



OUTCOMES RATE CARD DEVELOPMENT COMPETITION

MARCH 15, 2017



This project is supported by grant from the Corporation for National and Community Service's Social Innovation Fund.

▶ SOCIAL FINANCE PROJECT TEAM



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Today's webinar hosts



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▶ AGENDA

1. INTRODUCTION

- Introduction to the competition
- Introduction to Social Finance

2. KEY BACKGROUND INFORMATION

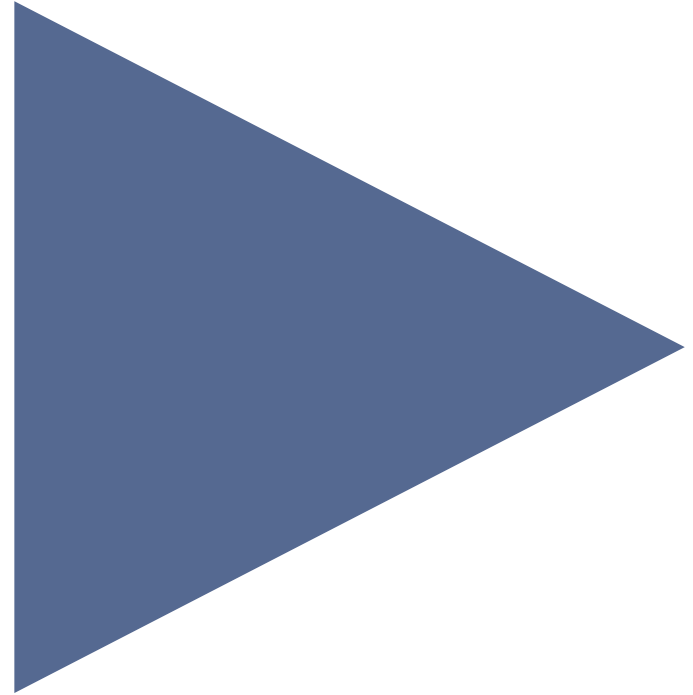
- What is Pay for Success (PFS)
- Overview of outcomes rate cards

3. COMPETITION

- Overview of technical assistance
- Overview of the application
- Key dates & application submission

4. QUESTIONS

▶ INTRODUCTION



▶ **OPPORTUNITY: OUTCOMES RATE CARDS DEVELOPMENT COMPETITION**
 Social Finance is offering technical assistance to pioneer this standardized PFS contracting approach and serve more people in need

Opportunity

Social Finance is seeking government and/or nonprofit applicants nationwide for free technical assistance to develop **outcomes rate cards**, a standardized PFS contracting approach to serve large constituencies by defining outcomes (e.g. getting a job, maintaining employment, boosting earnings) and paying providers as they achieve those outcomes.

Competition Details

Potential competition applicants	Applicants should expect to be the outcomes payor for PFS projects launched as a result of the rate card, and can include state, local, and tribal governments as well as nonprofit organizations.
About outcomes rate cards	An outcomes rate card helps government drive better performance in their procurement of social services by defining the outcomes government wants to achieve for specific target population and identifying the value of those outcomes. Outcomes rate cards offer a standardized approach to performance-based financing.
Target population	Outcomes rate cards can target different populations in need, depending on the priorities of the applicant. Selected Service Recipients will demonstrate alignment with one of CNCS/SIF's target issue areas: youth development, economic opportunity, and/or healthy futures.
Outcomes	Specific outcomes will be determined during technical assistance based on the population of interest and policy priorities of each Service Recipient.
Timeline	RFP released: February 7, 2017 Second webinar: March 15, 2017 at 3 p.m. ET Applications due: April 10, 2017 at 5 p.m. ET

▶ ABOUT SOCIAL FINANCE



*Social Finance, Inc. is a 501(c)(3) non-profit organization dedicated to **mobilizing capital to drive social progress***

Our History

- **Founded in January 2011** by David Blood, Sir Ronald Cohen, and Tracy Palandjian
- One of the **first dedicated PFS intermediaries in the country**

Our Global Network

- Social Finance UK was founded in 2007 and launched **the world's first Social Impact Bond** in 2010
- With Social Finance UK and Israel, we comprise the world's only **Global PFS Network** – we have launched 25% of all PFS projects worldwide

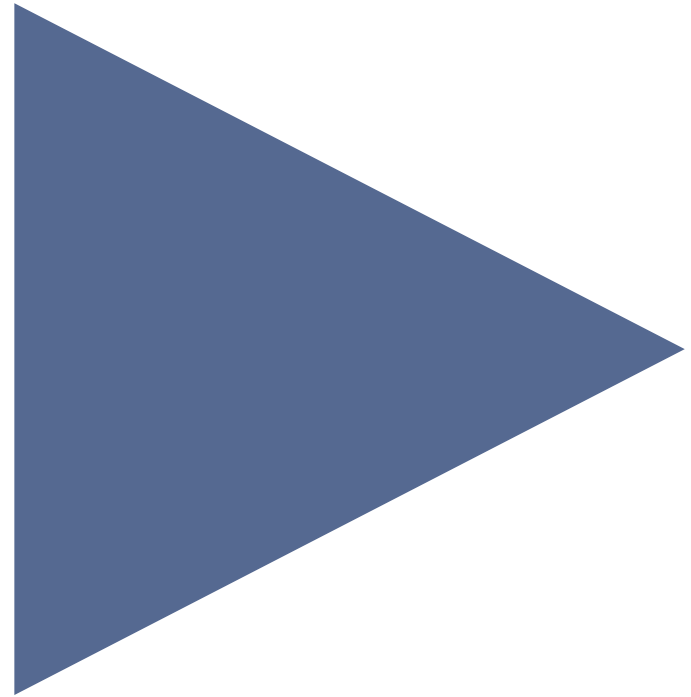
Our Team

- **Team of 40** includes experienced professionals from the public, private, and nonprofit sectors
- Three offices in **Boston, MA, Austin, TX, and the Bay Area, CA**

