

# Performance Based Contracting for Human Service Providers

April 10, 2014

Department of Human Services  
Economic Security Administration



## The Problem:

The District of Columbia had a growing TANF caseload, and families were languishing on TANF with little movement towards self-sufficiency

# The Solution

Invest in an individualized service model facilitated by a comprehensive individual assessment and supported by intelligent referrals utilizing performance based contracting.

# The TANF redesign includes several programmatic enhancements

Current TEP	Redesigned TEP
Primary focus is Federal Work First mandate	Balanced focus on Work First, remediation of barriers to employment, educational enhancement, and skills acquisition.
Only customers who are referred to vendors receive orientation and assessment	Orientation and assessment will be a condition of eligibility
Breadth and depth of orientation varies across vendors	Comprehensive and standard orientation will be conducted by DHS
Assessments are high-level and inconsistently administered across vendors	Centrally administered by DHS, assessments will be holistic, rigorous and in-depth

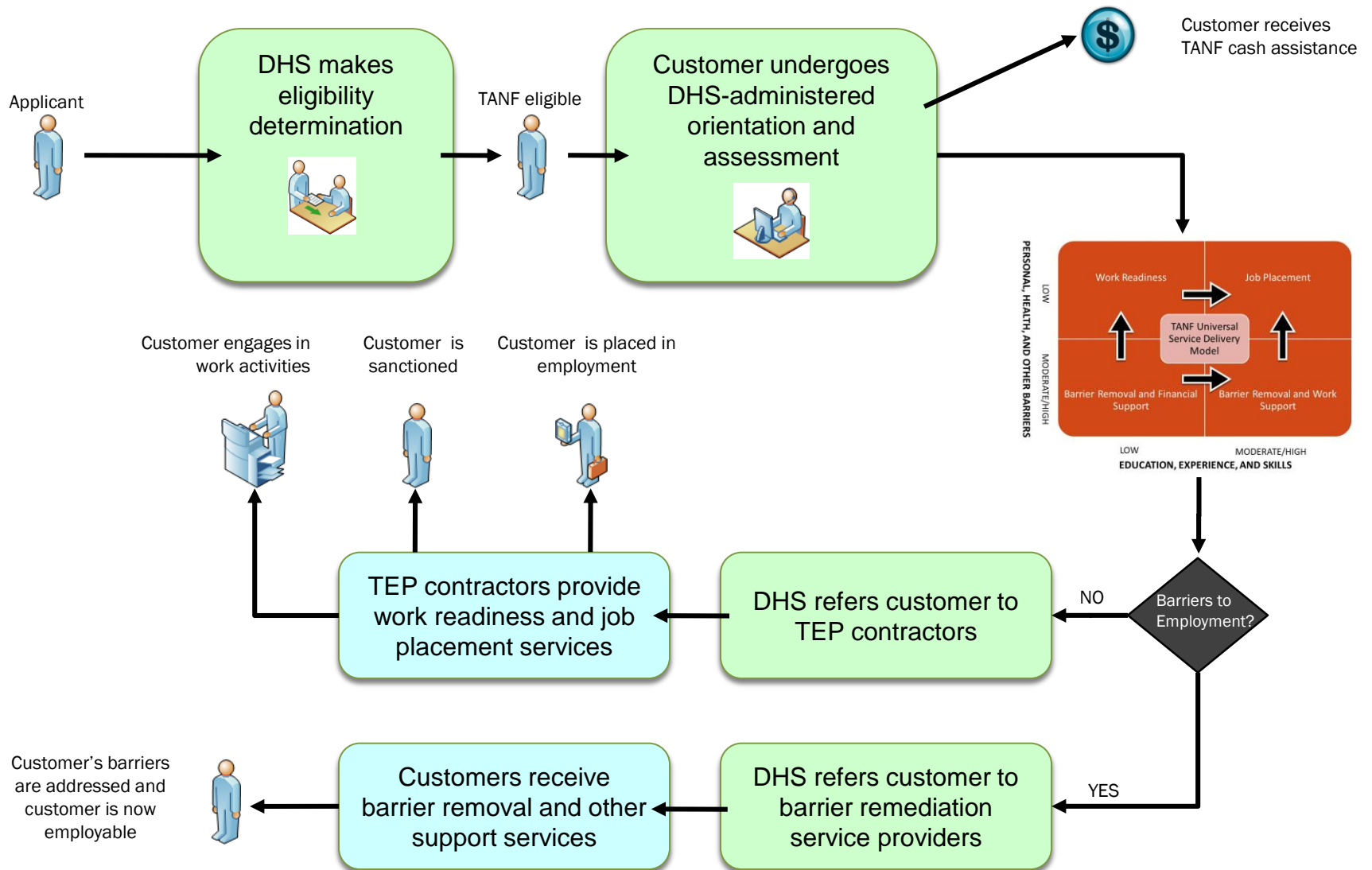
# The TANF redesign includes several programmatic enhancements (cont.)

