

# Outcomes Rate Card Development Competition

## FREQUENTLY ASKED QUESTIONS

### Competition Details: Eligibility & Application

#### **When is the application due, when will service recipients be announced, and when will the technical assistance award begin?**

- Applications are due on April 10 at 5 p.m. Eastern Time
- Service recipient(s) will be announced in May 2017
- Technical assistance is expected to begin during summer 2017

#### **Are nonprofit organizations eligible to apply?**

Nonprofit organizations, along with state, local, and tribal governments, are eligible applicants. Any nonprofit or state, local or tribal government entity that is prepared to play the role of outcome payor would meet the application requirements.

#### **Has a nonprofit organization ever served as the payor of outcomes in a traditional PFS project?**

In an early childhood PFS project in Utah, the United Way of Salt Lake worked with Salt Lake County and the State of Utah to expand slots for high-quality preschool. In this project, United Way of Salt Lake acted as an outcomes payor, alongside the county and the state. (Social Finance is not involved with this project.)

#### **Can a public entity (e.g. a school district) be a provider in this model? Has that been the case in any of the UK efforts?**

Yes, a public entity could serve as the service provider in the rate card model. In at least one instance in the UK, a local government bid on a rate card project to serve as the service provider.

#### **What is the timeline for the technical assistance award?**

Social Finance expects to begin working with selected service recipients in summer 2017, with a goal to develop an outcomes rate card and launch PFS projects within 12 months.

#### **How does this competition compare to the other PFS projects/competitions supported by Corporation for National and Community Service (CNCS)?**

Often, CNCS has supported feasibility assessments or transaction structuring funding for PFS projects where local or state governments are anticipated payors of outcomes at project launch. CNCS's support of this opportunity is similar to its past support of PFS transaction structuring, in that it is supporting stakeholders with the development process, but not serving as the outcomes payor.

#### **Many governmental agencies are supported by federal funds. Can an applicant use federal resources as a match with the written prior permission of the federal funder (e.g. USDOE)? (The RFA includes language on the top of page 15 prohibiting this option.)**

The grant Social Finance received from CNCS covers 50% of the cost of Social Finance's technical assistance. Social Finance expects to cover the additional 50% in-kind. However, applicants that are willing to contribute in-kind resources to the project (which would be used to cover a portion of Social Finance's required match to CNCS) are eligible for supplemental points in the scoring rubric.

For applicants not pursuing the supplemental points via an in-kind match, it would not matter whether agency programs and/or staff that will be involved with the project are supported by federal funds.

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For applicants that want to offer in-kind matching resources, the resources they intend to report must not be directly tied to a separate federal award. We expect any in-kind resources committed by applicants to be primarily via staff time allocations, so unless a service recipient staff person expects to spend time on the rate card project that is already supported by another federal award, or other in-kind resources from the service recipient are directly supported by a separate federal award, there is not a concern with overlapping funds.

### **Are there specific social issues you are expecting to prioritize for outcomes rate cards?**

No. Outcomes rate cards are meant to be a tool to help governments and/or nonprofit organizations address the unique challenges they face—we are eager to offer our technical assistance for the tool and its application, but remain open to issue areas of interest to applicants.

### **What is an example of senior-level project champion?**

Social Finance asks applicants to demonstrate the commitment of a senior-level project champion (scoring rubric A.1.b.) to ensure the proposed project will have sustained engagement from applicant's organization, and access to decision makers. The senior-level project champion should (1) regularly communicate with agency / department decision-makers, (2) participate in regular project activities, such as working group calls, (3) facilitate and provide regular feedback on Social Finance technical assistance activities, (4) have access to internal or cross-agency / department decision-makers (e.g. legal, budget), should the project require collaboration.

For public agencies or departments, an example could be the chief of staff to the agency director, or a director of program(s) (for program(s) that are the focus of the application). In nonprofit organizations, depending on the size and structure of the staff, it may be a program officer, or if applicable, a member of the nonprofit's senior staff, such as VP. (Note: all positions listed here are examples only -- other positions could also satisfy this criterion.)

### **What is an example of elected officials or key decision-makers?**

Applicants should demonstrate that key decision-makers understand the role of outcome payor in rate card projects, and that they are excited about bringing this approach into their organization (scoring rubric A.2.a.).