Our Work

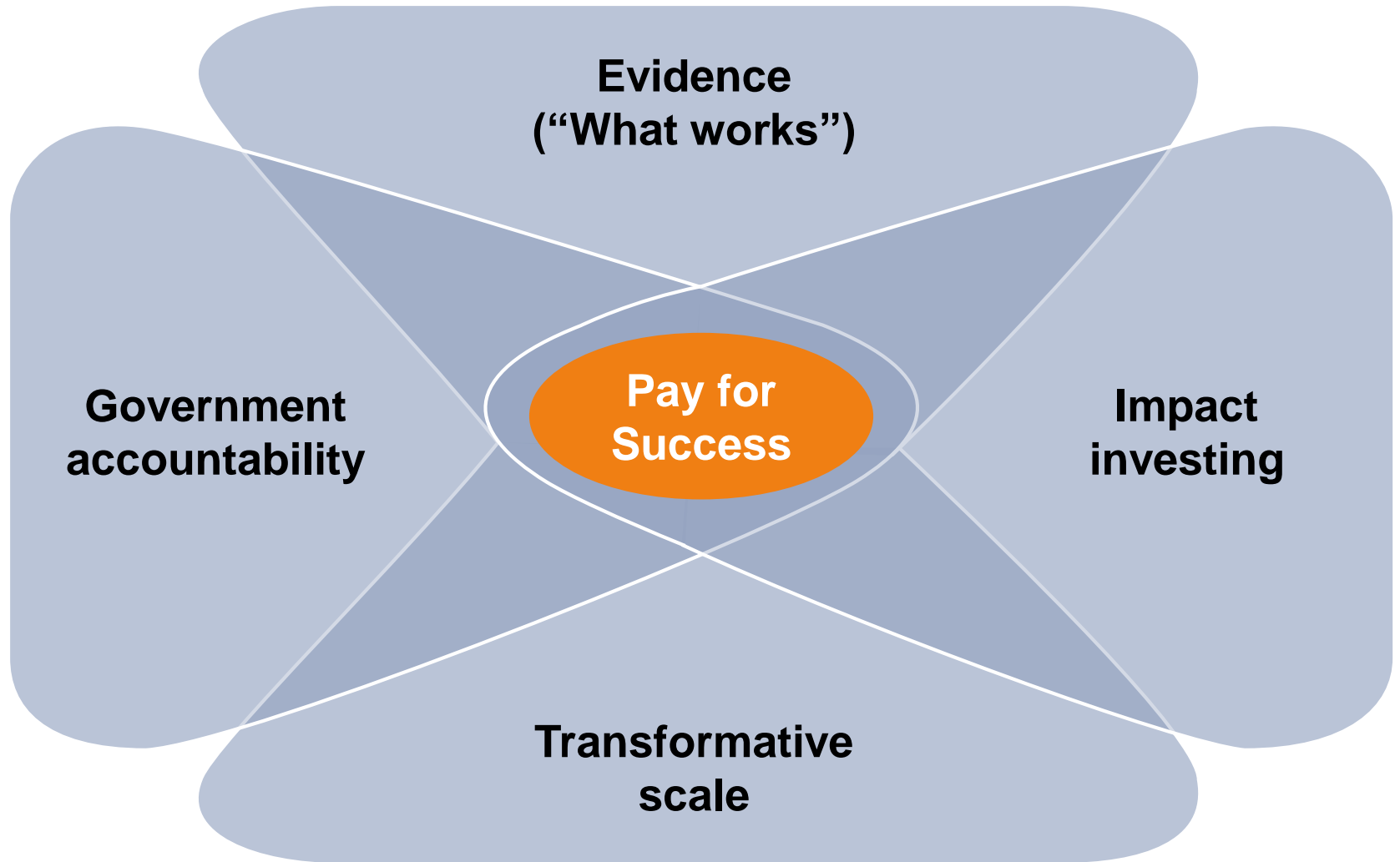
- Extensive **experience in the design and implementation of PFS projects**, from early stage feasibility assessment, to project development and capital formation, to post-launch performance management support
- **Have conducted 30+ feasibility studies and are actively developing or managing 15+ PFS projects across a diverse array of issue areas around the country**

▶ WHAT IS PAY FOR SUCCESS

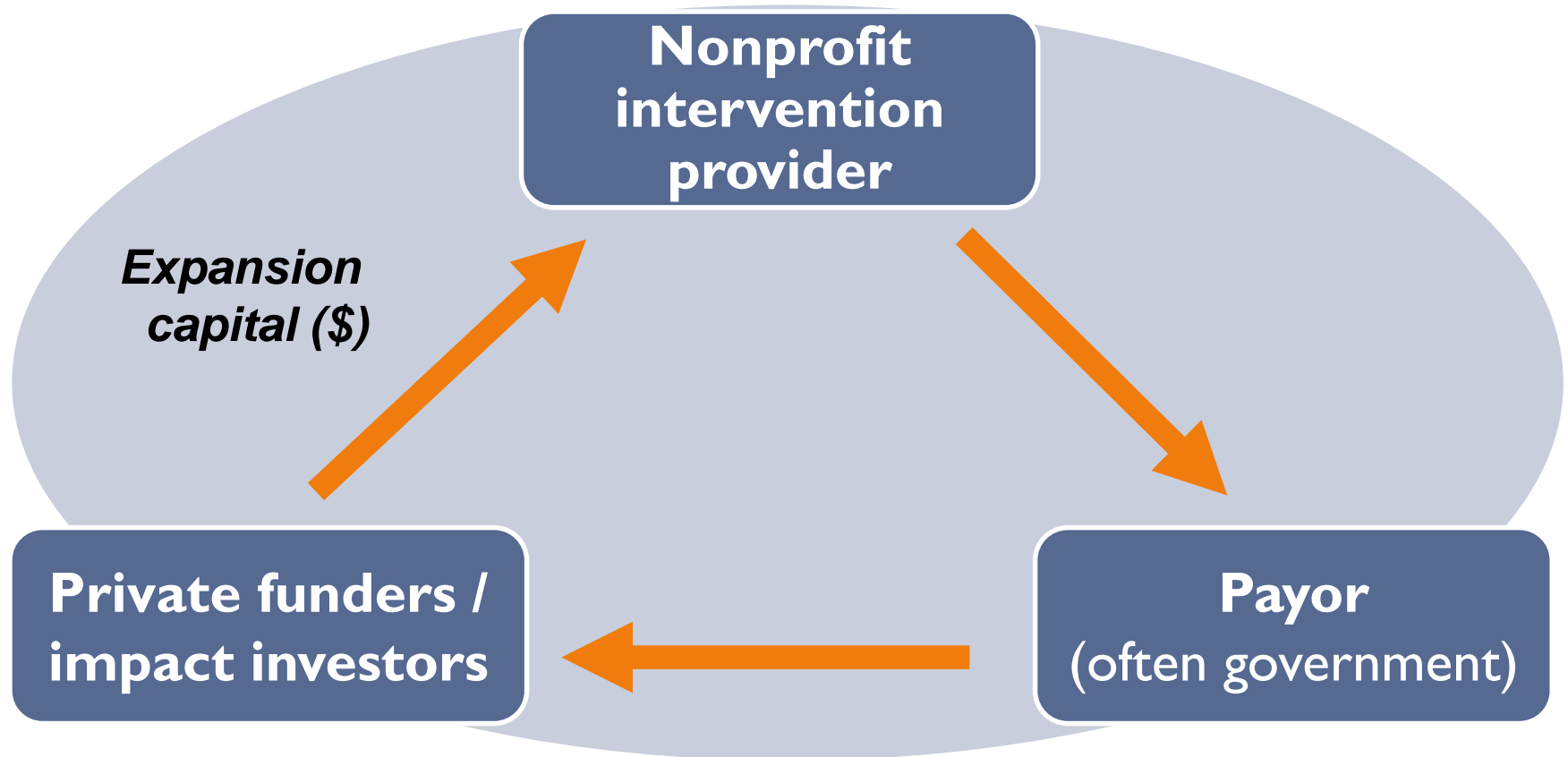


Pay for success is about
measurably improving the lives
of people most in need
by driving government resources
toward more effective programs

▶ PAY FOR SUCCESS SITS AT THE INTERSECTION OF FOUR POWERFUL MOVEMENTS



▶ WHAT IS PAY FOR SUCCESS?



Pay for Success is about **measurably improving** the lives of **people most in need** by driving government resources toward **more effective programs**

▶ 15 PAY FOR SUCCESS DEALS HAVE REACHED THE MARKET TO DATE
 ...and more are on their way

Criminal Justice / Recidivism



- 1 New York City
- 2 Massachusetts
- 3 New York State
- 4 Salt Lake County

Early Childhood Education



- 5 Salt Lake County
- 6 Chicago

Homelessness & Family Stability



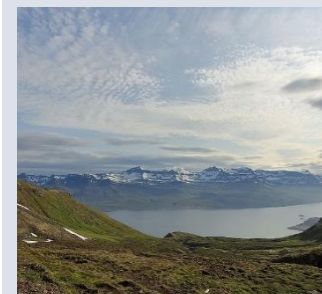
- 7 Cuyahoga
- 8 Massachusetts
- 9 Santa Clara
- 10 Denver
- 11 Connecticut
- 12 Salt Lake County

Maternal & Child Health



- 13 South Carolina
- 14 Michigan

Environment / Sustainability



- 15 Washington, DC

Additional projects in development:

Workforce

K-12 education

Early childhood

Foster care

Asthma

▶ WHY DO WE CARE ABOUT PAY FOR SUCCESS?