Current TEP	Redesigned TEP
Walk-in allowed	Walk-ins will be referred back to DHS for orientation and assessment
Sanction policy limited to removing adult portion of the grant	Progressive, graduated sanction policy
Case management services are “lightweight”	Individualized, intensive wraparound case management services
Vendors compensated for assessments and home visits that do not always lead to outcomes	All payments points are tied to specific and measurable outcomes

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# High-level process: redesigned TEP



# An accountable welfare-to-work program with clear goal and outcomes

## Goal

Move TANF customers towards greater levels of self-sufficiency by assisting them in preparing for, finding, and retaining unsubsidized employment that provide family-sustaining incomes

**Outcome #1**  
Increase the number of customers who overcome education and skill barriers to become employable

**Outcome #2**  
Increase the number of customers who meet work participation requirements

**Outcome #3**  
Increase the number of customers who gain employment

**Outcome #4**  
Increase the number of customers who secure high wage jobs

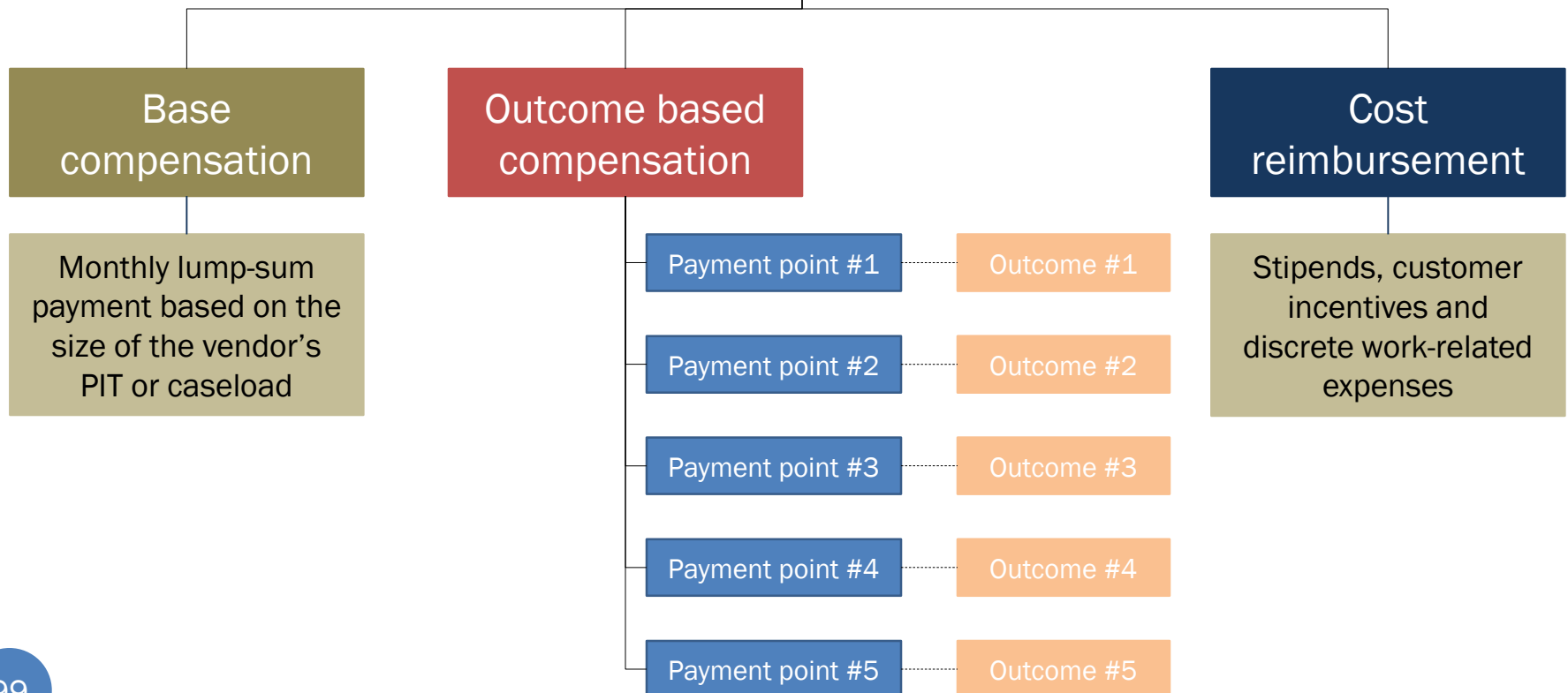
**Outcome #5**  
Increase the number of customers who retain their jobs

