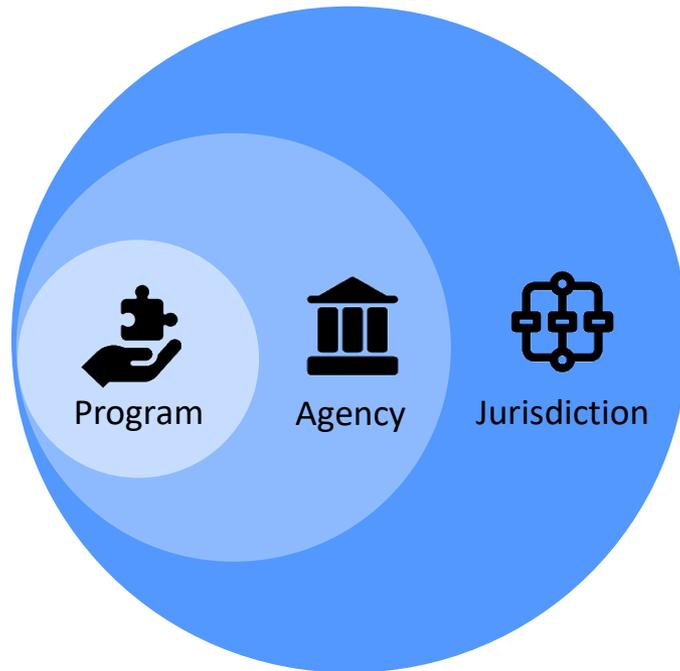
Launched Outcomes Contracts
Self-sustaining efforts with government end payments

New cohort:

-  New partners
-  New partners, existing geographies

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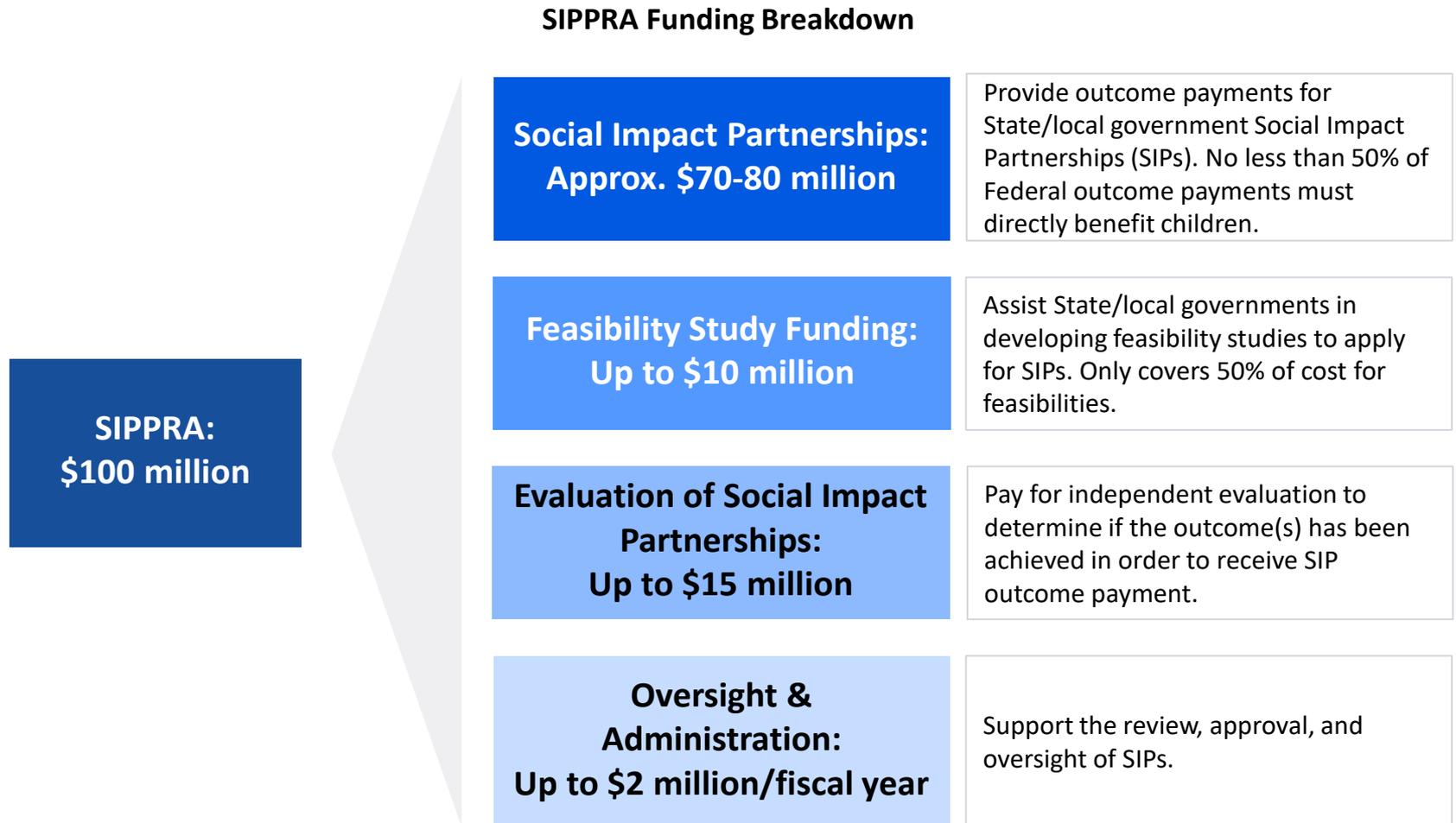
What is the Social Impact Partnerships to Pay for Results Act (SIPPRA)?

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 SIPBRA application

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

Appendix

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.

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