

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

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Closing & Next Steps

Q&A

Introduction to Third Sector

Pay for Success in Higher Education Technical Assistance Team



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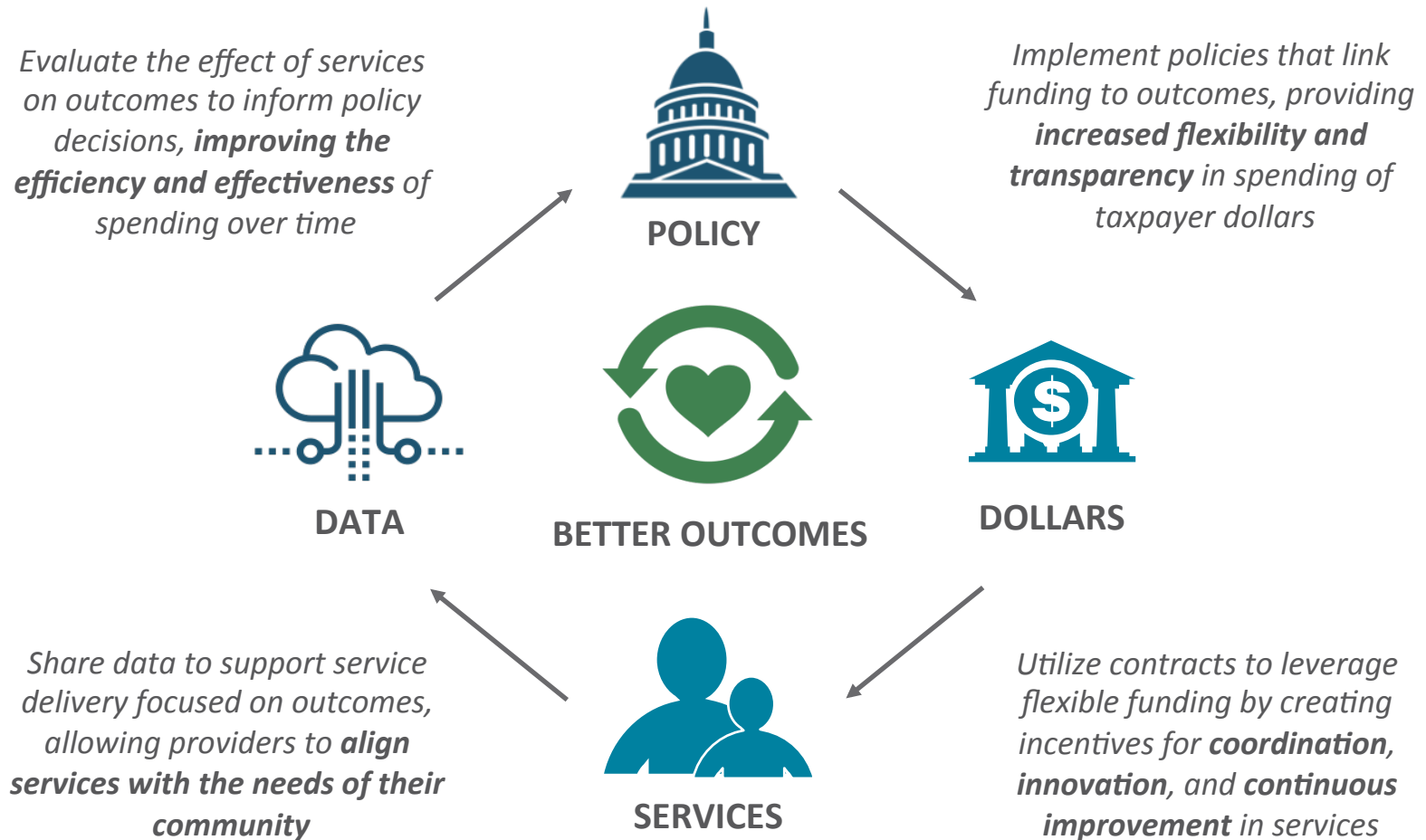
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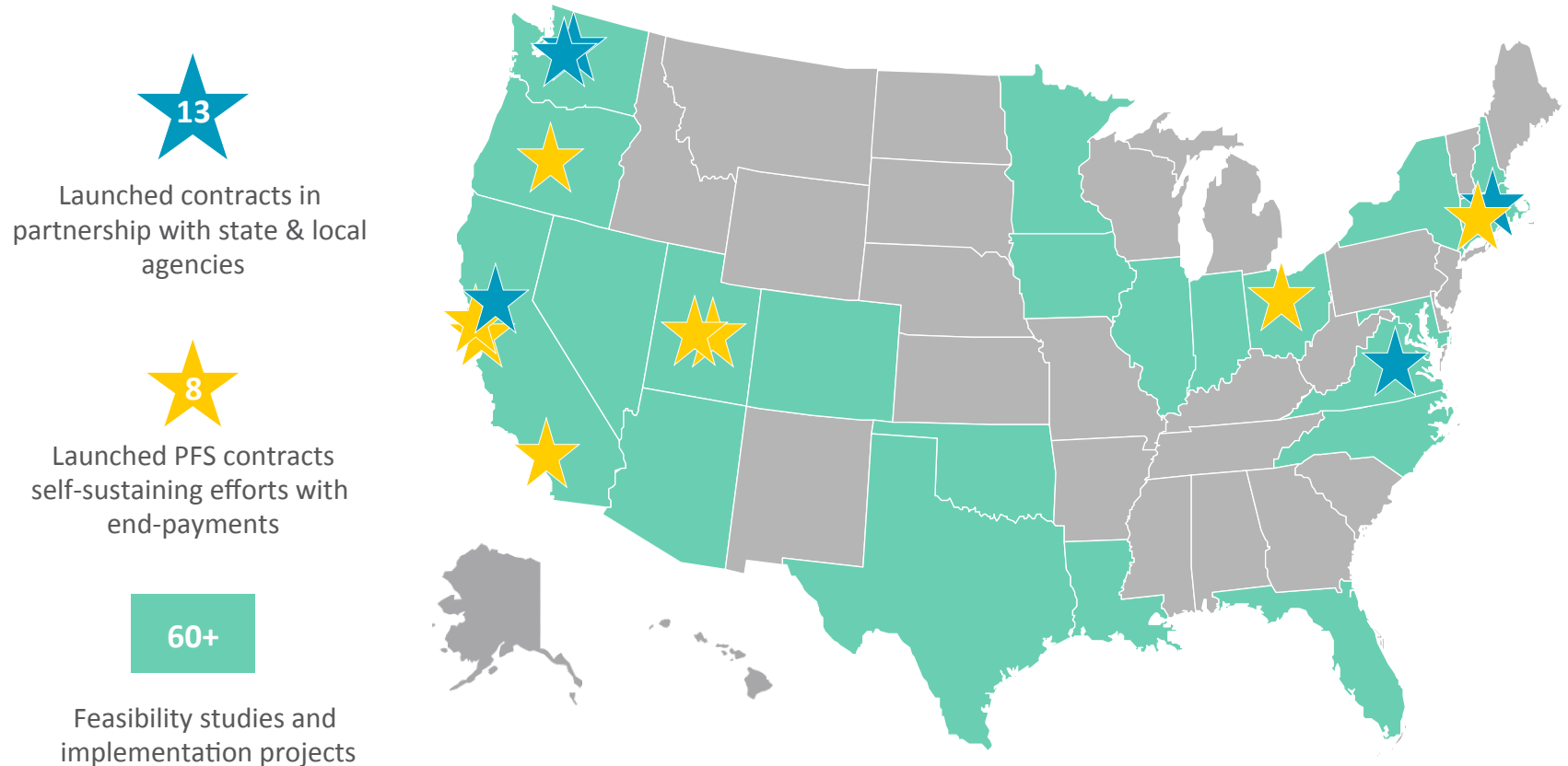
Third Sector is a national nonprofit that helps governments change the way they do business by connecting resources to improved social outcomes