**Outcome #6**  
Increase the number of customers who move-off TANF



# Vendors' compensation is heavily tied to achievement of outcomes

## 3 types of payments to TEP vendor



# The compensation is grounded in an extensive cost model

Job placement rate for all customers assigned to providers of employment related services

OUTCOME/METRIC	ACTUAL/ST. FY2020	FY2011 (Est)	TEP TARGET FY2013	FY2013
Rate at which customers successfully complete education/training program(s) in their IRP		2%	3%	4%
Work participation rate for all customers assigned to providers of employment related services	26%	26%	31%	37%
Work participation rate for customers assigned to job placement service providers		32%	36%	43%
Work participation rate for customers assigned to work readiness AND job placement service providers		22%	26%	32%
Work participation rate for customers in not-employed PIT		21%	23%	27%
Work participation rate for customers in employed PIT		48%	51%	55%
Job placement rate for all customers assigned to providers of employment related services	7%	7%	9%	12%
Job placement rate for customers assigned to job placement service providers		9%	11%	14%
Job placement rate for customers assigned to work readiness AND job placement service providers		6%	8%	11%
Higher wage rate for all customers assigned to providers of employment related services	29%	30%	32%	36%
Higher wage rate for customers assigned to job placement service providers		19%	21%	24%
Higher wage rate for customers assigned to work readiness AND job placement service providers		40%	43%	47%
Job retention rate for all customers assigned to providers of employment related services	48%	48%	51%	55%
Job retention rate for customers assigned to job placement service providers		50%	53%	58%

PTT RECONCILIATION AND OUTCOMES

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12
<b>PTT RECONCILIATION AND OUTCOMES</b>											
<b>CUSTOMER RECONCILIATION FOR ALL SERVICE PROVIDERS</b>											
1 NOT EMPLOYED PIT											
2 Opening number of not-employed customers	2,250	2,250	2,250	2,250	2,250	2,250	2,250	2,550	2,550	2,550	2,550
3 Add capacity ramp-ups							300				
4 Add number of referrals from DHS	382	379	378	378	378	380	440	442	444	444	444
5 Add number of customers becoming unemployed	32	38	43	48	51	54	57	61	64	67	71
6 Less number of customers sanctioned	140	141	142	143	144	145	145	147	148	149	150
7 Less number of customers exempted	45	43	42	41	39	38	41	40	39	37	36
8 Less number of customers whose cases closed	68	68	68	68	68	68	77	77	77	77	77
9 Less number of customers who gained employment	162	166	170	175	179	184	184	214	220	225	231
10 Closing number of not-employed customers	2,230	2,230	2,230	2,230	2,230	2,230	2,300	2,300	2,300	2,300	2,300
<b>EMPLOYED PIT</b>											
11 Opening number of employed customers	450	537	614	682	743	798	849	922	988	1,049	1,101
12 Add number of customers who gained employment	162	166	170	175	179	184	214	220	225	231	231
13 Less number of customers in continuous employment > 6 months	42	51	59	66	73	78	84	92	100	107	111
14 Less number of customers becoming unemployed	32	38	43	48	51	54	57	61	64	67	71
15 Closing number of employed customers	537	614	682	743	798	849	922	988	1,049	1,106	1,166
<b>TOTAL PIT</b>	2,287	2,484	2,932	2,993	3,048	3,099	3,472	3,538	3,599	3,656	3,711
<b>SERVICE PROVIDER OUTCOMES</b>											
16 PPA Number of work placements within 4 months	142	166	170	48	50	52	62	64	67	70	71
17 PPA Number of work placements within 6 months	117	129	132	53	57	61	62	61	61	61	61
18 PPA Number of customers eligible for higher wage bonuses	48	50	51	53	55	57	62	69	71	74	77
19 PPA Number of customers eligible for participation bonuses	448	473	479	485	490	496	571	578	585	591	596
20 PPA Number of customers eligible for retention bonuses	216	206	208	213	205	205	423	463	499	536	561
21 PPA Number of customers eligible for re/training completion bonuses	54	54	54	54	55	55	61	61	61	62	61
<b>ECONOMICS OUTCOMES</b>											
22 Number of customers eligible for stipend/discretionary expense	796	805	814	824	834	843	971	982	994	1,005	1,011
23 Number of customers eligible for education/training completion bonus	54	54	54	54	55	55	61	61	61	62	61
24 Number of customers eligible for 2-week incentive	149	153	157	161	165	170	199	204	209	215	220
25 Number of customers eligible for 1-month to 5-month incentive	120	128	239	287	293	318	339	370	400	428	451
26 Number of customers eligible for 6-month incentive	42	51	59	66	72	78	81	92	100	107	111
<b>WORK REVENUE PROJECTIONS</b>											

