



PARTNERS IN WELLNESS

FREQUENTLY ASKED QUESTIONS

How will Partners in Wellness be funded?

The County will fund Telecare's services in *Partners in Wellness* through two agreements—a \$16.9M Clinical Services Agreement, which covers Medi-Cal reimbursable service, and an \$11.2M Pay for Success Agreement. Over the course of the six-year Pay for Success Agreement, the County will either make additional payments to, or withhold from, Telecare a maximum of \$1.4M in “success payments.”

How are success payments determined?

Success payments will be paid to or withheld from Telecare based on Telecare's ability to sufficiently reduce its clients' utilization of costly County emergency, inpatient, and contracted psychiatric services and jail days, while improving health and wellness for the individuals receiving services.

Based on a review of comparable programs' impact within the County, Telecare's experience with the population, and negotiation between the County and Telecare, the project has established a comprehensive set of service utilization reduction targets that Telecare must achieve through the PFS intervention.¹ Successful achievement of these targets represents a significant improvement in the level of costly County services historically used by individuals who meet the project eligibility criteria, indicating greater stability and well-being. The resulting improved flow of patients through these facilities is anticipated to create savings and efficiencies in the County's health system while improving participants' coordination of care and avoiding visits to jail and emergency psychiatric services.

If Telecare successfully meets these target levels of impact, the County will pay to Telecare the full \$11.2M covered under the Pay for Success agreement. Furthermore, if Telecare successfully *exceeds* its target impact levels, the County will pay additional success payments to Telecare. If Telecare *underachieves* its target impact levels, the County will withhold a portion of the \$11.2M in payments to Telecare. The County will pay up to or withhold from, Telecare a maximum total amount of \$1.4M in success payments over the course of the six years. The size of these success payments/withholdings will be assessed by the Independent Evaluator (Stanford University) every six months and distributed and/or withheld from Telecare every twelve months. The \$1.4 in performance-contingent funding creates a meaningful incentive for Telecare to meet or exceed its impact targets and successfully improve participants' outcomes.

Why did the County elect not to pursue private funding?

In many PFS projects, governments tap private investments to cover the upfront costs of the programs. If the program is successful in improving the lives of the people it is meant to serve, then the government repays those who made the original investment. If, and only if, the program exceeds the pre-determined outcomes, the government pays a small return on the investment. If the program does not achieve its target results, the government does not fully repay those who made the original investment. This means that in a typical project, the investors, not the government, bear the risk of underperformance by the service provider.

Unlike the County's first Pay for Success project, the County did not pursue outside investments to provide initial capital for *Partners in Wellness*. While the inclusion of outside investors can shift some of the risk of project underperformance away from the government, it can also add project complexity, raise transaction costs, and increase the total amount the government pays for the project. The County hopes that the financing structure with Telecare in *Partners in Wellness* can offer a positive evolution of the Pay for Success model. By pursuing a direct risk-sharing arrangement with the provider, the County hopes this project will offer a more simplified contracting

¹ Utilization reductions are based on the difference between i) Telecare clients' utilization of specific County services, and ii) the historical amount of utilization experienced by individuals who would have qualified for *Partners in Wellness*, had the project existed in the past

structure that can be replicated within the County and beyond, yield significant efficiencies during project construction, and still maintain a powerful incentive for the provider.

How will the project be evaluated?

The project evaluation will be conducted by Dr. Keith Humphreys, a Professor of Psychiatry and Behavioral Sciences at Stanford University. Dr. Humphreys, whose research addresses the prevention and treatment of addictive and mental health disorders, is exceptionally well-respected and qualified in the field of psychiatry. He has also been extensively involved in the formation of public policy, having served as a member of the White House Commission on Drug Free Communities and the National Advisory Council of the Substance Abuse and Mental Health Services Administration. Dr. Humphreys is also experienced in Pay for Success, having worked with the County to analyze and define the target population and clinical intervention for the *Partners in Wellness* project, and having consulted on other Pay for Success projects in both the United States and the United Kingdom.

Dr. Humphreys has created an evaluation structure that relies solely on routinely collected County administrative data and does not involve subjecting clients to any additional procedures solely for the purpose of evaluation, yet retains the necessary rigor and clinical objectivity. The evaluation will enable the County to study how the improved coordination of mental health care generates efficiencies and savings for the County through reduced utilization of specific types of costly services. If Telecare demonstrates successful outcomes for the target client population during the six-year lifespan of the *Partners in Wellness* project, its clinical intervention model will be validated and can be replicated within the County in the future at a lower cost.

Dr. Humphreys' evaluation of the *Partners in Wellness* project will include two components: (1) a determination of Telecare's eligibility for success payments based on whether it has sufficiently reduced its clients' utilization of costly emergency, inpatient, and contracted psychiatric services and jail days; and (2) a randomized controlled trial assessment of Telecare clients' health and well-being as compared to a similarly situated control group of clients who are not receiving Telecare's services. The randomized controlled trial component will not factor into the success payment determination, but represents an extremely important outcome to the County as a safety net provider of mental health care to vulnerable residents. Evaluation results will be assessed every six months throughout the six-year project term, with success payments distributed and/or withheld from Telecare every twelve months.

What happens to individuals who are not randomized into the initiative? Will they be denied services?

Individuals who are not randomized into the treatment group will remain eligible to receive the full array of existing services within the County. The project evaluation will not reduce or negatively impact an individual's access to the services they would receive under normal circumstances, nor expose individuals to any procedures that are not part of the usual course of care within the County.

How was Telecare Corporation chosen as the service provider?

After a formal competitive Request for Proposals process, the County selected Telecare in August 2015 to be the service provider for Partners in Wellness. Telecare specializes in providing services to individuals with severe mental illness, co-occurring conditions like substance use disorder, and complex needs, including those experiencing psychiatric crisis. Its services include community-based programming and residential programming that offers an alternative to those who might otherwise be placed in locked psychiatric treatment settings like those the County currently offers. Telecare serves more than 34,000 people each year in 90 programs located in nine states. Telecare was selected for this project because of its demonstrated track record of success in serving individuals with severe mental illness, innovation in its program design, its committed leadership team, its fiscal strength, and its ability to partner with the County throughout the time-intensive process of constructing a complex Pay for Success transaction.