For public agencies or departments, an example could be an agency director, county supervisor, city manager, or mayor. In nonprofit organizations, an example could be the organization's Executive Director, President, and/or Board Chair. (Note: all positions listed here are examples only -- other positions could also satisfy this criterion.)

## **Technical Assistance Activities**

### **Who is seeking funding in a rate card competition, payors (applicants) and/or service providers?**

The Outcomes Rate Card Development Competition is for technical assistance to structure an outcomes rate card (and related outcomes rate card competition).

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For an outcomes rate card competition to provide services at the local or state level, a service provider ultimately contracted would receive payment for outcomes achieved. A service provider might seek private funding to cover their working capital needs during service delivery until outcomes are measured and payments are made.

### **Where will the funding for outcome payments come from?**

Applicants to the Outcomes Rate Card Development Competition should expect to play the role of “outcomes payor” in the Pay for Success projects launched using the outcomes rate card. In order for an applicant to demonstrate that they are prepared to play the role of “outcomes payor”, an application should show access to sufficient funds or indicate their commitment/plan to request sufficient funds, to cover the value of outcome payments (scoring rubric A.1.c.). The source of these funds is the responsibility of the applicant—applicants with a clear source of funding, with little risk / uncertainty involved in its ability to obtain that funding, will be best positioned to play the role of outcomes payor.

### **Could an outcomes rate card be used to launch projects that support networked care coordination across multiple providers?**

The design and output of a given outcomes rate card will be based on the goals of the outcomes payor. It would be possible for a rate card to encompass a range of outcomes such that collaboration among service providers could be a viable way to bid for outcomes. We are excited to explore new ways to work with coordinated care networks to maximize the potential for positive outcomes and believe rate cards, and their unique ability to present a menu of outcomes, can be a powerful tool in this regard.

### **Will you have a preference or priority in this competition for rate cards developed for PFS projects versus direct performance-based partnerships between providers and payors?**

At this stage, as we select recipients for technical assistance to structure an outcomes rate card, we are not contemplating service provider contracting mechanics.

### **What kinds of timelines do you anticipate for outcomes rate card projects for measuring success/payout? (i.e. Traditional PFS projects have a 3-5 year project and payment timeline.)**

We expect the service delivery, measurement, and payment timeline for outcomes rate card projects to be similar to the service delivery, measurement, and payment timeline for traditional PFS projects. The specific project parameters will ultimately depend on the issue area and priority outcomes identified by the service recipient.

For example, in the UK, outcomes rate card projects supporting workforce outcomes have typically had a slightly shorter 2-4 year timeline due to the nature of the outcomes selected (e.g. employment attainment, 6-month retention) and measurement methodology, and a [Manchester youth placement project](#) related to youth placement in foster or residential care utilized a timeline to 8 years.

### **For some issue areas, the ultimate outcome sought may take 8-10 years to measure, which is likely outside the project timeline. As a result, could an outcomes payor use proxy measures for its overall goal?**

The parameters for outcomes on an outcomes rate card are driven first and foremost by the priorities of the outcomes payor (in this case, service recipient(s)). Proxy measures for outcomes that may be recognized outside of the investment frame may be included in a rate card, should they be consistent with the goal / structure of the service recipient.

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### **Can service providers include public entities, such as County health programs and services, or do they have to be non-profit organizations?**

Yes, service providers can include public entities.

### **Could an applicant propose the development of an outcomes rate card with the expectation to have a cohort of providers as a pilot, with potential for a much larger group of providers in the future?**

Yes, an applicant aiming to develop an outcomes rate card with a pilot cohort of providers would fit the parameters of this competition. Furthermore, Social Finance is aiming for this opportunity to establish the platform and foundation for jurisdictions to achieve scale with an outcomes-based mindset. The scoring rubric includes some points for applicants that demonstrate interest in using the process of outcomes rate card development as a starting point for additional outcomes-based projects in the future.

### **What is the long term goal of this competition? Is outcomes rate cards expected to fully replace traditional funding methods for service providers?**

No, the expectation is not for outcomes rate cards to fully replace traditional funding methods but rather supplement and introduce a more outcomes based financing approach for services. While the sustainability of the rate cards tool will ultimately be determined by the applicants, our hope is that there will be lasting positive effects even after our technical assistance ends. Our RFA is structured with a preference towards applicants who demonstrate a willingness and ability to incorporate the learnings from the project into future activities – potentially by sustained use of data systems to capture outcomes achieved, or incorporating more performance-based funding into ongoing service funding.

