

## Survey Background

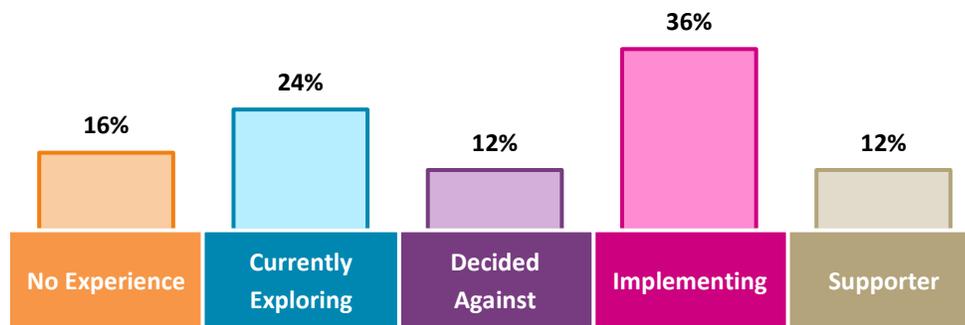
In the fall of 2019, Social Finance launched a survey to assess the potential for outcomes-based funding (OBF) to help align funding priorities towards social determinants of health. OBF, also known as Pay for Success (PFS), is a set of strategies that aim to directly and measurably improve the lives of people in need by tying payments directly to results. PFS includes a set of tools, such as social impact bonds (SIBs), outcomes rate cards (ORCs), and career impact bonds (CIBs), that rely on a few core principles, including a focus on clearly defined outcomes, data-driven decision making, and reliance on strong government and measurement.

The survey had four main objectives:

1. Understand respondents' familiarity with and current use of OBF.
2. Assess the barriers to using OBF.
3. Examine tools or resources that would enable more engagement in OBF.
4. Direct respondents towards tools and resources to learn more about OBF.

We received 59 responses from government, not-for-profit agencies, and private sector companies with the authority to influence internal funding decisions. While these respondents tended to be more familiar with OBF than the average person given previous connections to Social Finance, in practice, they had varying degrees of hands-on experience. Although a plurality of respondents had experience in implementing OBF strategies, several had no experience or had decided against implementation.

### Overview of Respondents by Previous OBF Experience



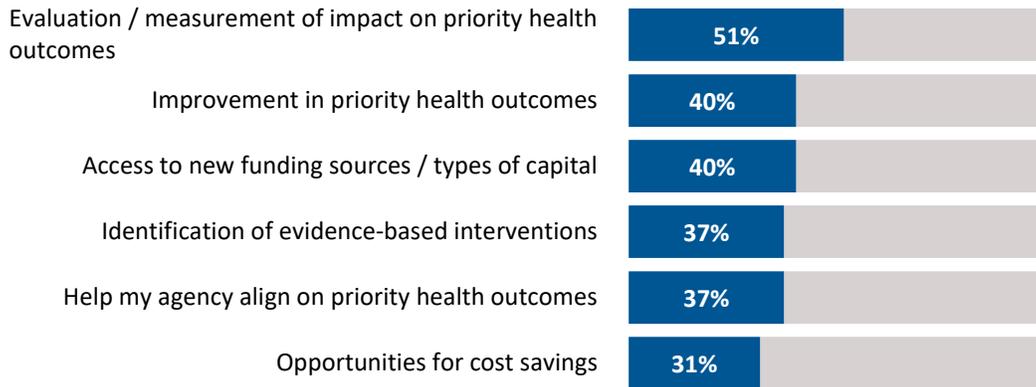
### Perceived Benefits and Challenges with Implementing OBF

Analysis of the survey results provided deeper insight into the perceived challenges and benefits of OBF for the 50% of respondents who were currently exploring or actively implementing OBF strategies.

### Perceived Benefits of OBF

Asked to select up to four benefits from a list of 11, respondents indicated a wide range of perceived benefits, with only one option (measurement and evaluation) selected by more than half of all respondents.