Focus on evidence and outcomes

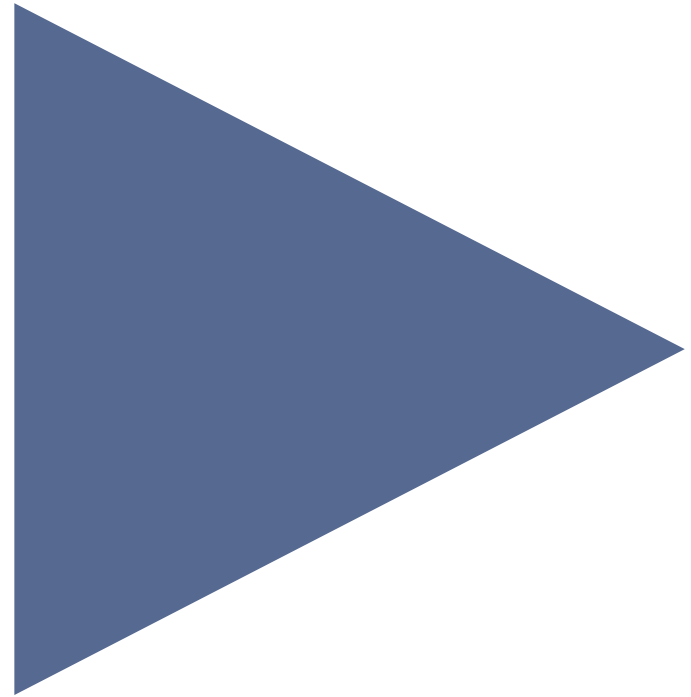
Promotes measurement

Attracts new resources

Helps scale up high-quality services

Optimizes government resources for results

▶ OVERVIEW OF OUTCOMES RATE CARDS



▶ WHAT IS AN OUTCOMES RATE CARD?

Outcomes rate cards work best when paying for positive outcomes (vs. avoiding negative outcomes)

An outcomes rate card is a procurement tool through which government **defines a menu of outcomes it wishes to “purchase”**—such as improving student achievement, completing a degree/training program, boosting earnings—and the **amount it is willing to pay each time a given outcome is achieved.**

AT-RISK YOUTH EMPLOYMENT

Outcome <i>Per at-risk youth ages 14-24</i>	Maximum Outcome Price
Improved behavior at school	\$500
Completed Level 1 Certification	\$800
Completed Level 2 Certification	\$1,300
Entry into First Employment <i>(Individual at moderate-risk of reoffending)</i>	\$2,000
Entry into First Employment <i>(Individual at high-risk of reoffending)</i>	\$3,000
Employment Retention <i>(12mos)</i>	\$3,500

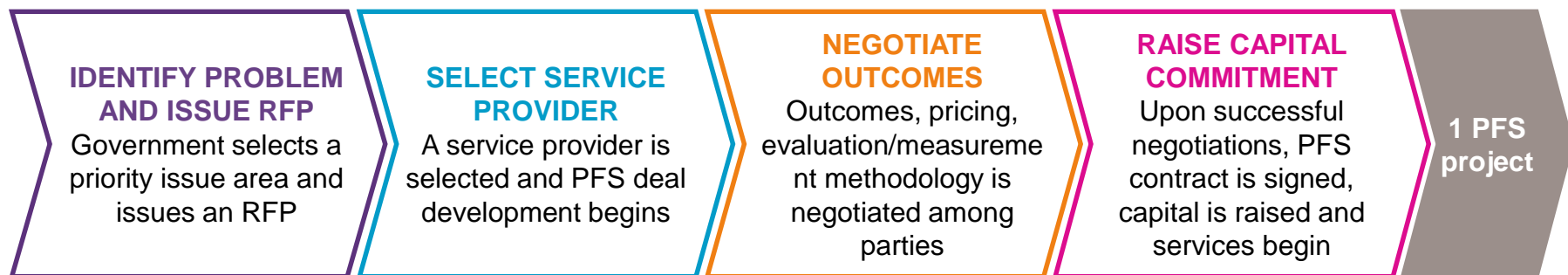
CHILD WELFARE

Outcome <i>Per system-involved youth</i>	Maximum Outcome Price
Identification & enrollment in placement program	\$100
Placed into kinship care	\$1,300
Return to home with parents	\$2,000
Stable home placement <i>(6-months)</i>	\$3,000
Stable home placement <i>(1-year)</i>	\$5,500

▶ OUTCOMES RATE CARD RE-ORDERS THE PFS DEVELOPMENT PROCESS

By setting outcomes and prices upfront, an outcomes rate card enables government to launch multiple PFS projects