### **What is the long term goal of this competition? Is outcomes rate cards expected to fully replace traditional funding methods for service providers?**

The objective of this competition, is to introduce an alternative outcomes based financing tool for government to contract for services. While the sustainability of the rate cards tool will ultimately be determined by the applicants, our hope is that there will be lasting positive effects even after our technical assistance ends.

The outcomes rate card RFA is structured to reward applicants who demonstrate a willingness to incorporate the learnings from our TA into future activities – potentially by sustained use of data systems to capture outcomes achieved, or incorporating more performance-based funding into ongoing service funding.

### **What is the plan for documenting and sharing outcomes and ideas post award and project implementation with other social enterprises not involved in the scalability efforts?**

Social Finance is committed to building the Pay for Success field. After selecting service recipient(s), Social Finance will develop a plan for collaboratively documenting and sharing learning from the outcomes rate card development process. Social Finance and the Social Innovation Fund will partner to share any materials with interested stakeholders

## Capital Raise Activities

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### **What role will Social Finance play in helping match investors and service providers contracted via an outcomes rate card? Will that process fit within the timeline proposed in the Webinar 2 slides?**

Social Finance expects to provide market education on outcomes rate cards for service providers and for the funding ecosystem. While we will not formally be involved in raising operating capital for service providers, we actively support the PFS community—including impact investors or philanthropy that might provide operating capital to service providers—to ensure that service providers have the resources to engage in an outcomes rate card.

While the timeline for activities is illustrative, it draws upon our prior experience structuring PFS projects. The development timeline proposed will require strong engagement from all project partners, but is attainable with sustained commitment. Social Finance also recognizes the need to be flexible to respond to the unique context of each selected service recipient. Depending on the geographic location, sector, and issue area targeted by the outcomes rate card, different potential funders may be interested in supporting service providers to respond to an outcomes rate card procurement.

### **What are the expectations regarding the capital raise for rate card projects?**

Service providers interested in bidding for an outcomes rate card contract will be responsible for securing the necessary working capital to deliver services to achieve outcomes as contracted under an outcomes rate card. A demonstrated ability to access sufficient working capital will likely be a component of the service provider procurement process.

Social Finance anticipates that financing can be secured in the following ways but remain open and flexible to the needs and unique circumstances of applicants:

1. Self-financed through provider balance sheet
2. Outside Funders with requirements for capital returns (akin to traditional PFS project financings) and may include private funders or impact investors
3. Grant / Philanthropic financings with no requirements for capital return such as foundations or traditional grant making organizations

While Social Finance does not anticipate taking an active role in the capital raise for service providers, we remain committed to setting our partners up for success.

### **Does Social Finance have a funder partnership working with you on this competition?**

Social Finance does not have any formal funder partnerships for this competition, and because of our role in helping design the service provider RFP with selected service recipients, we will not have any formal role in the capital raise or funding plans for rate card projects. However, we remain a leader in the Pay for Success industry and have over our history, raised or are in the process of raising a total of \$55 million for our PFS projects—the largest PFS capital raise track record in the country—and anticipate supporting the ecosystem to ensure a successful financing.

During our work researching outcomes rate cards over the past two years, we have sought input from funders and intermediaries that have experience with rate cards or interest in investing in US programs via a rate card. We believe there is strong support for the approach and are confident we will work with outcomes payors to design projects that benefit service providers and attract funder support.

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### Outcomes Selection and Pricing

#### **Will outcome prices be established based only on cost-benefit analysis?**

Cost-benefit analysis will be a critical component of the process of pricing outcomes, but not the only activity to inform final outcome prices. Rates (outcome prices) are also influenced by the maximum amount a government is willing to pay per participant, typically based on expected savings over time or value accrued to government (i.e. reduced welfare payments, tax revenue, value of avoided costs). Pricing may also reflect how governments want providers to behave, by incentivizing early outputs that have a proven correlation with the ultimate outcome sought, services for harder-to-reach or high-risk population cohorts, or outcomes that align directly with policy goals.

As part of the rate card development process, Social Finance will also conduct a service provider landscape scan, aiming to understand the current services offered for a given issue area, and the capacity constraints and/or infrastructure needs for those providers. These processes together, with a cost-benefit analysis, will help the outcomes payor determine outcome prices such that they incentivize strong performance by service providers while fairly compensating them for the full costs of their work.

