Pay For Success “101”

Pay for Success in Higher Education Provider Advisory Group

October 22, 2019
Webinar Objectives

• Provide an overview of Third Sector and Pay for Success

• Outline the opportunity to leverage Pay for Success in higher education

• Introduce the Pay for Success in Higher Education National Cohort and Provider Advisory Group
Agenda

Introduction

Overview of Pay for Success

Case Study: Roca and Massachusetts Juvenile Justice PFS Initiative

Leveraging Pay for Success in Higher Education

Status of Pay for Success in Higher Education Cohort

Closing & Next Steps

Q&A
Introduction to Third Sector

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Anatomy of a Pay for Success Project

Evaluate the effect of services on outcomes to inform policy decisions, improving the efficiency and effectiveness of spending over time.

Implement policies that link funding to outcomes, providing increased flexibility and transparency in spending of taxpayer dollars.

Share data to support service delivery focused on outcomes, allowing providers to align services with the needs of their community.

Utilize contracts to leverage flexible funding by creating incentives for coordination, innovation, and continuous improvement in services.
Third Sector has deployed $480M in public funding via outcomes contracts influencing services for 24,000 people

Our Mission: To accelerate the transition to a performance-driven social sector

13
Launched contracts in partnership with state & local agencies

8
Launched PFS contracts self-sustaining efforts with end-payments

60+
Feasibility studies and implementation projects
Third Sector is engaging with a cohort of four state/system partners of higher education who are interested in exploring Pay For Success (PFS) models.

Four sites were selected for the PFS in Higher Education National Cohort:

- Colorado Department of Higher Education
- Arizona State University
- Connecticut State Colleges & Universities
- Ohio Department of Higher Education

Third Sector’s national cohort of higher education institutions, college access and success providers, and funders will workshop, leverage, and apply PFS models to systematically finance evidence-based reforms to improve student success outcomes.
The PFS in Higher Education Provider Advisory Group will join state/system sites in a co-learning community and inform project development.

Eight providers were selected for the PFS in Higher Education Provider Advisory Group.
PFS can be used by providers to unlock public resources and pilot student support services with state systems and networks of higher education.

Benefits of PFS for Service Providers:

- Program sustainability (multi-year contracts)
- Ability to scale evidence-informed and evidence-based interventions and impact
- Flexibility to adjust services to better meet student needs
- Formal data sharing structures with external stakeholders
- Opportunity to build or strengthen an evidence base, fund evaluation services
- Furthers advocacy around state systems investing in support services
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Q&A
A shift to PFS allows cross-sector stakeholders to align on a goal, incentives, and outcomes metrics to ensure progress towards long-term impact.

<table>
<thead>
<tr>
<th>Traditional Government Funding</th>
<th>Pay for Success (PFS)</th>
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<tbody>
<tr>
<td><strong>Opportunity to scale</strong></td>
<td></td>
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<tr>
<td><strong>Increased sustainability</strong></td>
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<tr>
<td><strong>Policy</strong></td>
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<tr>
<td>Policy limits incentives for coordination and innovation</td>
<td>New funding streams appropriated for outcomes payments</td>
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<tr>
<td><strong>Dollars</strong></td>
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<tr>
<td>Government dollars are deployed in a prescriptive manner and used to reimburse providers</td>
<td>Private and philanthropic investment underwrites payment</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td></td>
</tr>
<tr>
<td>Services are not coordinated and are funded with limited visibility into whether intended outcomes are being achieved</td>
<td>A single provider tests or scales an evidence-based intervention to serve a specific beneficiary population</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td></td>
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<tr>
<td>Data is used only for monitoring inputs and outputs and compliance purposes</td>
<td>Data, gathered by third-party evaluators, is used to analyze trends, measure outcomes, and inform future learning and funding</td>
</tr>
</tbody>
</table>
PFS requires cross-sector partnership so that the interests and incentives of all stakeholders are aligned under a common goal.

![Illustrative PFS Project Diagram](image)

1. Working capital
2. Contracts for services
3. Services Delivered
4. Measure results
5. Report results
6. Repaid based on results
In summary, Pay for Success projects require alignment of policy, dollars, data, and services to generate impact.