“TRADITIONAL” PAY FOR SUCCESS

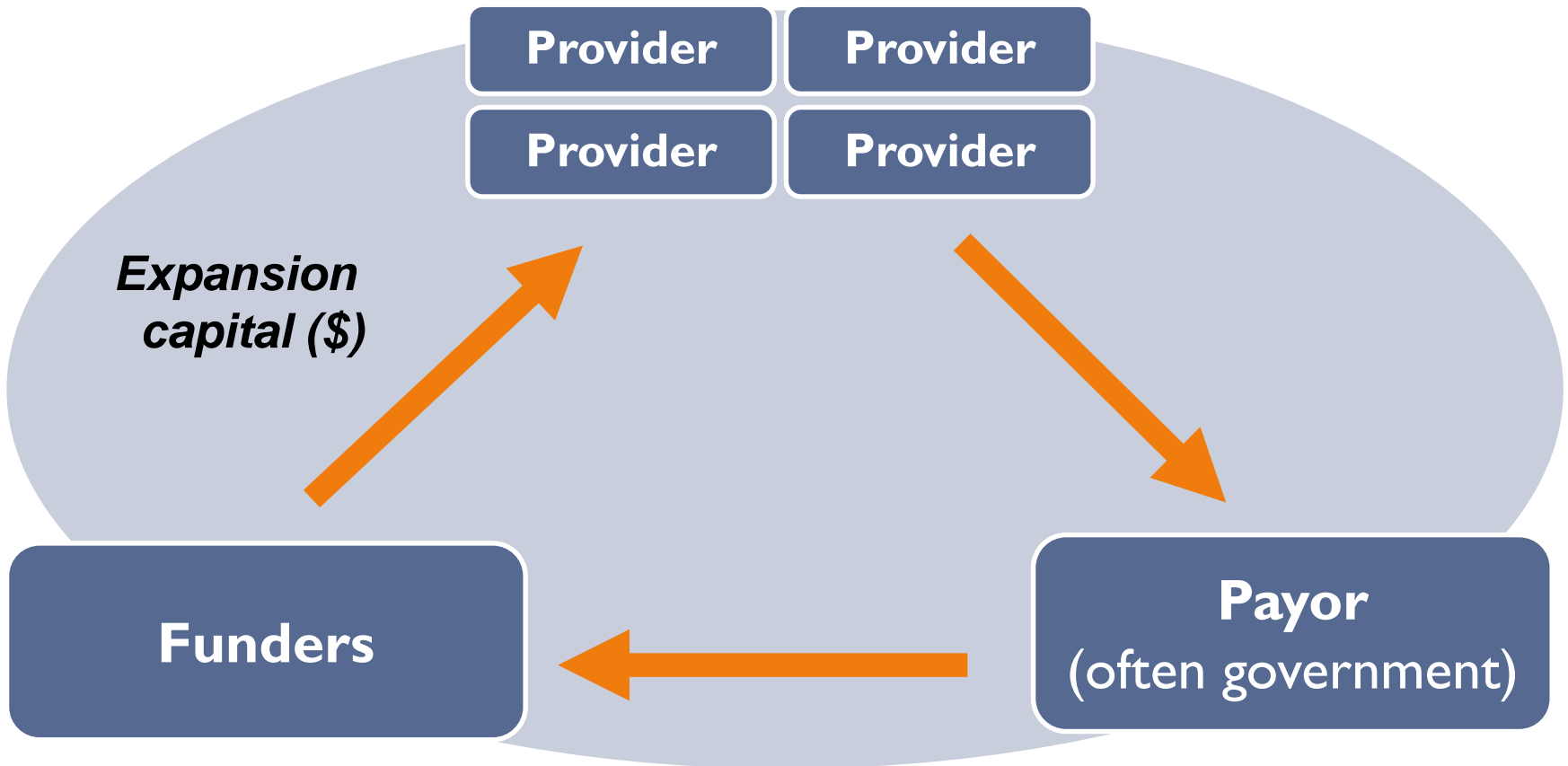


GOVERNMENT completes at the onset of development

OUTCOMES RATE CARD PFS

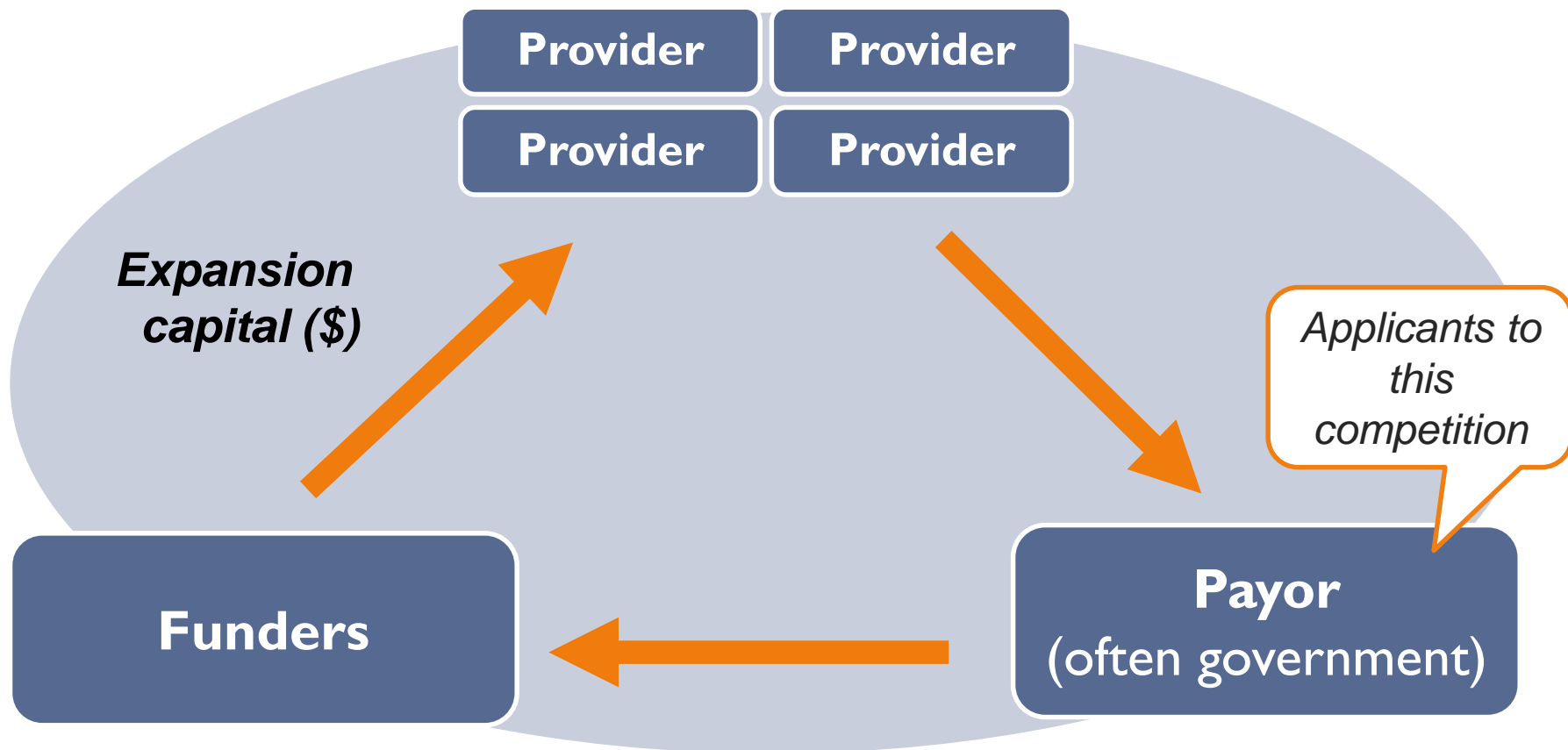


▶ PAY FOR SUCCESS WITH OUTCOMES RATE CARDS



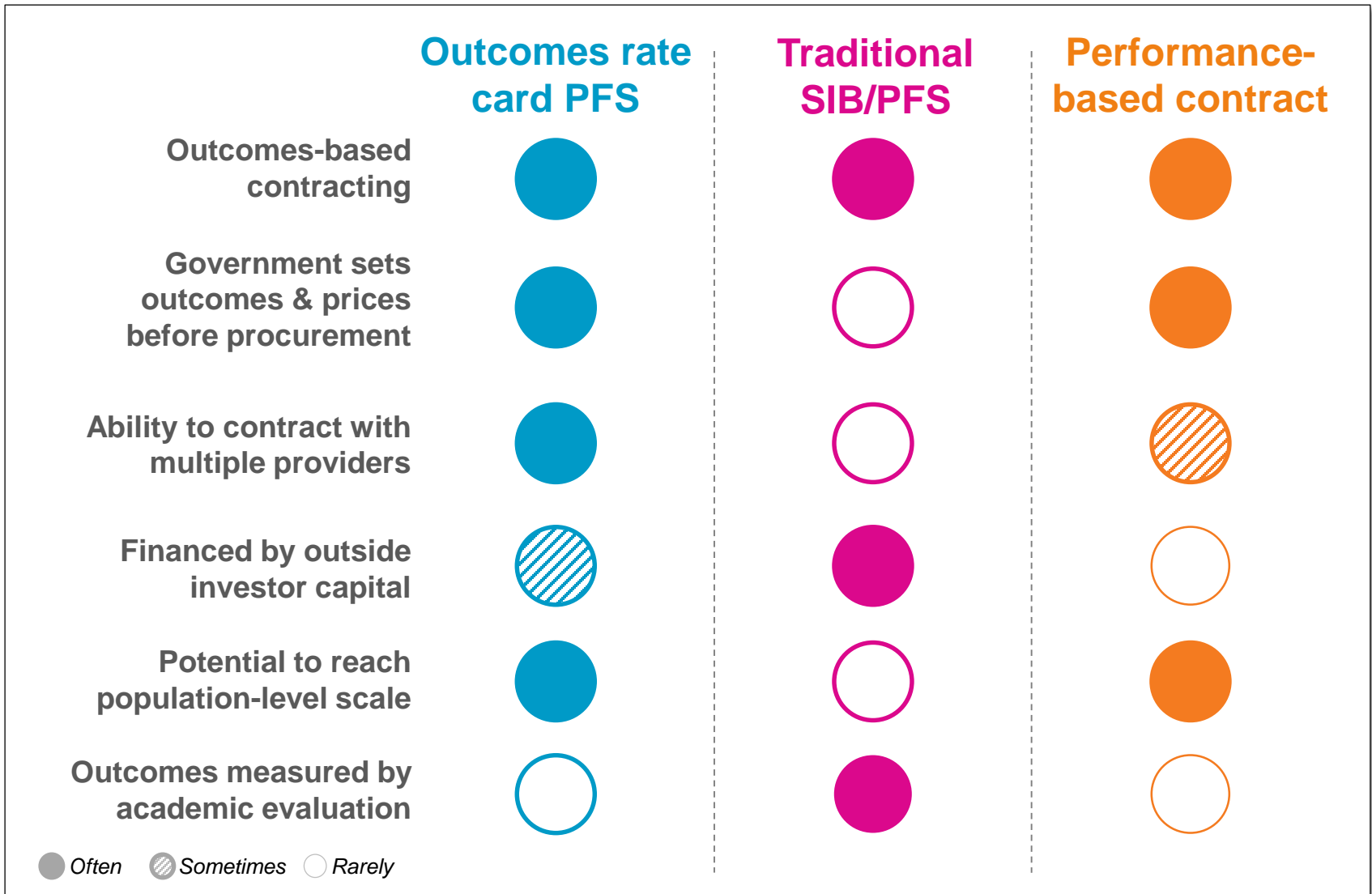
Outcome rate cards can **scale & standardize PFS projects** to drive government resources toward **multiple effective programs**

▶ PAY FOR SUCCESS WITH OUTCOMES RATE CARDS



Outcome rate cards can scale & standardize PFS projects to drive government resources toward multiple effective programs

▶ COMPARING OUTCOMES-BASED FINANCING APPROACHES



▶ CHALLENGES IN CURRENT SERVICE PROCUREMENT MARKET

Social Finance is deeply aware of service provider challenges; the outcomes rate card development process will aim to alleviate some of these

Covering provider costs

Are the outcome rates sufficient to cover the cost of delivering services?

