Maximizing Impact Through Outcomes Contracting

Secretaries’ Innovation Group

July 20, 2017
N. Virginia is using outcomes contracting to incentivize better workforce outcomes for foster care and justice-involved youth.

### PRESENT

- **Periodic Enrollment**: Under 10 FC and CJ youth enrolled per year
- **Ad Hoc Data Gathering**: Outcomes not tracked for FC and CJ youth
- **Cost-Reimbursement**: Provider reimbursed for time and materials

### FUTURE

- **Coordination and Outreach**: 100 FC and CJ youth served over 3 years
- **Outcomes Tracking**: Employment and academic outcomes tracked quarterly
- **Performance Payments**: Up to $150K in payments for FC and CJ outcomes

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Third Sector Capital Partners

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New workforce legislation incentivizes states to structure outcomes-oriented “P4P” contracts to achieve longer-term, high-bar outcomes

Workforce Innovation and Opportunity Act (WIOA) P4P Provisions

**Traditional Performance-Based Contracting**
- Ties payments to **inputs** and **outputs** like job placement.
- **2-year funding cycle** requires short contract periods; no time for course correction
- Most workforce contracts are actually just **cost-reimbursement** with no link to performance at all.

**WIOA Pay-for-Performance**
- Payments tied to **long-term outcomes** like education attainment, wage growth and reduced recidivism.
- 10% “no-year” set-aside of WIOA formula funds can be spent well beyond the 2-year funding cycle.
- P4P contracting strategy required. Includes **evaluation**, 3rd party data checks, and project cost-modeling.
These funds are a fraction of more than $13B in Federal funding spent annually on workforce programs across 11 agencies and 47 programs.

Federal Funding Status Quo

$13 Billion in Federal Workforce Funding

Funds pay for services regardless of outcomes
Focus on short-term results
Services are disconnected

Enormous opportunity to build off of WIOA P4P and improve outcomes across multiple funding streams
Paying for performance is a continuum of contracting methods

**Payments for Outcomes**
- Payment based on outcomes (e.g. number of youth that secured employment). New focus in WIOA P4P on high-bar, long-term outcomes that gives flexibility to providers.

**Payments for Outputs**
- Payment based on outputs (e.g. number of youth that received a service). Focus of traditional performance-based contracts.

**Cost Reimbursement**
- Payment based on costs incurred. Most workforce contracts fall in this category.
Outcomes contracts work not only in workforce, but across human services

<table>
<thead>
<tr>
<th>Issue Area</th>
<th>Intervention</th>
<th>Payment</th>
<th>Data Source</th>
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<tbody>
<tr>
<td>Recidivism</td>
<td>Job training and support services</td>
<td>Reduction in jail bed days; increase in wages and employment</td>
<td>Justice and UI records</td>
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<tr>
<td>Homelessness</td>
<td>Long-term stable housing and mental health services</td>
<td>Reduction in jail bed days, months of stay in permanent housing</td>
<td>Justice records, housing records</td>
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<tr>
<td>Foster Care</td>
<td>Reconnecting caregivers with children in stable housing</td>
<td>Decreased days spent in foster care placement</td>
<td>Child welfare data</td>
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<tr>
<td>Workforce</td>
<td>Training, job placement, and supportive services</td>
<td>Wage growth, reduced TANF and SNAP receipt</td>
<td>Tax records, UI, TANF, and SNAP data</td>
</tr>
<tr>
<td>Mental Health</td>
<td>Community-based care and housing</td>
<td>Reduced use of emrgncy services/hospitalizations</td>
<td>Medicaid and hospital data</td>
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**What steps can states take to move towards an outcomes-orientation?**

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<tr>
<th>Developing an Outcomes Orientation</th>
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<tr>
<td><strong>PROCUREMENT POWER:</strong> Every procurement is an opportunity to align resources with results – use it! Outcomes payments can be part of a larger contracting strategy, and it is ok to start small.</td>
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<tr>
<td><strong>INVESTIGATE:</strong> Get to know your service population, the interventions in your community and the data that tells you how they are doing.</td>
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<td><strong>LINK DATA:</strong> Turn your data into actionable information by embedding it in contracts. Start small, building in governance policies that link data and share it with providers to enable learning over time.</td>
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<td><strong>SEEK SUPPORT:</strong> Increase your capacity and the time dedicated to outcomes-oriented contracting. Apply for our competitions!</td>
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How has Third Sector helped develop an outcomes-based contract to drive resources to effective programs across the U.S.?

We are implementers of outcomes based policy and contracts

1. **Intervention Assessment**
   - We analyzed the track records, outcomes metrics, and costs of interventions for the service population in the community.

2. **Service Population Referral Pathways**
   - We documented how participants were referred into the program and whether services were coordinated across agencies for a seamless experience.

3. **Data Analysis and Cost Modeling**
   - We identified data sources to measure outcomes for the service population and used cost-modeling to determine the appropriate price-per-outcome.

4. **Outcomes Contracting Plan**
   - We developed a detailed plan for measuring and tracking outcomes, validating data, and paying for outcomes and embedded that within a contract amendment.
To date, Third Sector has supported outcomes-oriented work in over 20 communities and driven over $100M in public funding to new contracts.

Third Sector’s Community-Level Engagements Since 2011

- **Consulting Engagements**: Community-level changes to improve societal outcomes (35+)
- **Contracts in Development**: Actively negotiating outcomes-based contracts & building necessary systems (6)
- **Launched Outcomes Contracts**: Self sustaining efforts with government end-payments (6)

Third Sector currently has an open competition for 5 states interested in improving outcomes for Children and Families, and is prioritizing improving workforce and employment outcomes.
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