#### Top 6 Perceived Benefits of Implementing Outcomes-Based Funding

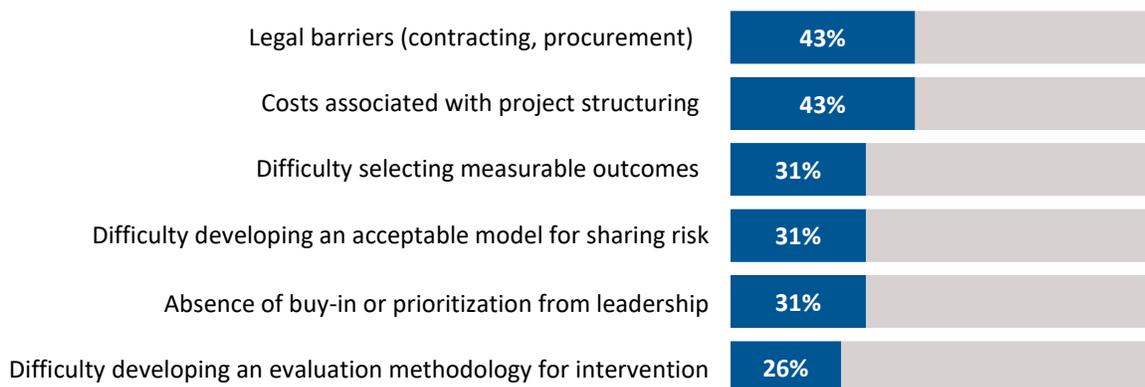


While 40% of respondents cited improvement in priority health outcomes as a perceived benefit of OBF, only 20% of respondents thought OBF would result in a long-term focus on those priority outcomes (not shown on graph). This may indicate that while some respondents think OBF can be an effective strategy toward improving health outcomes, it may ultimately fall short in shifting organizations' long-term focus on those same outcomes.

### Perceived Challenges of OBF

The perceived challenges of implementing OBF strategies were equally varied. Popular responses included challenges with funding, procurement and contracting as well as challenges acquiring the necessary buy-in from leadership.

#### Top 6 Perceived Challenges of Implementing Outcomes-Based Funding



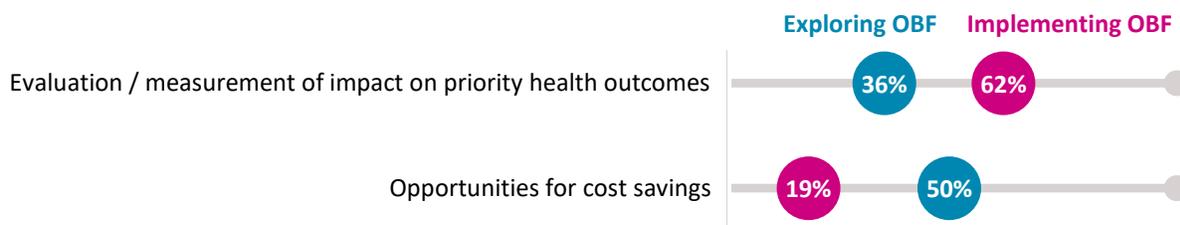
### Notable Differences Between Respondents Exploring OBF Versus those Implementing OBF

While respondents varied in their opinions of the benefits and challenges of OBF at large, disaggregating the perceptions of those currently *exploring* OBF from those the reality of those actively *implementing* OBF yielded interesting insights.

### Perceived Benefits of OBF

Two perceived benefits of OBF had large discrepancies between implementers and explorers. Those already in the process of implementing an OBF project overwhelmingly saw evaluation and measurement as a primary benefit, but viewed cost savings opportunities as less of a benefit. In contrast, those exploring OBF strategies were far more likely to believe that OBF presents an opportunity for cost savings. This finding may be driven by how the perceived benefits of OBF shift as jurisdictions move farther down the path toward implementation. In many of Social Finance’s engagements with governments to design and structure OBF projects, the impetus is often [to pursue cost savings](#). However, when many of them look back at the lasting value of these initiatives, they routinely mention the effects of an enhanced monitoring and evaluation toolkit.

#### Respondents’ Most Important Benefits for Pursuing OBF



### Perceived Challenges of OBF

Our survey also highlighted how jurisdictions exploring and implementing OBF strategies differ in their view of perceived challenges. Respondents exploring OBF see project structuring costs as more of a barrier than those who have implemented projects. This may suggest costs associated with OBF are not necessarily as significant as originally anticipated.