Measuring contract performance

How do we measure success?

Selecting and pricing outcomes

*How do you select outcomes?
How do you determine the value of the outcomes?*

Service provider working capital

How will providers find outside capital to fund service delivery costs?

▶ WHY DO WE CARE ABOUT OUTCOMES RATE CARDS?

Focus on evidence and outcomes

Promotes measurement

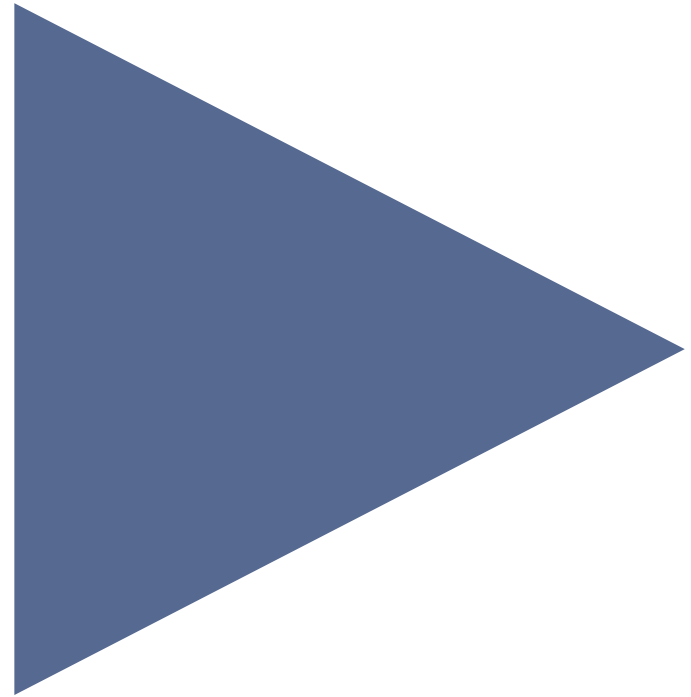
Attracts new resources

Helps scale up high-quality services

Optimizes government resources for results

**Serve more people in need with
outcomes-based projects**

▶ OUTCOMES RATE CARD DEVELOPMENT COMPETITION



▶ SOCIAL INNOVATION FUND – PAY FOR SUCCESS FUNDING



The Social Innovation Fund (SIF), a program of the Corporation for National and Community Service (CNCS), is a strong supporter of Pay for Success (PFS) financing as an innovative tool for governments to partner with nonprofits and private funders to advance community-based solutions.



In November 2016, SIF awarded Social Finance, a nonprofit Pay for Success intermediary, a \$1.4 million grant to fund the development of **outcomes rate cards** as part of its Round 2 grants competition.

▶ OUTCOMES RATE CARD DEVELOPMENT COMPETITION

Overview of activities

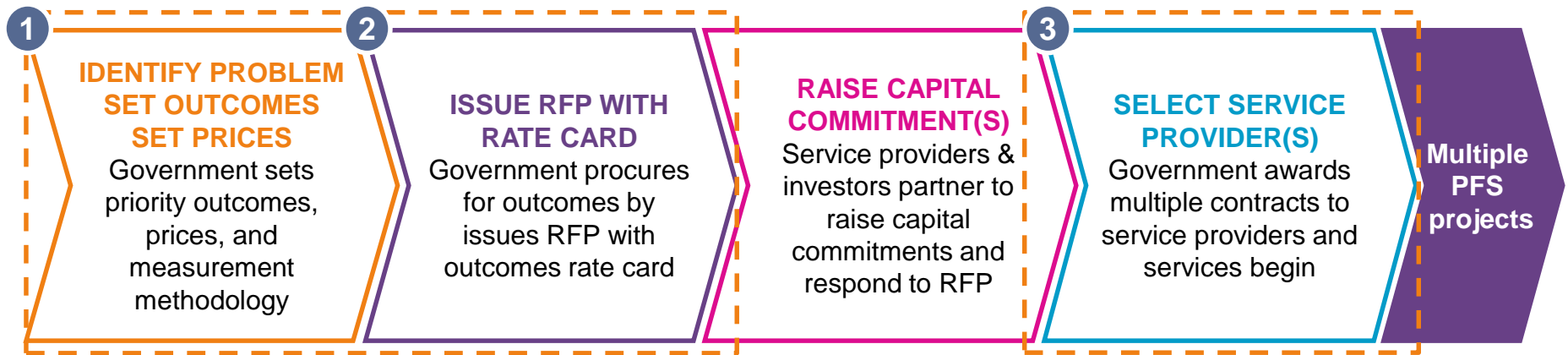
ELIGIBLE APPLICANTS	State, local and tribal governments and/or nonprofit organizations
AWARD	Free technical assistance from Social Finance
PURPOSE	Develop an outcomes rate card

Government and/or nonprofit organizations will apply for Social Finance's technical assistance for the following activities:

- 1 Develop an outcomes rate card
- 2 Design and issue a Request for Proposals to procure for service providers to address a pressing social challenge
- 3 Manage the procurement, support contracting and launch PFS projects with procured providers

▶ OUTCOMES RATE CARD DEVELOPMENT COMPETITION

Sequencing of activities

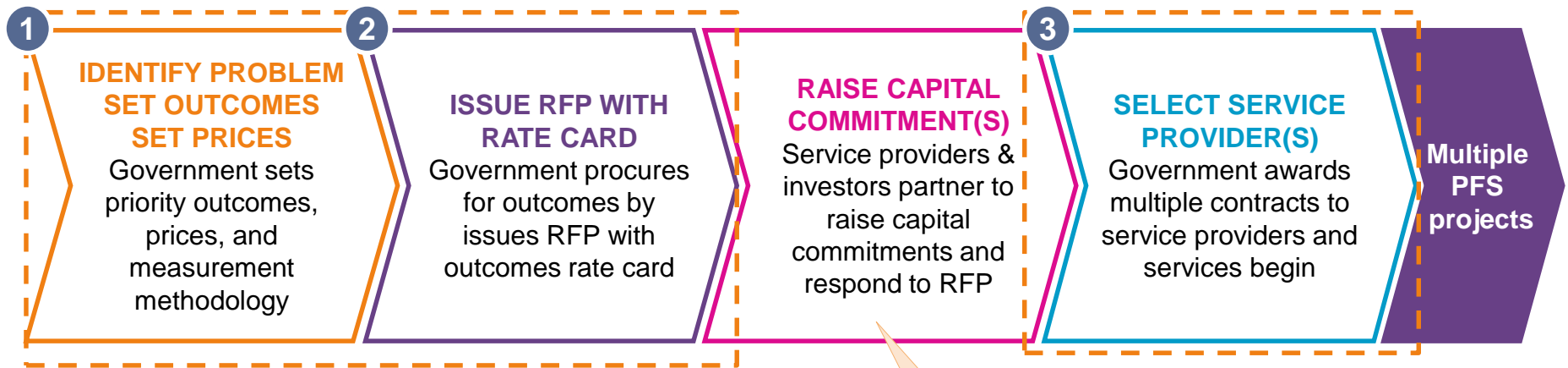


Government and/or nonprofit organizations will apply for Social Finance's technical assistance for the following activities:

- 1** Develop an outcomes rate card
- 2** Design and issue a Request for Proposals to procure for service providers to address a pressing social challenge
- 3** Manage the procurement, support contracting and launch PFS projects with procured providers

