



Maximizing Impact through Outcomes-Oriented Contracting

Ascend at the Aspen Institute Webinar

February 7, 2018

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Third Sector is a national leader in implementing outcomes-oriented contracting

About Third Sector

In the United States, our government spends over \$1.2 trillion a year on social issues. Most of that money is not tied to actual results. Third Sector advises governments, community organizations, and funders on how to better spend those funds to move the needle on pressing challenges such as economic mobility for all and the well-being of our children.

Our proven approach is to collaborate with our clients and stakeholders to define impact, draw actionable insights from data, and drive outcomes-oriented government. Since 2011, we have helped over 40 communities implement increasingly effective government. Together with our partners, we have transitioned hundreds of millions of dollars to programs that measurably improve lives.

Third Sector is a non-profit consulting firm with offices in Boston, Washington, DC, and San Francisco.



Empowering Families is working with seven state and local governments to improve 2Gen outcomes for children and families

Empowering Families TA Overview



Goal: To advise and facilitate efforts to develop and implement an outcomes-oriented approach to contracts and to develop a replicable contracting process

Goal: To support development of integrated data systems (IDS) that link multiple state and county agencies' data

Empowering Families Learning Community Sites



Today's Presenters



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What is outcomes-oriented contracting?

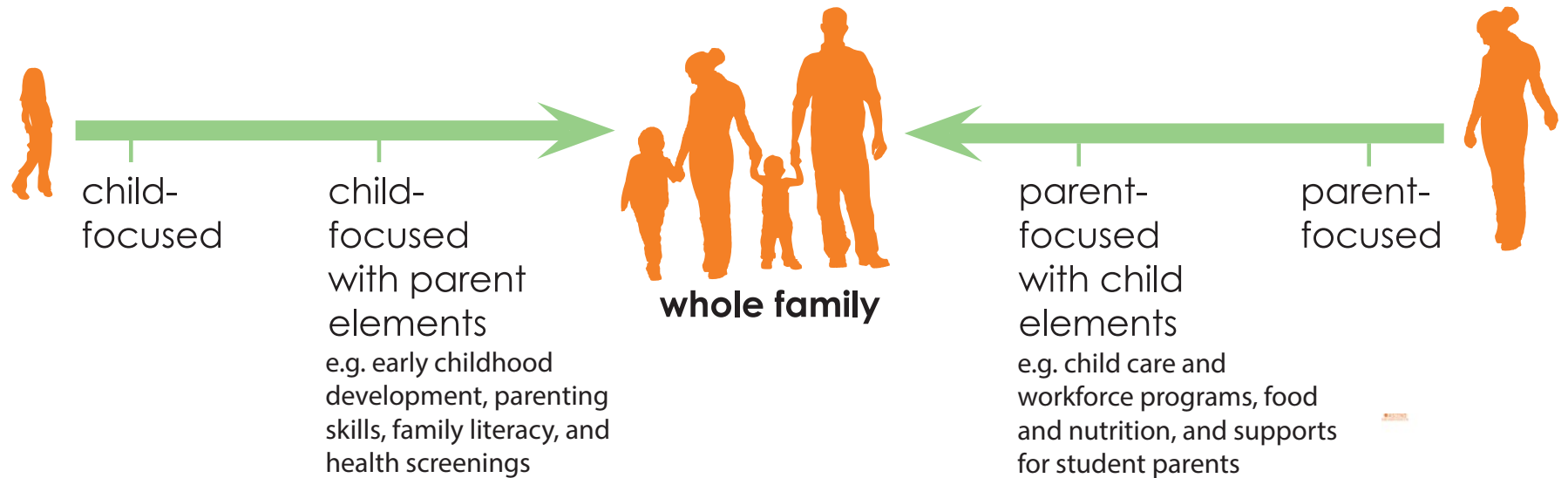
What are the key components of an outcomes-oriented contract?

How do outcomes-oriented contracts work in practice?

Which types of projects are a good fit for outcomes-oriented contracts?