Anatomy of a Pay for Success Project



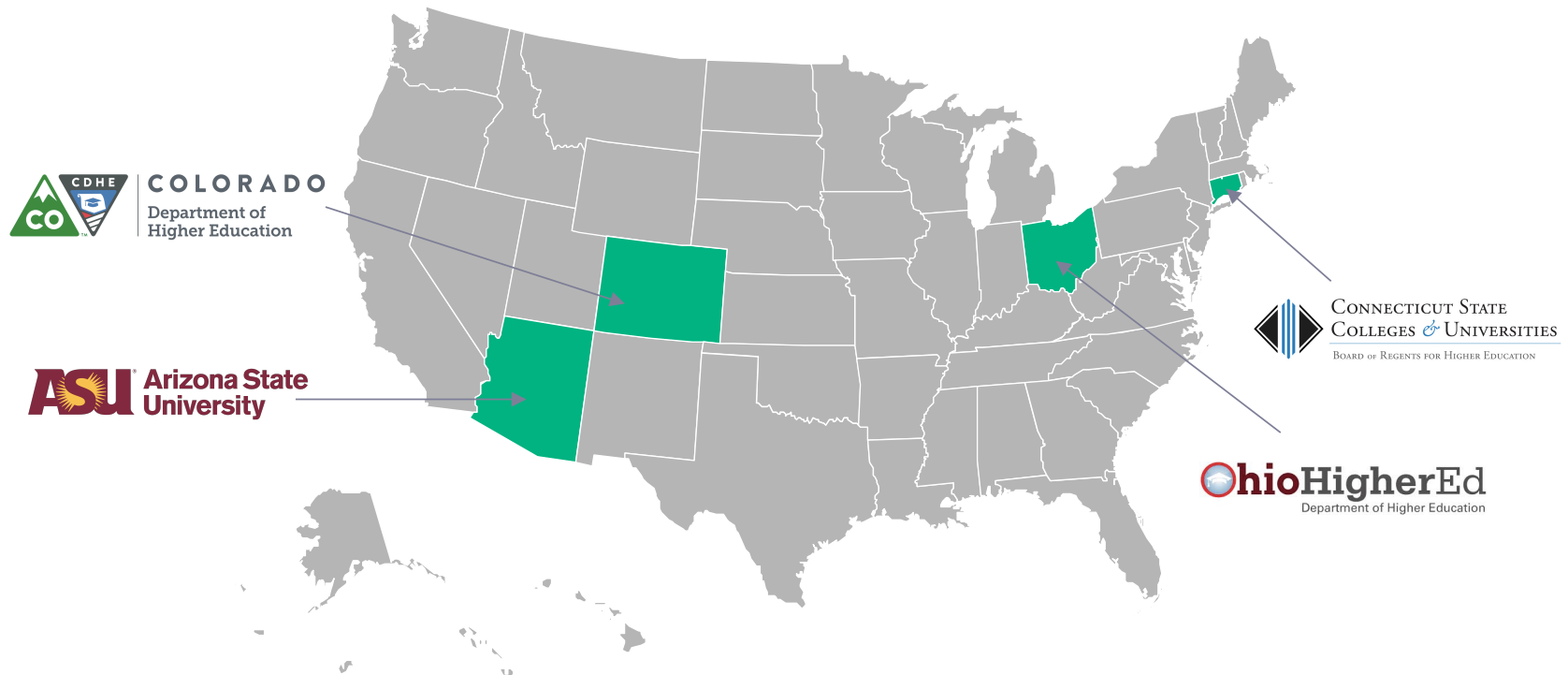
Third Sector has deployed **\$480M** in public funding via outcomes contracts influencing services for **24,000** people

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



Third Sector is engaging with a cohort of four state/system partners of higher education who are interested in exploring Pay For Success (PFS)