▶ OUTCOMES RATE CARD DEVELOPMENT COMPETITION

Sequencing of activities



Government and/or nonprofit organizations will receive technical assistance for the following:

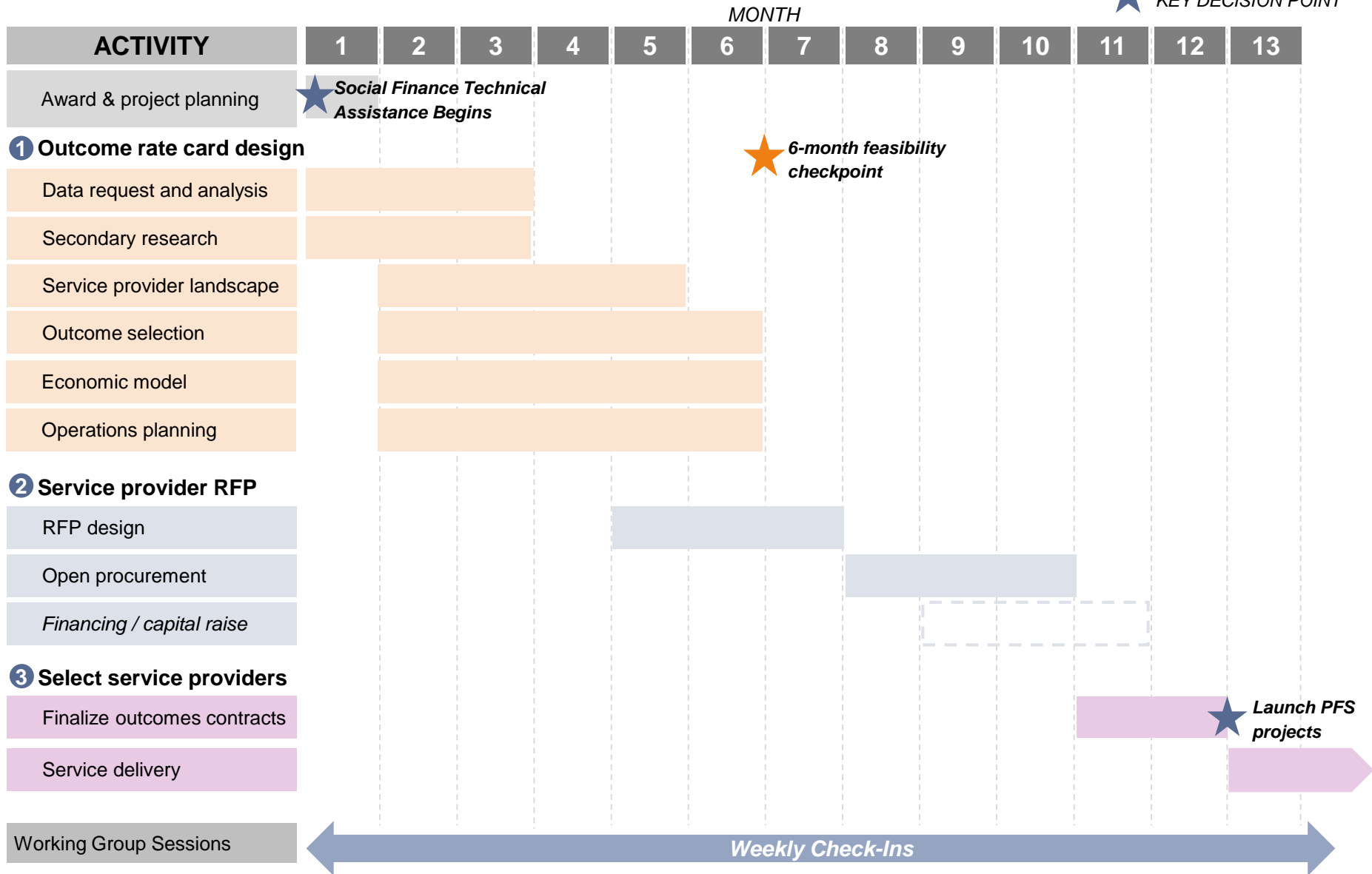
- 1 Develop an outcomes rate card
- 2 Design and issue a Request for Proposals to service providers to address a pressing social issue
- 3 Manage the procurement, support contracting and launch PFS projects with procured providers

Note: Because of our role in the procurement process, Social Finance will not participate in the capital raise for selected service providers for rate card projects in this competition.

▶ EXAMPLE PROJECT WORK PLAN WITH KEY DECISION POINTS

Work plan timing is tentative and to be discussed with partners

★ KEY DECISION POINT



▶ FIRST SIX MONTHS FOCUSED ON RATE CARD DEVELOPMENT

1 Outcome rate card design

Data request and analysis

- Submit data request
- Receive data
- Partners review results of data analysis

Secondary research

- Supplement local data w/ issue area literature

Service provider landscape

- Through outreach to providers and research on the local service provider market, define provider costs for different services
- Provide market education for providers on rate card procurement process

Outcome selection

- Informed by primary and secondary data, service provider landscape & feedback, define range of possible outcomes and associated prices
- Select outcomes for the rate card based on policy priorities and have the ability to demonstrate real progress
- Based on selected outcomes, data availability, and program design, define measurement methodology

Economic model

- Develop prices per outcome
- Using prices and sets of outcomes on the rate card, model potential project designs, identify accrual of value to public sector