#### Respondents’ Top Challenges in Pursuing OBF

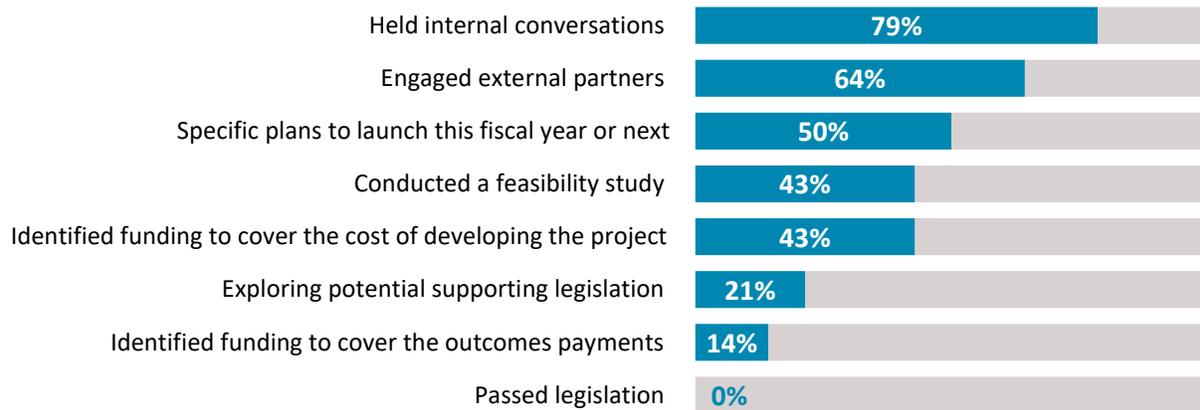


### Steps Taken in Exploring OBF

Our survey asked the almost 25% of respondents indicating that they were currently exploring OBF to describe the steps they have actively taken in their exploration process. Half of these respondents had specific plans to launch an OBF initiative by the next fiscal year, and most of the active steps centered on internal discussions and engagement with external partners. However, most respondents had not yet identified funding for outcomes payments, and none had passed legislation. Taken together, these responses suggest that these projects may not be as close to launching as their sponsors expect; alternatively, the anticipated OBF strategies may be less complex (e.g. perhaps jurisdictions are pursuing performance-based contracts and ORCs<sup>1</sup> over SIBs).

<sup>1</sup> Outcomes rate cards are a menu of outcomes that government seeks to achieve and the prices they are willing to pay for each outcome achievement

### Steps Taken in Exploring OBF



### Deciding Against OBF

Not all respondents who had experience with OBF decided to move forward with implementation. 12% of respondents had explored these strategies in the past but decided against them. For this subset of respondents, the reasons for not moving forward are clear: with a multitude of competing priorities and limited internal capacity, the opportunity cost to focusing on OBF appeared too high. This suggests that there may be significant value in low-cost or pro-bono technical assistance to help governments augment their internal capacity and reduce the costs of developing an OBF project. Interestingly, most respondents that did not pursue OBF perceived there to be sufficient third parties, such as intermediaries, to assist with project structuring, but limited internal capacity available to develop such projects. This may suggest that governments have only a limited understanding of the comprehensive role an intermediary can play in helping to design and implement OBF projects.

### Reasons for Not Pursuing OBF



### How We Plan to Use These Findings

We asked respondents about their preferred methods for learning new information about their field, and *policy briefs* were selected as the top answer. Respondents also indicated an appetite to learn more about OBF: two-thirds of respondents with no experience in OBF said they were very interested in learning more, while three-quarters of respondents who had implemented an OBF strategy said it was extremely or very likely they will pursue additional projects in the future. In response to these results and other feedback from government partners, Social Finance developed a series of ten issue briefs that outline the core components in implementing an OBF strategy.

Covering topics from getting started and assessing fit, to selecting outcomes, to contracting, the issue brief series provides a comprehensive overview – in bite-sized portions – of how payors of health and social services can reimagine their service delivery model in a way that focuses on outcomes, embeds performance monitoring and measurement, and creates more collaborative models of governance and accountability. To view the briefs, please visit [our website](#).

### **EXPLORE PFS: BRIEFS 1-3**

- 1. Brief 1 – Introduction to Pay for Success**  
*Pay for Success as a mechanism for directing funding towards outcomes.*
- 2. Brief 2 – The Pay for Success Toolkit**  
*An overview of Social Impact Bonds, Outcomes Rate Cards, and Career Impact Bonds.*
- 3. Brief 3 – Assessing Pay for Success Project Fit**  
*Criteria to help decide if PFS is the right tool for the problem at hand.*

### **LAUNCH PFS: BRIEFS 4-8**

- 4. Brief 4 – Getting Started**  
*Initial actions governments can take to build a strong project foundation.*
- 5. Brief 5 – Defining Success**  
*Identifying and selecting meaningful outcomes PFS projects.*
- 6. Brief 6 – Measuring Success**  
*Choosing the right evaluation methodology for PFS projects.*
- 7. Brief 7 – Is the Price Right?**  
*Strategies for valuing project outcomes.*
- 8. Brief 8 – Pay for Success Contracting**  
*Creating legal agreements for PFS projects.*

### **MANAGE PFS: BRIEFS 9-10**

- 9. Brief 9 – Active Performance Management**  
*Ongoing monitoring and course-correction to ensure project success.*
- 10. Brief 10 – Pay for Success Governance**  
*Moving from compliance to collaboration.*

### **About Social Finance**

Social Finance is a 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress. We partner with governments, nonprofits, foundations, impact investors, and financial institutions to create innovative funding and financing solutions to improve social outcomes. Through social investments, advisory services, active performance management and field building we bring uncommon partners together around a common purpose: to measurably improve the lives of those in need.

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