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



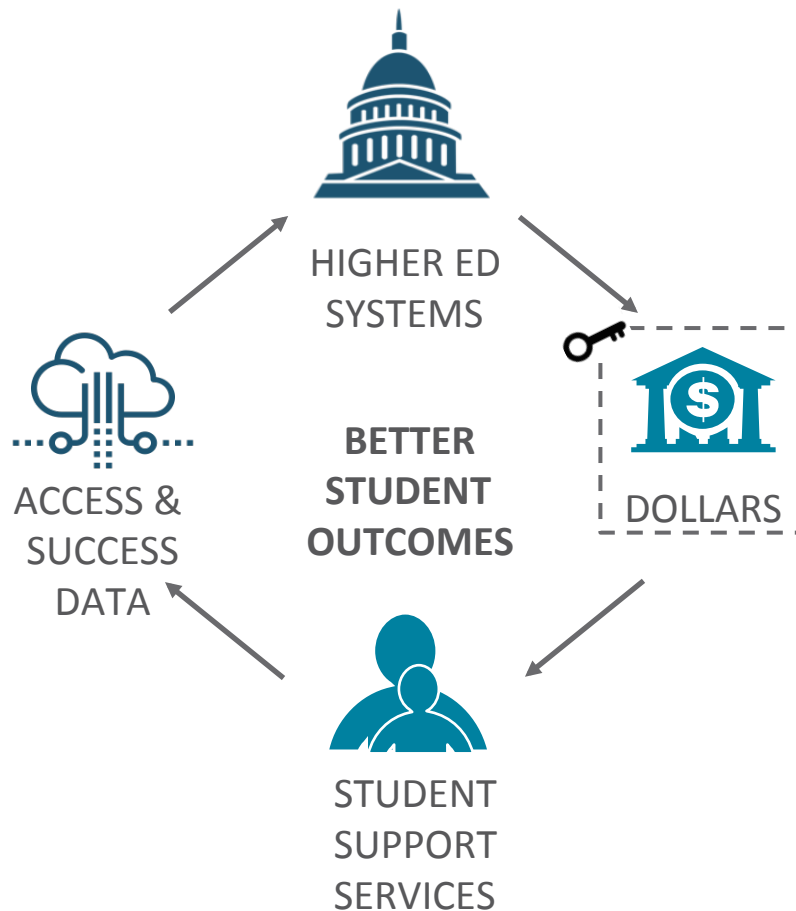
Third Sector's national cohort of higher education institutions, college access and success providers, and funders will workshop, leverage, and apply PFS models to systematically finance evidence-based reforms to improve student success outcomes.