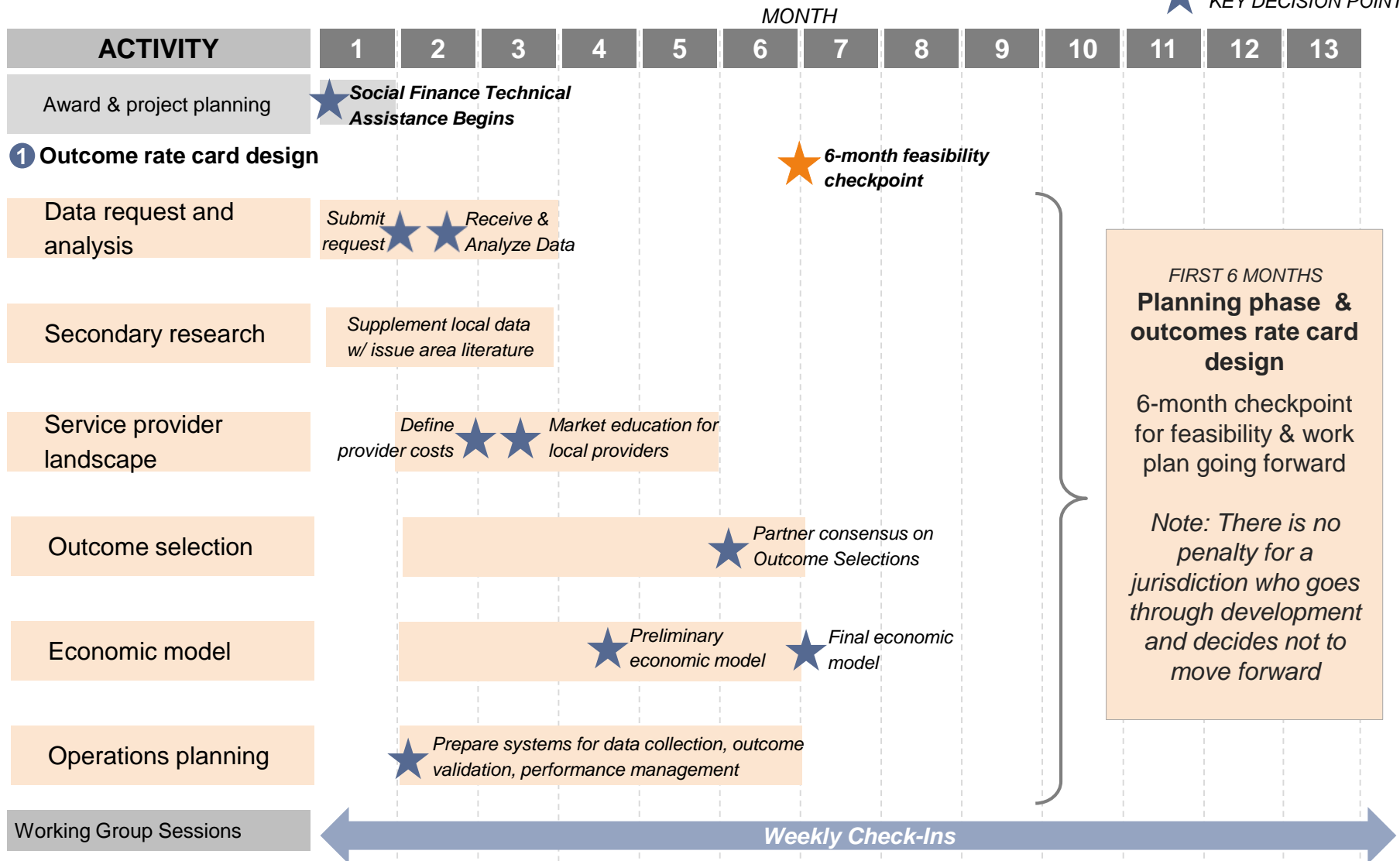
Operations planning

- Prepare systems for data collection, outcome validation, and performance management

▶ EXAMPLE PROJECT WORK PLAN WITH KEY DECISION POINTS

Work plan timing is tentative and to be discussed with partners

★ KEY DECISION POINT



▶ SECOND SIX MONTHS EMPHASIZES SERVICE PROVIDER PROCUREMENT

2 Service provider RFP

RFP design

- Define service provider selection criteria
- Manage internal procurement approvals

Open procurement

- Release RFP
- Market the competition opportunity; host information sessions and manage applicant questions

Financing / capital raise

- *To be undertaken by service providers and/or funders/impact investors during open competition*

3 Select service providers

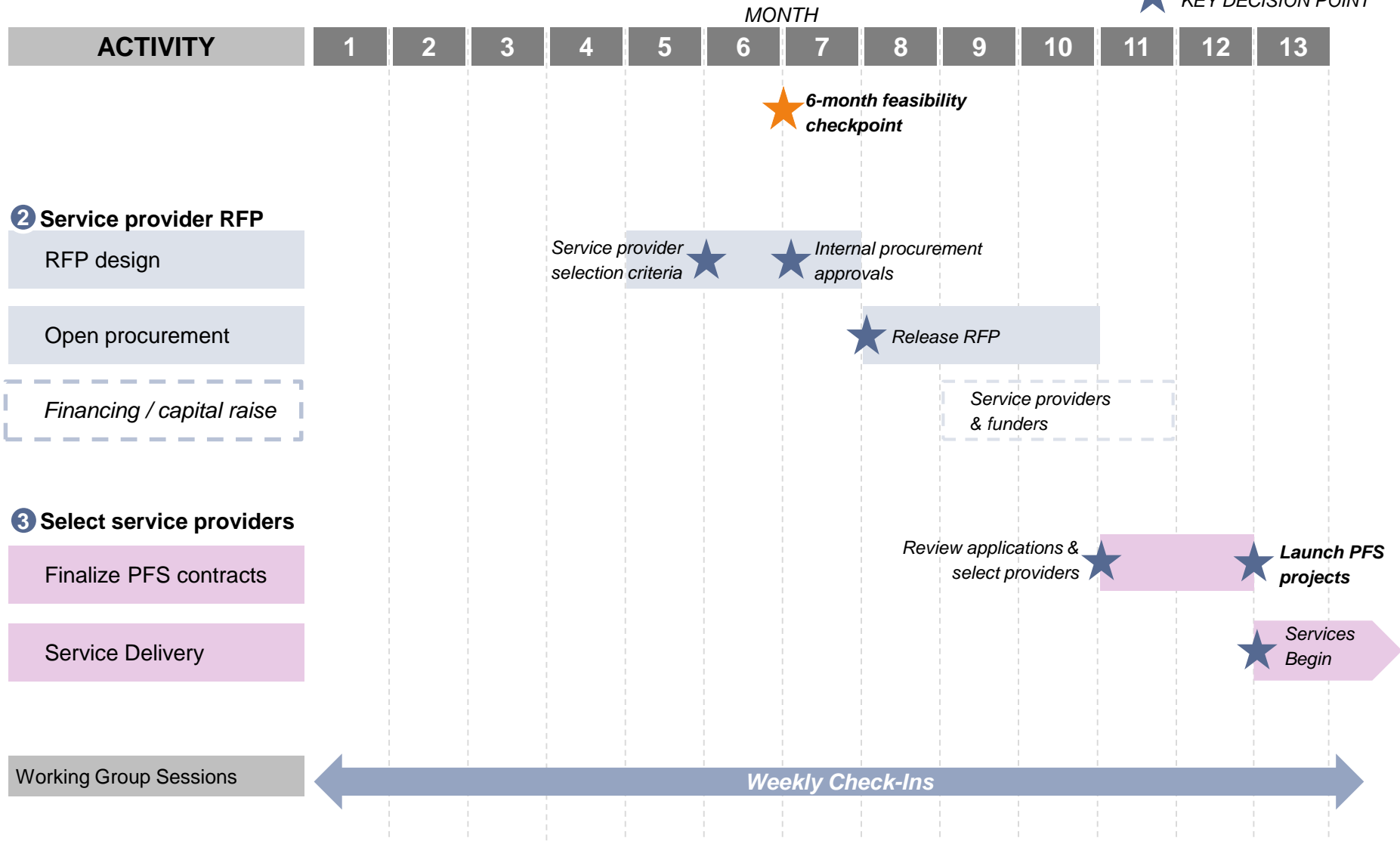
Finalize outcomes contracts

- Develop template outcomes contract to guide the finalization of multiple PFS/outcomes contracts with providers
- Review applications and select providers
- Launch services

▶ EXAMPLE PROJECT WORK PLAN WITH KEY DECISION POINTS

Work plan timing is tentative and to be discussed with partners

★ KEY DECISION POINT



▶ EXAMPLE OUTCOMES RATE CARD APPLICATIONS

CHALLENGE

Low high school graduation rates in a city's public schools

CONTEXT

Systemic factors influence attainment; outcomes rate card intended to help shift program emphasis to early grade initiatives.



OUTCOMES RATE CARD APPROACH

An outcomes rate card could promote range of outcomes including:

- Improved number of students w/out risk factors by 6th grade, by 9th grade
- Improved third grade literacy
- Increased participation in alternative to diploma programs / certifications
- Engagement with community resources such as health care, housing, counseling
- Two-generation indicators between children and caregivers

CHALLENGE

Substance use disorder public health crisis, straining public services

CONTEXT

Evolving challenge facing many communities; outcomes rate card intended to allow for multiple solutions to public health approach.

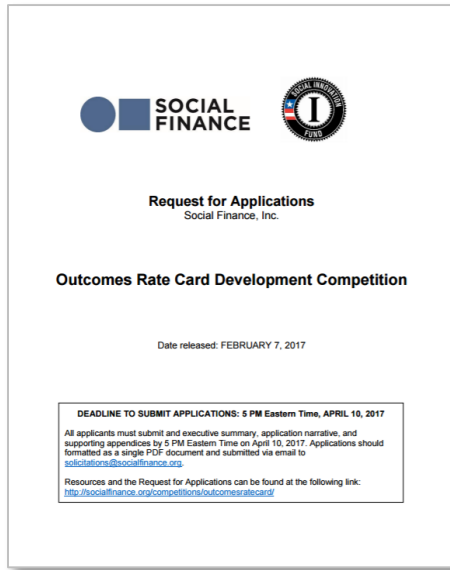


OUTCOMES RATE CARD APPROACH

An outcomes rate card could support alternative services to achieve outcomes:

- Persistence in a treatment program (e.g. adhering to protocols)
- Clean individual toxicology screens
- Free from substance-related interactions with criminal justice system
- Free from substance-related ER visits
- Stable housing (for participants w/ unstable housing situations)

▶ HOW TO APPROACH THE APPLICATION



Goal of the application:

Put forth your best description of the challenge you are facing and the reasons outcomes rate cards may be the right approach to tackle that issue

❖ Commitment to the project

- Data availability and efficient data request **has critical impact on project timeline**
- Describe experience, include letters of support to demonstrate commitment from leadership & stakeholders

❖ Describe the challenge

- RFA categories involve the questions we will be working to answer during outcomes rate card development
 - ▶ While specifics may yet TBD – **use application to share initial hypothesis**
- Well-articulated goal, commitment to flexibility and problem-solving, & ability to cover outcome payments will lead to a strong application

▶ APPLICATION MATERIALS

Required application materials:

1

Executive Summary (1-2 pages)

- Describe why the applicant is interested in developing an outcomes rate card, including goals for the project, the proposed target population, outcome metrics, and organizational capacity to undertake PFS rate card development.