THE CATIA\_AssignedCustomerReport, there are current 181 exempted customers and 442 exemptions required. Assuming these exemptions last to 13 months (i.e. 38 exemptions per month) and a cost of 2,200 not employed customers, then this

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>43 SERVICE PROVIDER INCOME STATEMENT</b>												
<b>44 INCOME</b>												
45 Base compensation	\$ 333,827	\$ 333,827	\$ 333,827	\$ 333,827	\$ 333,827	\$ 336,369	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513
46 Pay for outcome compensation	\$ 255,987	\$ 274,295	\$ 291,067	\$ 281,293	\$ 295,389	\$ 308,729	\$ 341,959	\$ 378,283	\$ 393,944	\$ 409,311	\$ 424,678	\$ 439,045
47 Total income	\$ 589,814	\$ 608,122	\$ 624,894	\$ 615,120	\$ 629,215	\$ 645,092	\$ 702,282	\$ 735,472	\$ 751,457	\$ 766,824	\$ 786,562	\$ 796,558
<b>48 OPERATING COSTS</b>												
49 Stipend costs												
50 Personnel costs for not-employed PIT	\$ 404,167	\$ 404,167	\$ 404,167	\$ 404,167	\$ 404,167	\$ 446,250	\$ 446,250	\$ 446,250	\$ 446,250	\$ 446,250	\$ 446,250	\$ 446,250
51 Personnel costs for employed PIT	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 45,000	\$ 48,750	\$ 48,750	\$ 48,750	\$ 48,750	\$ 48,750	\$ 48,750
52 Taxes and benefits	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500	\$ 79,500	\$ 80,850	\$ 89,100	\$ 89,100	\$ 89,100	\$ 89,100	\$ 89,100	\$ 89,100
53 Total staffing costs	\$ 521,167	\$ 521,167	\$ 521,167	\$ 521,167	\$ 521,167	\$ 572,100	\$ 584,100	\$ 584,100	\$ 584,100	\$ 584,100	\$ 584,100	\$ 584,100
54 General overhead	\$ 134,402	\$ 134,402	\$ 134,402	\$ 134,402	\$ 134,402	\$ 136,345	\$ 128,217	\$ 128,217	\$ 128,217	\$ 128,217	\$ 128,217	\$ 128,217
55 Total operating costs	\$ 655,569	\$ 655,569	\$ 655,569	\$ 655,569	\$ 655,569	\$ 718,445	\$ 712,317	\$ 712,317	\$ 712,317	\$ 712,317	\$ 712,317	\$ 712,317
<b>56 NET PROFIT</b>	\$ (45,756)	\$ (27,448)	\$ (10,676)	\$ (20,449)	\$ (6,394)	\$ (770)	\$ (10,993)	\$ 7,155	\$ 33,480	\$ 9,140	\$ 44,500	\$ 44,500
57 NET PROFIT %	-8%	-5%	-2%	-3%	-1%	0%	-1%	1%	3%	3%	5%	5%
<b>58 PAYMENTS TO SERVICE PROVIDER</b>												
59 Base compensation	\$ 333,827	\$ 333,827	\$ 333,827	\$ 333,827	\$ 333,827	\$ 336,369	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513	\$ 357,513
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<b>62 PAYMENTS TO CUSTOMERS</b>												
63 Total expense stipend	\$ 255,582	\$ 246,708	\$ 277,113	\$ 286,786	\$ 295,329	\$ 304,658	\$ 344,044	\$ 355,541	\$ 366,192	\$ 376,470	\$ 386,490	\$ 396,490
64 Monthly cost per customer	\$ 303	\$ 305	\$ 308	\$ 301	\$ 304	\$ 307	\$ 304	\$ 304	\$ 304	\$ 304	\$ 304	\$ 304
<b>65 METRICS</b>												
66 Goal 1: Education/training program completion rate	2%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
67 Goal 2: Participation rate for all customers	23%	26%	27%	29%	29%	29%	29%	29%	31%	31%	31%	31%
68 Goal 3: Participation rate for customers in not-employed PIT	23%	23%	23%	22%	22%	22%	22%	22%	23%	23%	23%	23%