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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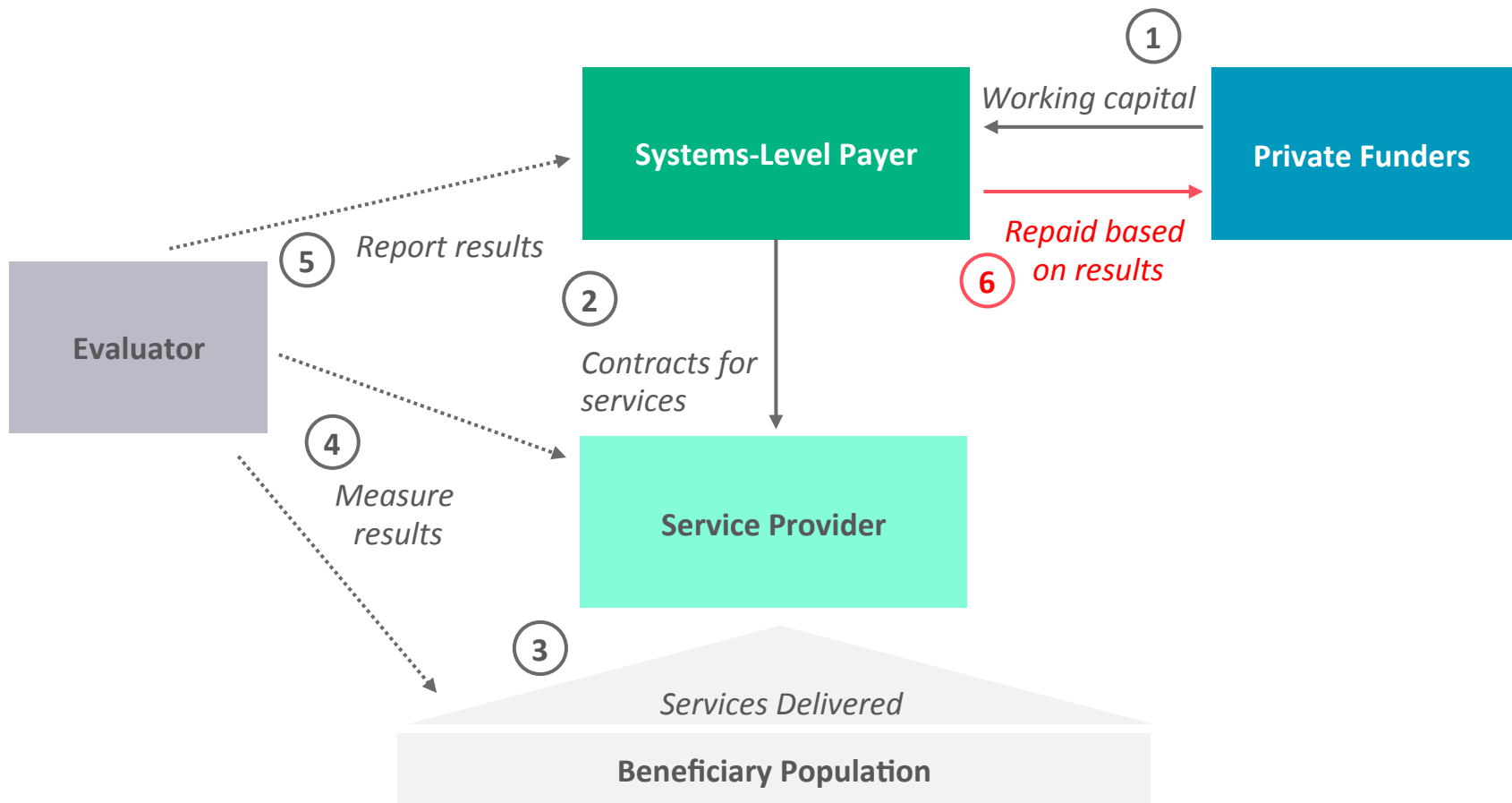
Q&A

A shift to PFS allows cross-sector stakeholders to align on a goal, incentives, and outcomes metrics to ensure progress towards long-term impact

	Traditional Government Funding	Pay for Success (PFS)
	<div> <div></div> <div>Opportunity to scale</div> <div></div> </div> <div> <div></div> <div>Increased sustainability</div> <div></div> </div>	
 Policy	Policy limits incentives for coordination and innovation	New funding streams appropriated for outcomes payments
 Dollars	Government dollars are deployed in a prescriptive manner and used to reimburse providers	Private and philanthropic investment underwrites payment
 Services	Services are not coordinated and are funded with limited visibility into whether intended outcomes are being achieved	A single provider tests or scales an evidence-based intervention to serve a specific beneficiary population
 Data	Data is used only for monitoring inputs and outputs and compliance purposes	Data, gathered by third-party evaluators, is used to analyze trends, measure outcomes, and inform future learning and funding

PFS requires cross-sector partnership so that the interests and incentives of all stakeholders are aligned under a common goal

Illustrative PFS Project



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, and improving
economic and behavioral
health for “persistently
homeless” individuals