The 2Gen approach seeks to align services to address the interrelated needs of the whole family

The Two-Generation Continuum



2Gen approaches require cross-agency and cross-issue area collaboration in order to deliver a holistic suite of services



Ascend recommends that policymakers consider five factors in designing 2Gen approaches, all of which are captured in outcomes-oriented contracts



Measure and account for outcomes for both children and parents



Embed learning and evaluation in policy design and systems development



Use multiple approaches to assess progress and inform real-time adjustments



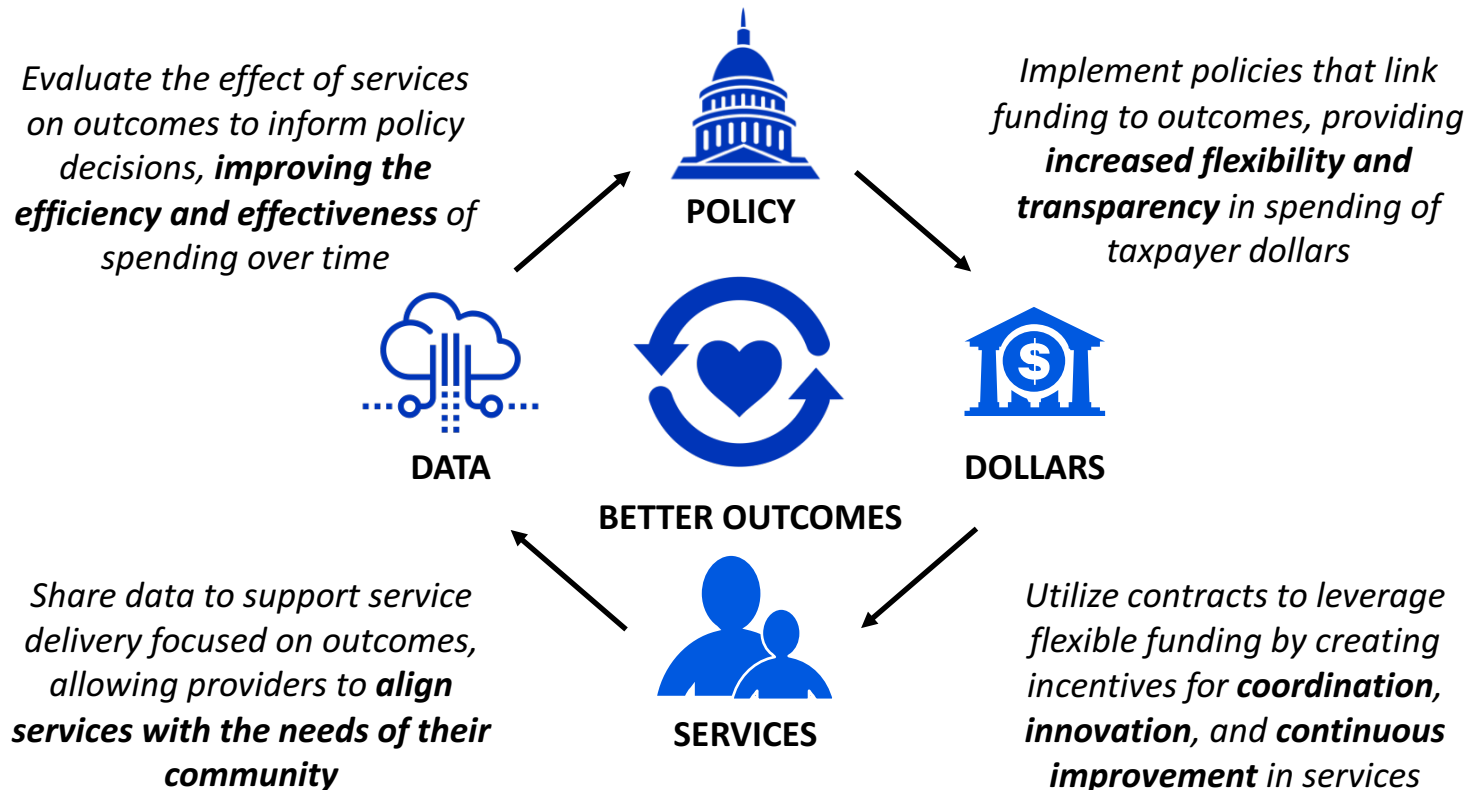
Use and promote data through cross-agency collaboration



Build capacity internally and among partners to ensure alignment and solicit feedback

Outcomes-oriented contracts create stakeholder alignment and feedback loops that ensure funding and services are driving towards improving life outcomes

Anatomy of an Outcomes Orientation



Outcomes-oriented contracting shifts the focus of data collected and payments made from costs and compliance to outcomes and indicators

How is outcomes-oriented contracting different from traditional contracting?