Customer moving off TANF as a % of those in employment

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
<b>2 PIT activity assumptions</b>												
3 Customers becoming unemployed as a % of opening employed PIT <sup>1</sup>	9%	9%	9%	9%	8%	8%	8%	8%	8%	8%	8%	7%
4 Customers sanctioned as a % of opening NE PIT <sup>2</sup>	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%
5 Customers exempted as a % of opening NE PIT <sup>3</sup>	2%	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%	1%
6 Customers whose cases closed as a % of opening NE PIT <sup>4</sup>	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
7 Customers gaining employment as a % of opening NE PIT <sup>5</sup>	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
8 Customers employed > 6 months as a % of opening employed PIT <sup>6</sup>	10%	10%	10%	10%	10%	10%	10%	11%	11%	11%	11%	11%
<b>9 Outcome assumptions</b>												
10 Customers employed within 3 months as a % of those gaining employment <sup>7</sup>	100%	100%	100%	25%	25%	26%	26%	27%	27%	28%	28%	29%
11 Customers employed after 3 months as a % of those gaining employment <sup>8</sup>	0%	0%	0%	75%	75%	74%	74%	73%	73%	72%	72%	71%
12 Higher wage customers as a % of customers gaining employment <sup>9</sup>	60%	40%	41%	41%	42%	42%	43%	43%	43%	43%	44%	44%
13 Customers eligible for participation bonus as a % of opening NE PIT <sup>10</sup>	18%	18%	18%	19%	19%	19%	20%	20%	20%	20%	20%	21%
14 Customers eligible for retention bonus as a % of opening NE PIT <sup>11</sup>	45%	45%	46%	46%	46%	47%	47%	47%	48%	48%	48%	49%
15 Customers who complete education/training programs as a % of opening NE PIT <sup>12</sup>	4%	4%	4%	4%	4%	4%	5%	5%	5%	5%	5%	5%
16 Customers eligible for 2-week incentive as a % of customers gaining employment <sup>13</sup>	90%	90%	90%	90%	91%	91%	91%	91%	91%	91%	91%	92%
<b>17 Customers who move off TANF</b>												
18 Customers moving off TANF as a % of those employed > 6 months	20%	20%	21%	21%	22%	22%	23%	23%	24%	24%	25%	26%
19 Customer moving off TANF as a % of those in employment	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b>20 Pay-for-outcome payment points</b>												
21 PPA Work placement bonus for placement within 4 months	\$ 400											
22 PPA Work placement bonus for placement within 6 months	\$ 400											
23 PPA Participation bonus	\$ 200											
24 PPA Higher wage bonus for wages > \$20/hr	\$ 200											
25 PPA Employment retention bonus	\$ 400											
26 PPA Education/training program completion bonus	\$ 400											
<b>27 Total Expense Stipend &amp; Discretionary Work-Related Expense</b>												
28 Customers eligible for stipend as a % of those eligible for participation bonus	170%	170%	170%	170%	170%	170%	170%	170%	170%	170%	170%	170%
29 Average stipend + discretionary cost per customer per month	\$ 220											
<b>30 Size of work readiness job placement pool for NE PIT</b>												
31 Size of work readiness job placement pool for NE PIT	100%	98%	96%	94%	93%	91%	89%	88%	88%	84%	83%	81%

# Recommendations

- Grants should allow for outcome based contracting
- Funding model should be full grants vs matching grants
- Meet the provider to collaborate and continuously improve the program
- Should include monitoring and review, and technical assistance
- Provide flexibility to scale based on performance
- Programs should be designed to target “hot jobs” in the area, and include core competencies for entry level positions.
- Should have an integrated person-centered focus.

# Contact

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