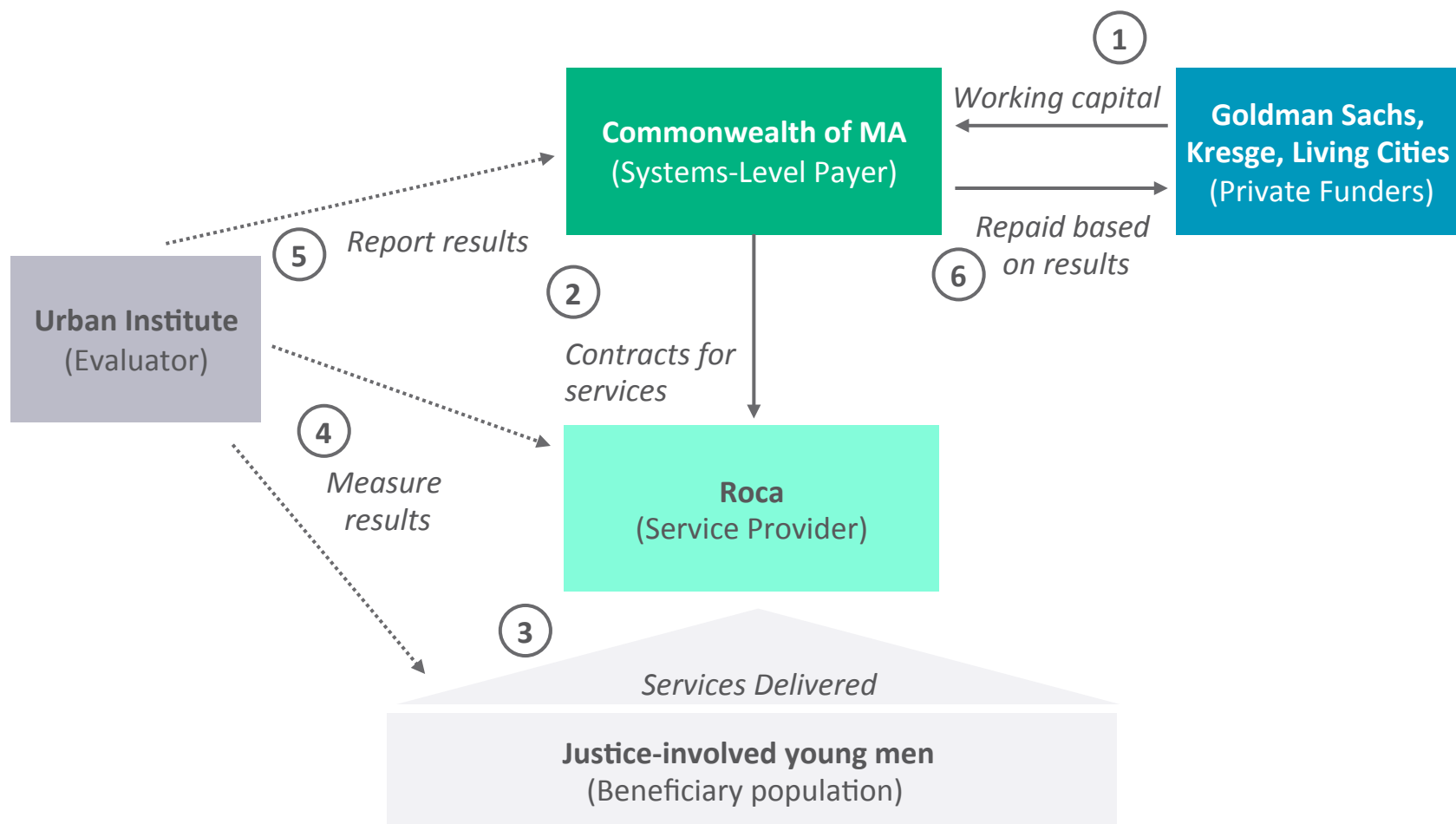
Homelessness & Child Welfare Cuyahoga County, OH

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



Roca's services were designed to decrease recidivism and increase employment for the hardest-to-reach, justice-involved young men