Traditional Contracting



Policy implementation utilizes **cost-reimbursement** for services delivered or individuals served without incentives for coordination or innovation



Cost reimbursed with limited visibility into outcomes achieved



Services delivered with limited visibility into progress towards and achievement of intended outcomes



Ad hoc data gathered primarily for compliance purposes, in disconnected and non-uniform ways



Outcomes-Oriented Contracting



Policy allows for flexible funding allocations **to pay for longer-term, cross-system outcomes** and encourages collaboration and innovation



Performance payments deployed to **yield measurable outcomes**, with room for innovative solutions



Services delivered with visibility into progress, enabling **dynamic adjustment** and **continuous improvement**



Outcomes data gathered to **analyze trends, measure outcomes**, and identify areas of improvement



Case Study: Cuyahoga County re-focused social service delivery, data, and payments on measurable long-term outcomes for children and parents

Outcomes-Oriented Contracting in Cuyahoga County

Traditional Contracting



Policy implementation utilizes cost-reimbursement for services delivered or individuals served without incentives for coordination or innovation



County Dollars reimbursed providers for costs instead of measurable outcomes



Services for children in foster care were not coordinated with programs for homeless parents



Data was used for monitoring instead of surfacing new insights or identifying problems in the system



Outcomes-Oriented Contracting



Cuyahoga County leaders and nonprofits aligned around innovations that **reduce the length of foster placements** while **reuniting more families**



Dollars **rewarded providers** for reducing the number of days children were separated from parents



Providers launched **coordinated services** for **135 families** separated by homelessness



Outcomes data was collected and shared to support **continuous improvement**

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What is outcomes-oriented contracting?

What are the key components of an outcomes-oriented contract?

How do outcomes-oriented contracts work in practice?

Which types of projects are a good fit for outcomes-oriented contracts?

Outcomes contracts articulate key components that collectively ensure funding and services are driving towards improving life outcomes

Key Components of Outcomes-Oriented Contracts

GOALS

Goals that the agency and the provider collectively want to achieve for a defined population

METRICS

Metrics by which both the agency and the provider will measure progress against those goals

DATA SHARING & EVALUATION

Data sharing and evaluation processes so that the agency and provider plan to collect and share data on those metrics during the contract period and afterwards to ensure accountability

CONTINUOUS IMPROVEMENT PROCESS

Continuous improvement process by which the agency will give providers flexibility to access and learn from data, innovate, and continually improve outcomes

INCENTIVE STRUCTURES

Incentive structures (both financial and non-financial) through which the agency will reward providers that meet or exceed outcomes goals and measurably improve lives

Incentive structures can be modified to align with the community's goals, regulatory context, and existing performance culture