Pay for Success (PFS)

- **PFS** is a form of performance-based contracting where an entity (often a government) agrees to pay for outcomes achieved (rather than on a fee for service basis).

- **Third party funding**, from lenders or grants, is a way to bridge timing gap between government payments and the upfront capital needed to implement PFS interventions. While this financing can be a critical tool, it is not a requirement for a PFS project, especially if other government funding can be unlocked to fund the achievement of outcomes.
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A Pay for Success contracting approach can improve results across a broad range of issues

Examples of Third Sector PFS Engagements

Juvenile Justice & Workforce Development
Commonwealth of MA

- Increasing job placement rate
- Decreasing recidivism for justice-involved youth

Homelessness & Criminal Justice Reform
Salt Lake County, UT

- Improving housing stability,
- Reducing the number of days in jail,
- Improving economic and behavioral health for “persistently homeless” individuals

Homelessness & Child Welfare
Cuyahoga County, OH

- Reducing the length of stay in out-of-home foster care placement for children whose caregivers are homeless

Photo Credits: Juvenile Justice & Workforce Development: Courtesy of Roca, Inc.; Mark Morelli, Housing: Courtesy of First Step House, Homelessness & Child Welfare: FrontLine Services, Barbara Pennington
Massachusetts contracted with Roca, a service provider, to decrease recidivism and increase employment of justice-involved youth.

Massachusetts Juvenile Justice (MA JJ) PFS Case Study

1. Working capital
   Goldman Sachs, Kresge, Living Cities
   (Private Funders)

2. Contracts for services
   Commonwealth of MA
   (Systems-Level Payer)

3. Services Delivered
   Roca
   (Service Provider)

4. Measure results
   Urban Institute
   (Evaluator)

5. Report results
   Justice-involved young men
   (Beneficiary population)

6. Repaid based on results
Roca’s services were designed to decrease recidivism and increase employment for the hardest-to-reach, justice-involved young men

MA JJ PFS Case Study

Roca’s Service Model:

2 Years: Intensive Services          2 Years: Follow Up

Engagement  ➔ Behavioral Change ➔ Reduced Recidivism

Sustainable Employment

Metrics tracked in PFS project:

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Outputs</th>
<th>Short-Term Outcomes</th>
<th>Long-Term Outcomes</th>
</tr>
</thead>
</table>
| • Staff time  
• Cognitive Behavioral Therapy  
• Training resources  
• Transportation | • # of referrals  
• # of enrollments  
• Program slots filled  
• Attrition rate | • Program graduation rate  
• **Sustained engagement** (# of case management contacts)  
• New arrests  
• Job placements | **Decrease in recidivism** (5 years by average bed days)  
**Increase in employment** (5 years by quarters of employment) |

★ = Payment outcome
Roca was actively engaged in making key decisions in the structuring of the Pay for Success contract

Key Decision Points

- **Contract negotiation**: Roca was actively engaged in all contract conversations
- **Continued touchpoints**: Roca continues to meet weekly with the Commonwealth, monthly with funders and the evaluator, and quarterly with data and referral partners

- **Funding**: $16M in upfront financing raised from philanthropy/investors; up to $28M for outcomes
- **PFS Contract**: Longest-term contract in the organization’s history

- **Population**: With more referral partners, Roca scaled services to reach more people
- **Services**: Cognitive behavioral therapy was introduced after project launch to respond to population needs

- **Outcomes**: Selected meaningful outcomes that Roca had an established track record of already achieving
- **Data**: Roca collected individual level job readiness data and sought administrative employment and incarceration data from the state
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Pay for Success (PFS) can be applied to higher education to accelerate the connection between resources and impact for underserved students.

### Core Elements

1. **A clearly defined student population** experiencing adverse enrollment, persistence, and/or graduation outcomes.

2. **A student support service intervention** that can improve the selected outcomes for the specific student population.

3. **Rigorous evaluation** of the student support service intervention’s impact on the selected outcomes.