#### **How will service providers get paid?**

Similar to traditional PFS projects, Service Providers will be paid based on the successful achievement of pre-specified outcomes on the outcomes rate card. Part of the outcomes rate card development process will involve defining the project's measurement methodology, which will be used to assess whether outcomes have been achieved.

#### **How would payment based on a rate card to service providers work when the outcomes are long-term (e.g., employment retention at 12 months, housed for 6 months)? How should service providers think about funding the initial 6-12 months of services before payments begin?**

We expect outcomes rate cards to contemplate both short and long-term outcome metrics. Short-term metrics may be measured early in the project lifecycle to incentivize provider performance, and to generate outcomes payments to service providers. The definition of these early metrics will depend on the issue area and context, but could include, program enrollment, or successful completion / attendance of the first phase of a service offering.

Recognizing that early indicators may not fully cover the working capital needed by service providers to initially expand services for a rate card project, service providers also have the option to partner with impact investors to secure preliminary operating capital. Service providers, impact investors, and the outcomes payor (the service recipient) will thus enter into PFS contracts, for which the outcomes will be based on the rates put forth in the outcomes rate card.

#### **Is rigorous measurement a requirement for rate card projects?**

Validation of positive administrative outcomes is most commonly the measurement methodology associated with outcomes rate card projects (all UK deals have been measured in this fashion) largely because it allows greater scale in the number of participants served by the projects.

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However, the outcomes rate card approach is not synonymous with use of validated outcomes. In fact, while to date outcomes rate cards have employed validated outcome rates, an outcomes rate card project does not require a specific kind of measurement or evaluation is used, only that government decides the methodology independently and prior to the RFP process.

### **Instead of creating contracts for multiple projects as a result of the outcomes rate card, would you be willing to use this process as a means to calculate the multiple outcomes of a single project?**

The number of contracts issued off of an outcomes rate card is subject to the number of qualified applicants, and outcomes funding available.

An outcomes rate card will include multiple outcomes related to the issue area of interest to the service recipient. Typically, outcomes rate cards include metrics with varied measurement horizons (i.e.. early programmatic indicators, short-term outcomes, long-term outcomes) and well as sources of value. For example, a project that aims to address chronic homelessness could include outcomes related to housing stability, use of health services, criminal justice interactions, and employment. The tool is designed to capture the many sources of value related to improving social outcomes.

### **Do you believe that particular outcomes rate cards can be used across sites that are focused on the same outcomes or is geographically specific?**

Outcomes rate cards could be used across sites. For example, in the UK, outcomes rate cards released by the national government were used to launch programs in difference cities and regions throughout the country.

## **Outcomes Rate Card Background**

### **What have you learned from the experience of outcomes rate cards in the UK?**

In the UK, procurements using outcomes rate cards helped accelerate the scale of outcomes-based projects throughout the country. With outcome prices set by the national government, the development timeline for over 20 PFS projects launched was about 50% of the average time to launch for traditional PFS projects in the US.

The approach allowed for sustained innovation in the public sector. Using the learning experience of early projects, the central government reset the “rates” (or outcome prices) with each successive round of the DWP Innovation Fund. The flexible and experimental approach of both the government and service providers helped all parties better understand the value of different outcomes, building valuable knowledge that extends beyond the scope of the projects.

Finally, outcomes rate cards in the UK also offer a useful example of how including a range of outcomes can incentivize provider performance and establish more efficient flows of capital in outcomes-based projects.

Some materials highlighting UK outcomes rate cards are included below. These documents pertain to a set of projects involving the Department of Work and Pensions—the programs and outcomes are oriented toward education/certification and workforce performance. The UK also has a rate card that addresses child welfare outcomes. (Note: in the UK, each government rate card effort is called a “fund.” In this case,

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the “fund” refers to a commitment on the part of government to pay for outcomes as defined in the rate card that accompanies the fund.)

- [Qualitative Evaluation of the DWP Innovation Fund – Final report](#)
- [Key Facts about the Department of Work and Pensions \(DWP\) Innovation Fund](#)
- [Bridges Fund Management report on social impact bonds in the UK](#). On pages 10-11 they include a case study a project launched as a result of the DWP Innovation Fund rate card they funded (as an investor)

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