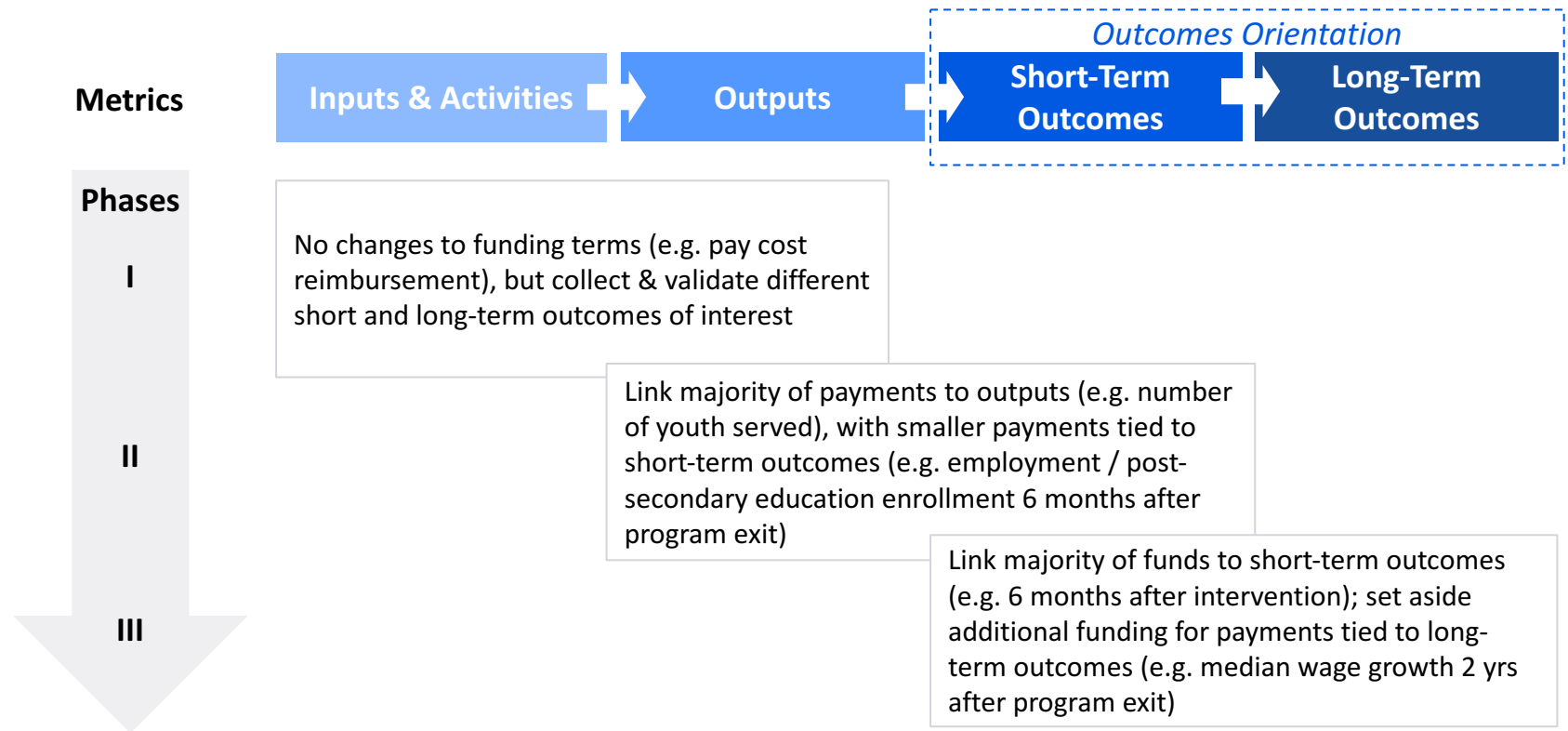
Examples of Incentive Structures

Nonfinancial Incentives		Financial Incentives	
Flexible Program Delivery	Providers have flexibility around specific aspects of program, and are encouraged to innovate on program delivery to achieve outcomes	Contract Renewal & Expansion	After successfully meeting outcomes targets, providers receive additional or larger contracts
Streamline Reporting Burden	Providers are primarily required to report on aspects of program directly related to outcomes, which frees up time that can be dedicated to service recipients	Contingent-Bonus Payments	Payments are made to providers in excess of the cost of services after meeting or exceeding outcomes targets
Population Focus	Providers are given the option to focus on a specific beneficiary population for whom they can tailor their services	Contingent-Withheld Payments	Payments within the cost of services are withheld from providers until it is determined that they are meeting or exceeding outcomes targets

Incentive structures in contracts can mix both outputs and outcomes and can be gradually implemented over time




Sample Phased Approach to Outcomes Orientation

Outcomes funders can consider which **combination of metrics** will allow them to maximize impact in the near term and build towards greater outcomes orientation over time.



Outcomes metrics can be defined at the child, parent, and family level using an outcomes logic model

Example 2Gen Outcomes Logic Model: Home Visitation

	Inputs & Activities	→ Outputs	→ Short-Term Outcomes	→ Long-Term Outcomes
 Child	<ul style="list-style-type: none"> • Health assessment and check-ups • Screenings 	<ul style="list-style-type: none"> • Participate in 3 home visits 	<ul style="list-style-type: none"> • Meets development milestones • Improved health and wellness 	<ul style="list-style-type: none"> • School readiness • Cognitive and social emotional development
 Parent	<ul style="list-style-type: none"> • Physical health assessment • Parenting advice • Referrals 	<ul style="list-style-type: none"> • Participate in 3 home visits • Knowledge about positive parenting practices 	<ul style="list-style-type: none"> • Improved mental health and reduced stress • Birth spacing 	<ul style="list-style-type: none"> • GED attainment • Improved earnings • Job stability
 Family*	<ul style="list-style-type: none"> • Child-parent interaction supportive services 	<ul style="list-style-type: none"> • Observed positive interactions, such as serve and return 	<ul style="list-style-type: none"> • Increased emotional well-being 	<ul style="list-style-type: none"> • Increased economic status and assets