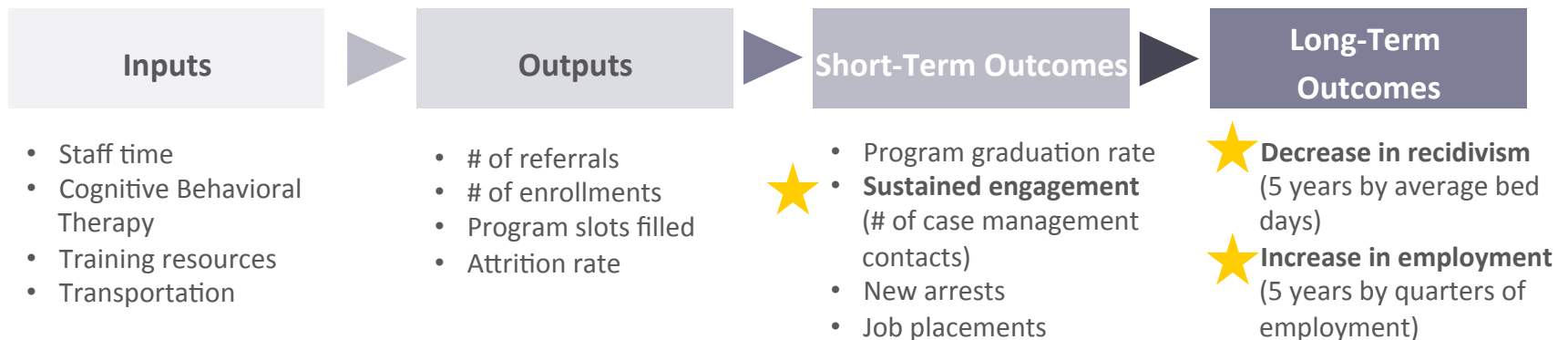


MA JJ PFS Case Study

Roca's Service Model:



Metrics tracked in PFS project:



★ = 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



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



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



Rigorous evaluation of the student support service intervention's impact on the selected outcomes



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

A Need for Additional Support Services

College-intending students who are low-income, first-generation, and/or students of color disproportionately experience poorer matriculation, persistence, and graduation outcomes

Availability of Providers for Services

There are many providers with strong brand equity and a rigorous evidence base who have demonstrated success in improving access and success outcomes

Positive Cost-Benefit Analysis

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

Squeezed budgets

Current HEI budgets are already limited, and to invest in additional services (even with long-range benefits) would require additional financial support

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

Stakeholder Engagement



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*

Cohort Site	Student Population*	Outcomes of Focus*
	Foster youth	<ul style="list-style-type: none"> • Post-secondary enrollment • Successful transition out of foster care
	Adult students who may also be low-income or students of color	<ul style="list-style-type: none"> • Erase attainment gaps • Increase credential completion
	Latinx students in Eastern CT	<ul style="list-style-type: none"> • Enrollment • Persistence
	Adult veterans	<ul style="list-style-type: none"> • Enrollment in post-secondary degree or certificate leading to a family-sustaining job

*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

	October	November			December	
PFS Tools		Term Sheet				
		Economic Model	Procurement & Service Agreement			
	All webinars below will be recorded and shared.					
Learning Opportunities	Today 10/22	10/30 2-3 pm ET	11/13 2-3 pm ET	11/18 2-3 pm ET	12/3 2-3 pm ET	12/11 1-2:30 pm ET
	“PFS 101” to introduce application of PFS in Higher Ed	“Funding Sources and Uses in PFS Projects”	“Services with an Evidence-Base and Procurement Implications”	“The Higher Ed Landscape: Readiness for PFS”	“Importance of PFS Pilots In Order to Launch PFS Projects”	All-Cohort Final Virtual Convening
Readiness Assessment		October 23-31st			December 2-13 th	
		1:1 Provider interviews to complete PFS “Readiness Assessment”			Provider closeout conversations about PFS readiness	

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Thank you for joining today's webinar

For more information about Third Sector's project work in higher education, visit <https://www.thirdsectorcap.org/education/>

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