4. **Payments linked to performance** on the selected outcomes.
The opportunity to use PFS in higher education has been informed by insights and recommendations offered from leaders of HEIs

Key Learnings from 2017 PFS in Higher Education Feasibility Study

<table>
<thead>
<tr>
<th>A Need for Additional Support Services</th>
<th>College-intending students who are low-income, first-generation, and/or students of color disproportionately experience poorer matriculation, persistence, and graduation outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Providers for Services</td>
<td>There are many providers with strong brand equity and a rigorous evidence base who have demonstrated success in improving access and success outcomes</td>
</tr>
<tr>
<td>Positive Cost-Benefit Analysis</td>
<td>Preliminary financial analysis demonstrated that offering these services can lead to additional financial benefit for HEIs, through Pell Grant funding and performance-based funding formulas</td>
</tr>
<tr>
<td>Squeezed budgets</td>
<td>Current HEI budgets are already limited, and to invest in additional services (even with long-range benefits) would require additional financial support</td>
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Third Sector’s initial feasibility study, funded by the Kresge Foundation, “Promoting Student Success Using Pay for Success to Improve Student Attainment in Higher Education,” December 2017
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Through facilitated 1:1 virtual meetings, takeaway exercises, an in-person convening, and stakeholder engagement, sites have been exploring PFS

### PFS Feasibility Components

#### Student Population
- What are the characteristics of the student population?
- What is the size of public higher education in the state?
- Are there disparate enrollment, persistence, and graduation outcomes?

#### Student Support Services
- What kinds of student support services are offered to college-intending student populations?
- Does the state currently contract with external student support services?

#### Outcomes and Evaluation
- What metrics for student success does the state prioritize?
- How are these metrics measured?

#### Data Access
- What is the existing relationship of data sharing between HEIs and the state?
- How is data currently collected, and is it accurate? Where are the gaps?

#### Economics and Financing
- How has state funding for higher education shifted over the past several years?
- What is the performance-based funding formula and how is it calculated?
- When is funding appropriated in the state?

#### Policy Support
- Is there a history of support and progress towards performance-based policies?
- What are existing state priorities in higher education?
Now, halfway through Third Sector’s training and technical assistance, sites have hypothesized the student populations of focus and the impact desired.

### Potential Areas of Interest for Cohort Sites*

<table>
<thead>
<tr>
<th>Cohort Site</th>
<th>Student Population*</th>
<th>Outcomes of Focus*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arizona State University</strong></td>
<td>Foster youth</td>
<td>• Post-secondary enrollment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Successful transition out of foster care</td>
</tr>
<tr>
<td><strong>Colorado</strong></td>
<td>Adult students who may also be low-income or students of color</td>
<td>• Erase attainment gaps</td>
</tr>
<tr>
<td><strong>Department of Higher Education</strong></td>
<td></td>
<td>• Increase credential completion</td>
</tr>
<tr>
<td><strong>Connecticut State Colleges &amp; Universities</strong></td>
<td>Latinx students in Eastern CT</td>
<td>• Enrollment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Persistence</td>
</tr>
<tr>
<td><strong>Ohio HigherEd</strong></td>
<td>Adult veterans</td>
<td>• Enrollment in post-secondary degree or certificate leading to a family-sustaining job</td>
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</tbody>
</table>

*At this stage of the project. Subject to change as cohort sites build towards a project throughout 2019.*
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The Provider Advisory Group will learn about core components and tools of PFS financing while also exploring their individual readiness for PFS.

### Learning Opportunities

- **Today 10/22**: “PFS 101” to introduce application of PFS in Higher Ed
- **10/30 2-3 pm ET**: “Funding Sources and Uses in PFS Projects”
- **11/13 2-3 pm ET**: “Services with an Evidence-Base and Procurement Implications”
- **11/18 2-3 pm ET**: “The Higher Ed Landscape: Readiness for PFS”
- **12/3 2-3 pm ET**: “Importance of PFS Pilots In Order to Launch PFS Projects”
- **12/11 1-2:30 pm ET**: All-Cohort Final Virtual Convening

### Readiness Assessment

- **October 23-31st**: 1:1 Provider interviews to complete PFS “Readiness Assessment”

### Term Sheet & Documentation

- **Term Sheet**
- **Economic Model**
- **Procurement & Service Agreement**

All webinars below will be recorded and shared.
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Thank you for joining today’s webinar

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