Ascend has further information around logic models for 2Gen on their [website](#)

*Not all programs will have family outcomes

The next step is to identify metrics, data sources, and access for each output and outcome, which can span multiple agencies

Example 2Gen Data Matrix: Home Visitation



	Output or Outcome	Metric	Continuum Placement	Data Source
	<i>Identified in the outcomes logic model</i>	<i>Specific definition of how it will be measured</i>	<i>Short- or long-term outcomes</i>	<i>System, division and/or department that owns the data</i>
 Child	Growth and development	% of children meeting developmental milestones	Short-Term Outcome	Community health worker assessment
 Parent	Improved health and wellness	% of mothers accessing preventative care	Short-Term Outcome	Medicaid data
 Family	Increased emotional wellbeing	% of families reporting improved wellbeing	Short-Term Outcome	Survey administered by provider

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Case Study: Northern Virginia Team Independence (NVTI) Project

GOALS

Improve outreach, as well as education and employment outcomes, for ~100 previously underserved foster care and justice-involved youth

METRICS

Contracted outcomes: Skills Gain During Program; Placement in Employment, Training, or Education (6 months and one year after exit); Attainment of Degree or Certificate (within one year after exit)

DATA SHARING & EVALUATION

Method: Independent validation of individual level WIOA performance data to confirm achievement of successful outcomes by program participants

CONTINUOUS IMPROVEMENT PROCESS

Improvements:

- Convene Referral Group quarterly
- Report outcomes data back to referral partners

INCENTIVE STRUCTURES

Funding: ~\$600K total provided through WIOA youth funds allocations over 6 years

Incentives: \$150K in performance contingent bonus payments paid to provider

Case Study: King County Treatment on Demand (TOD) Program

GOALS

Improve timely access to outpatient behavioral health care and follow-up for individuals seeking such care in King County's publicly funded behavioral health system, which serves over 20,000 people annually

METRICS

Contracted outcomes: Reduction in time from patient request for service to intake assessment, and from intake assessment to routine service

Other Priority Outcomes: Improved health of beneficiary population

DATA SHARING & EVALUATION

Method: Historical counterfactual using provider submitted service encounter data

Evaluator: County staff will serve as evaluator for project

CONTINUOUS IMPROVEMENT PROCESS

Improvements:

- Service providers will receive monthly data updates on performance across metrics
- Performance targets update every six months to support continuous improvement

INCENTIVE STRUCTURES

Incentives: 2% of provider case rate as contingent bonus payments paid to provider

Risk-sharing: Bonus payments for first 6-month period paid out in advance of treatment "in good faith" to allow providers to make necessary changes

Case Study Comparison: Northern Virginia and King County

INCENTIVE STRUCTURES

	Northern Virginia	King County
Type of measure evaluated	Bonuses paid out based on individual-level measures	Bonuses paid out based on achieving aggregate-level benchmarks
Impact continuum	Incentives paid out for short-term and long-term outcomes	Incentives paid out for outputs
Payout timeline	Long-term (>1 yr) payout timeline promotes improvement over time to earn bonus	Short-term (<6 mos.) payout timeline requires providers to make immediate improvements to earn bonus; pre-program payments support changes
Size of payment	Up to 10% of cost of service; permitted by P4P set aside	Up to 2% of cost of service; determined through provider/payer negotiation
Fiscal environment	Limited Federal Dept. of Labor (DOL) guidance; Limited regulations on WIOA Formula Funds	King County is a Managed Care Organization (MCO); High number of federal requirements
Frequency of outcomes evaluation & payment	Every 6 months (starting in Y2)	Every 6 months (starting in Y1)