2

Proposal Narrative (up to 28-29 pages)

- **Capacity for Pay for Success and outcomes rate cards**
 - Organizational capacity and commitment
 - Commitment to outcomes rate cards and PFS
 - Data infrastructure
- **Strength of the proposed project**
 - Issue area and population alignment
 - Potential for impact
 - Diverse service provider landscape

3

Appendices (no page limit)

- Appendix A: Letter of support from senior-level project champion
- Appendix B: Letter of support from elected officials or key decision-makers indicating support for the project and intention to launch projects within 12 months
- Appendix C: Up to five letters of support from local PFS stakeholders (e.g. funders, providers, community leaders, other key government players, etc.)
- Appendix D: If applicable, budget detailing match commitment as per section C, part 2 of Supplemental Categories
- Appendix E: If applicable, IRS form 990 for the most recent fiscal year (applicants may also submit additional fiscal documentation if relevant)

SCORING CRITERIA

CAPACITY FOR PFS AND OUTCOMES RATE CARDS

25 points	Organizational capacity and commitment	<i>Service Recipients will provide meaningful, ongoing commitment and resources to the outcomes rate card and PFS development process.</i>
20 points	Commitment to outcomes rate cards and PFS	<i>Service Recipients will engage in the detailed work required to develop an outcomes rate card and PFS projects (“PFS-readiness”)</i>
10 points	Data infrastructure	<i>Service Recipients will access (or gain access to) the necessary data to describe current outcomes for the proposed target population and track outcomes during a project</i>

STRENGTH OF PROPOSED PROJECT

15 points	Issue area and population alignment	<i>Service Recipients will clearly identify a priority issue area and target population.</i>
15 points	Potential for impact	<i>Service Recipients will use the outcomes rate card to address a social issue for an underserved population, for which there are strong approaches to improve outcomes.</i>
15 points	Diverse service provider landscape	<i>Service Recipients will identify the presence of many strong service providers for the proposed issue area and target population, in order to support the launch of multiple PFS projects by multiple providers.</i>

▶ KEY DATES & APPLICATION SUBMISSION

Deadline to submit questions:

Tuesday, March 21, 2017

Applications due:

Monday, April 10, 2017, 5 p.m. Eastern Time

All applicants must submit an executive summary, application narrative, and supporting appendices. Applications should be formatted as a single PDF document and submitted via email to

solicitations@socialfinance.org

▶ QUESTIONS

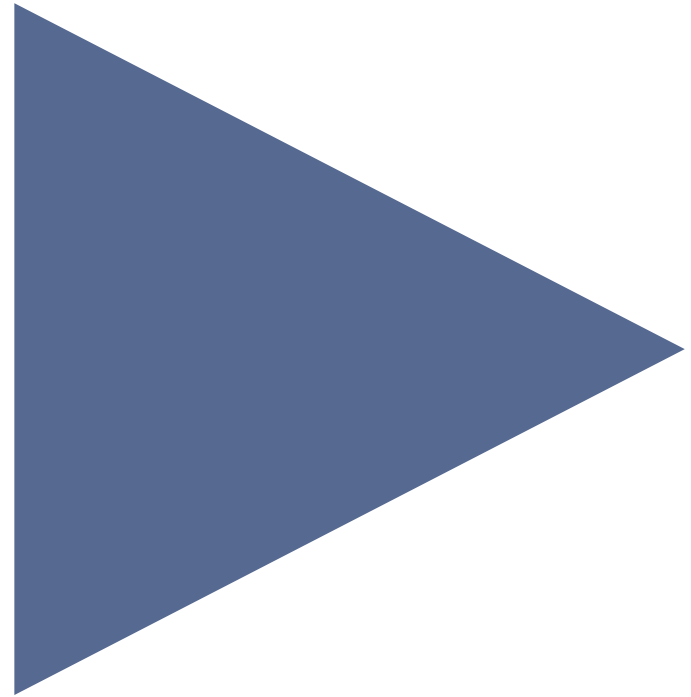
Please enter your questions via the chat box.

FOR MORE INFORMATION

- Visit <http://socialfinance.org/competitions/outcomesratecard/>
- A recording of this webinar and answers to questions will be posted online within a week
- Deadline to submit questions: March 21, 2017
- Applications due: April 10, 2017, 5 p.m. Eastern Time

ADDITIONAL QUESTIONS

- Contact Annie Dear adear@socialfinance.org



▶ RATE CARDS IN THE UK

Over 20 PFS projects have launched as a result of rate card procurements

UK INNOVATION FUND

The first UK rate card: **The Innovation Fund** pilot initiative launched by the Department for Work & Pensions in 2011 aimed to support disadvantaged young people considered to be NEET (not in education, employment, or training).

From **a single rate card**, the Innovation Fund:

- Served up to **17,000 at risk youth** ages 14-24
- Launched **two separate rounds of open competition**
- Deployed roughly **£30 million of capital**
- Prompted over **130 interested service applicants**
- Finalized **10 contracts with 6 providers** across the UK
- **All 10 Innovation Fund pilots have been deemed successful by project partners**

YOUTH ENGAGEMENT FUND & FAIR CHANCE FUND

Launched in 2014, the £16.5m **Youth Engagement Fund (YEF)** builds on the existing DWP Innovation Fund to pay for positive education and employment outcomes to support 8,000 disadvantaged individuals. 39 bids were submitted and 4 were selected for contracting.

Launched in 2015, the **Fair Chance Fund (FCF)** was designed to help 2,500 vulnerable young people by assisting them into housing, education, training or sustained employment. The £15m fund represents a joint effort by the Department of Communities and Local Government as well as the UK Cabinet Office. Over 150 organizations submitted bids and 7 were selected for contracting.

▶ CHALLENGES IN CURRENT SERVICE PROCUREMENT MARKET

Social Finance is deeply aware of service provider challenges; the outcomes rate card development process will aim to alleviate some of these

Covering provider costs

Are the outcome rates sufficient to cover the cost of delivering services?

- Development process will require a detailed service provider landscaping exercise—many human service agencies are chronically under-funded
- Outcome rates will be set to balance both value to government & *real cost* of providing services, including indirect cost

Measuring contract performance

How do we measure success?

- UK rate card projects have not evaluated outcomes against a counterfactual, but instead track achievement against a goal
- Does gov't partner and service provider have IT systems to measure and track outcomes and payment?
- *Note: An outcomes rate card is a procurement tool, not a measurement tool; the approach is not synonymous with validated outcomes*

Selecting and pricing outcomes

How do you select outcomes? How do you determine the value of the outcomes?

- Social Finance has extensive experience identifying and pricing meaningful programmatic, short and long-term outcomes
- Each rate card to include a range of outcomes from early programmatic milestones to long-term positive life improvements. Service providers choose which to contract to fulfill based on their strengths

Service provider working capital

How will providers find outside capital to fund service delivery costs?

- Social Finance will not be an active participant in the capital raise of rate card projects in this competition
- Some service providers will require working capital funding to submit bid, others will be able to self fund from their balance sheet; both approaches will be embraced