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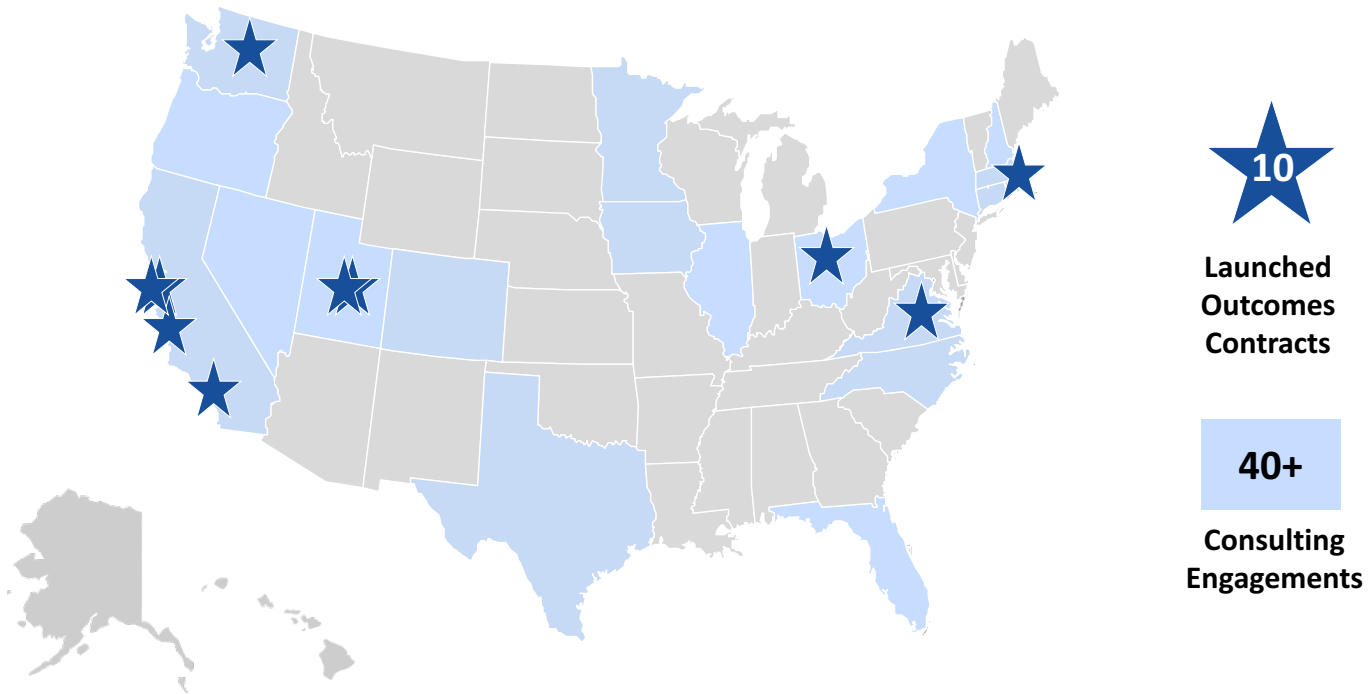
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Third Sector is on a mission to accelerate America's transition to a performance-driven social sector

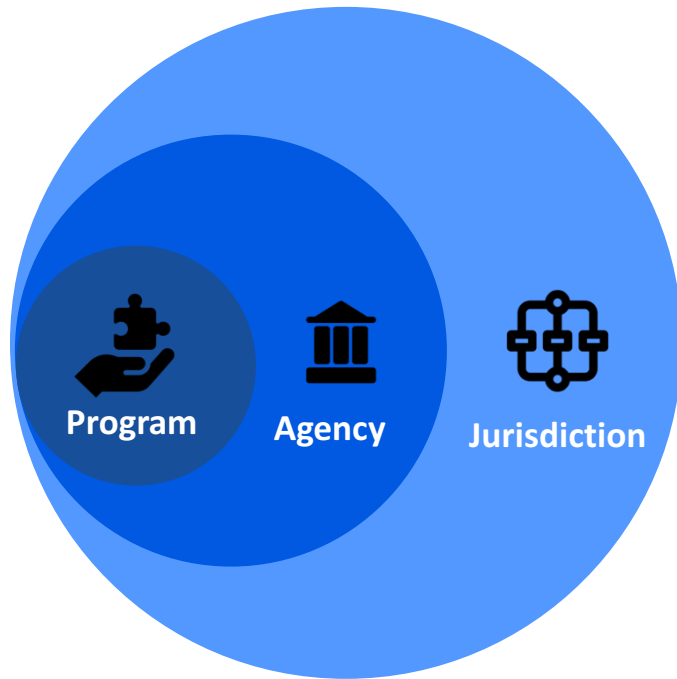
Third Sector's Engagements



\$200 Million in public funding deployed via outcomes-oriented contracts since 2011

Third Sector can support clients in adopting an outcomes orientation at any level – from an individual program to an entire jurisdiction

Engagement Levels



Program Level:

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

Agency Level:

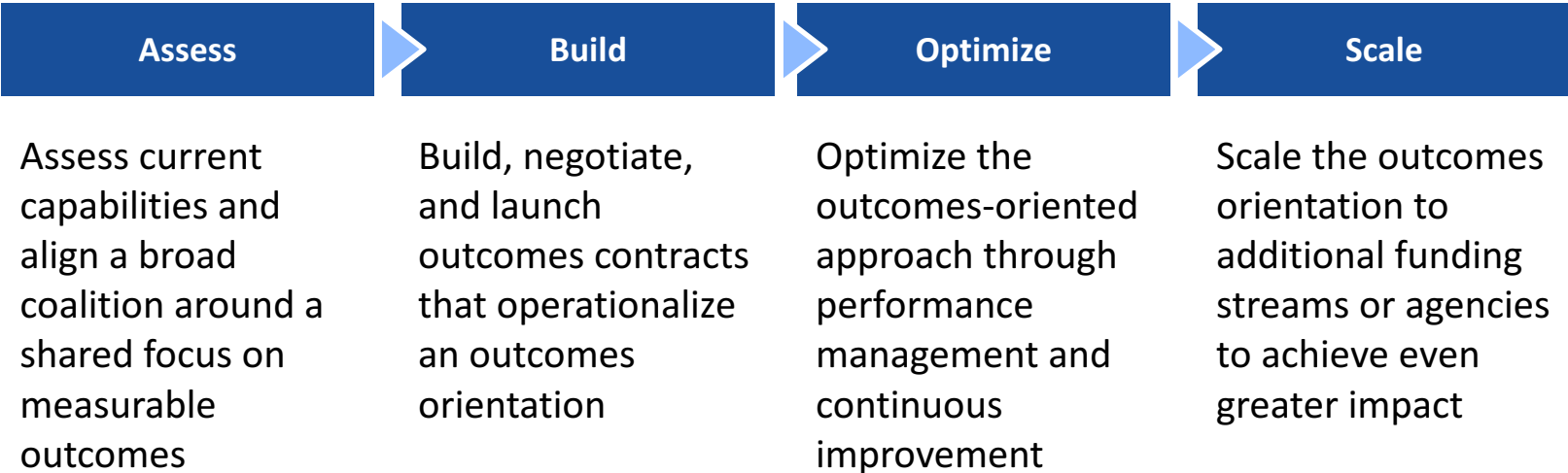
Third Sector helps an agency develop an outcomes orientation that shifts incentives for multiple programs

Jurisdiction Level:

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

Third Sector's services enable clients at any level to shift to an outcomes orientation through a four-phased process

Engagement Phases



When determining which projects are the best fit for outcomes-oriented contracts, there are various criteria to consider

Project Prioritization Considerations

Alignment with Agency Goals

To what extent does the project align with agency and leadership priorities?

Feasibility of Contract Implementation

Can anticipated barriers be addressed (timeline, funding, policy context)?

Community Outcomes & Capacity

Is there a credible link to indicate services can improve outcomes? Do providers have the capacity to implement the project?

Potential for Replication and Scale

To what extent can project learnings be adapted and applied to other contracts or funding streams?

Data Feasibility

Is the relevant data on participants and priority outcomes accessible? Is this data subject to any regulations or constraints?

Other Considerations

Thank you for joining us for today's webinar

For questions or further information, please contact:

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Appendix

Case Study: Northern Virginia Team Independence (NVTI) Project



INCENTIVE STRUCTURE

Type	<ul style="list-style-type: none"> Bonus Payments to one workforce service provider, the Fairfax Department of Family Services (DFS) 	
Conditions	<ul style="list-style-type: none"> Paid out per outcome to DFS upon meeting or exceeding NVTI success targets for each outcome achieved by foster care and/or justice-involved youth 	
Funding Source	Type	<ul style="list-style-type: none"> Public Funding; Leverages Pay-for-Performance (P4P) provisions in 2014 WIOA legislation (10% “no-year” set-aside of WIOA formula funds to pay for program outcomes); Funder: Skillsource Group, Inc. (A WIOA-funded workforce organization)
	Allocation Process	<ul style="list-style-type: none"> Skillsource created new budget line for P4P Bonus Payments Validator confirms bonus amount for 6 mo. period & provider invoices Skillsource; Bonuses paid out using same method as regular cost reimbursements
Incentive Amount	Cost of Service	<ul style="list-style-type: none"> Program Cost of Service is \$600K Cost of Service is paid to DFS through regular WIOA cost reimbursement in order to operate program
	Bonus Amount	<ul style="list-style-type: none"> Up to \$150K in bonus payments paid out over 6 years for ~100 youth DFS can earn a bonus payment of \$712 per youth, per outcome achieved (per youth, total possible payment of \$2,848 for achieving all 4 contracted outcomes)
Payment Schedule	Timeline	<ul style="list-style-type: none"> Services delivered to each youth for 1.5 years; 1 year observation post-program Program enrollment is ongoing; Bonus payment funds are set aside during the first 3 years of the program but program itself (with observation period) runs for 6 years
	Bonus Frequency	<ul style="list-style-type: none"> Starting in Year 2, bonus payments made bi-annually if outcomes are met Bonus payments stop 3 years after the last enrollee has begun the program

Case Study: Northern Virginia Team Independence (NVTI) Project

	Year 1	Year 2	Year 3	3-Year Observation Period
Youth Served				DFS serves ~100 youth*
Funding Source				Ssg sets aside \$50K annually for bonus
Skills Gain				
Placement at Q2				Ssg makes bi-annual bonus payments to DFS
Placement at Q4				
Degree or Certificate				

= 10 Enrollments
 = \$50K Bonus Set Aside
 = Bonus Payment

* Duration of Services = 18 months

Case Study: King County Treatment on Demand (TOD) Program



INCENTIVE STRUCTURE

Type	<ul style="list-style-type: none"> Bonus Payments to 23 county-funded Treatment on Demand (TOD) Providers 	
Conditions	<ul style="list-style-type: none"> Paid out based on whether or not the providers meet growth targets for each metric (all or nothing) Growth targets benchmarked against provider-specific historical baselines 	
Funding Source	Type	<ul style="list-style-type: none"> Public Funding; County-wide 0.1% Mental Illness and Drug Dependency (MIDD) sales tax revenues dedicated to behavioral health and specialty courts
	Allocation Process	<ul style="list-style-type: none"> Evaluation team determines what growth targets providers have met, and King County pays a bonus based on the approx. number of individuals in the providers' care during that period (quasi-capitated system)
Incentive Amount	Cost of Service	<ul style="list-style-type: none"> Across all Providers: ~\$70 million in service delivery costs per year Per Provider (i.e. serving 100 people per year): ~\$330,000
	Bonus Amount	<ul style="list-style-type: none"> 2% bonus on cost of service delivery (Bonus per metric: Time to Intake: 0.5%; Time to Actual Intake: 0.5%; Time to Routine Service: 1%) Across all providers: Up to \$1.4 million/year; Per provider: Up to \$6,600/year
Payment Schedule	Timeline	<ul style="list-style-type: none"> Service delivered and bonuses paid out for 3 years Additional funding was raised so that bonus payments start 6 mos. before program to cover up-front expense required to meet new outcomes targets
	Bonus Frequency	<ul style="list-style-type: none"> Outcomes measured and bonus payments paid out every 6 months (with 2 month lag between assessment & payout) Providers receive monthly performance data over the trailing 6 mo. period

Case Study: King County Treatment on Demand (TOD) Program

	% of Service Delivery Cost	Year 0	Year 1	Year 2	Year 3
People Served					
Funding Source					
Time to Intake Offer	0.5%				
Time to Actual Intake	0.5%				
Time to Routine Services	1.0%				

TOD serves ~20,000 annually*

King County Behavioral Health Division pays bonus payments every 6 months based on performance

= 5,000 Served
 = Bonus approx. \$1.4M/year
 = Bonus Payment

* Duration of Services = 36 months