Maximizing Results through Pay-for-Performance (P4P) and Outcomes-based Contracting

MassHire Workforce Partners Meeting

April 3, 2019

Purpose

- Build workforce development boards' knowledge and capacity to pursue and implement WIOA-enabled Pay-for-Performance (P4P) provisions and other outcomes-based approaches

- Present an example of Third Sector's partnerships with local workforce boards across the country to implement P4P

- Identify next steps and potential projects for workforce boards to develop P4P approaches and pursue outcomes-based strategies

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Overview of WIOA and Pay-for-Performance (P4P)

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Next steps

Third Sector has deployed $480M in public funding via outcomes-based contracts influencing services for 24,000 people
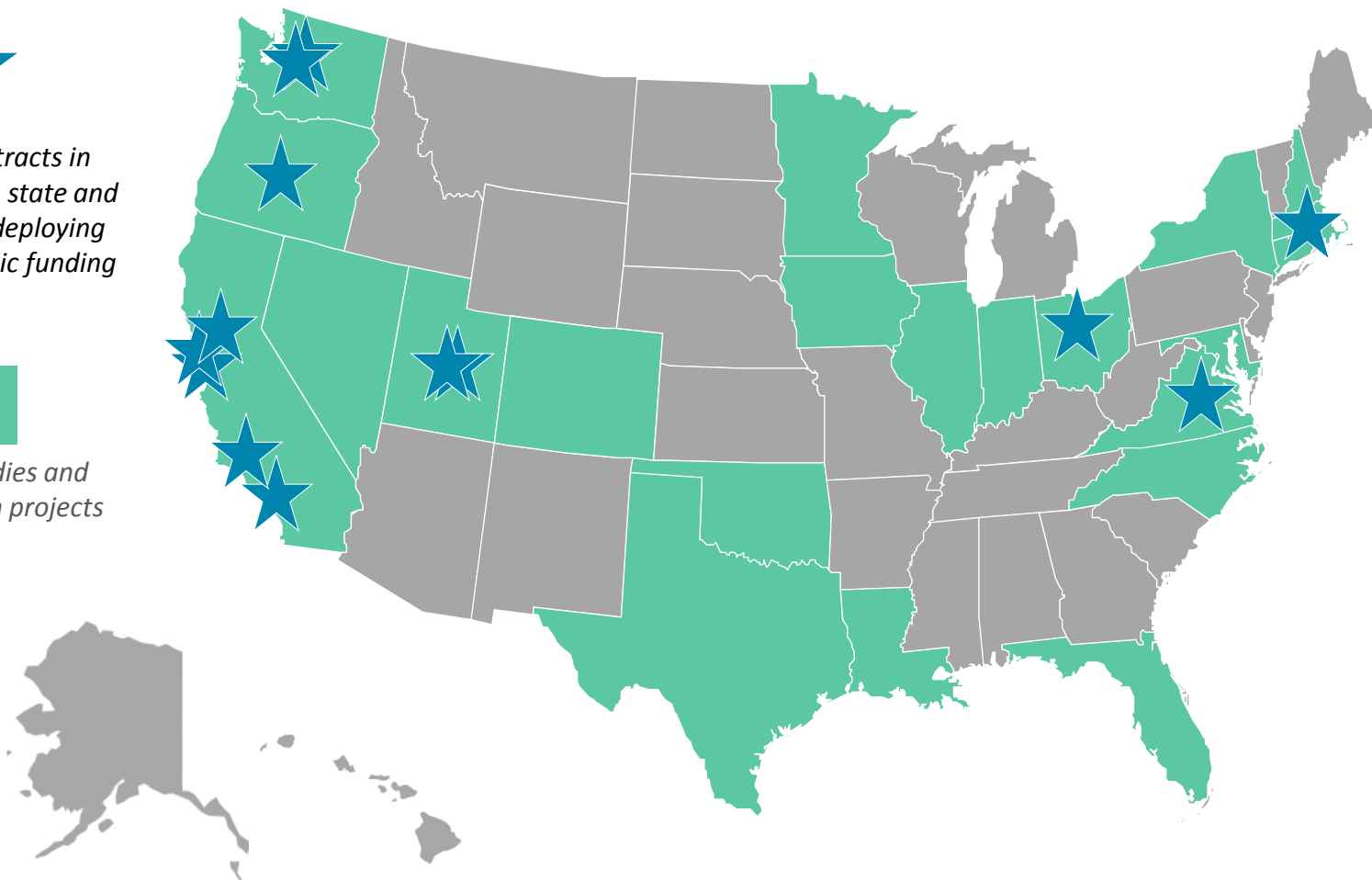
## Mission: To accelerate the transition to a performance-driven social sector

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Launched contracts in partnership with state and local agencies deploying $480mm in public funding

60+

Feasibility studies and implementation projects

Outcomes orientation encourages selecting longer-term, cross-system performance measures that demonstrate meaningful life change
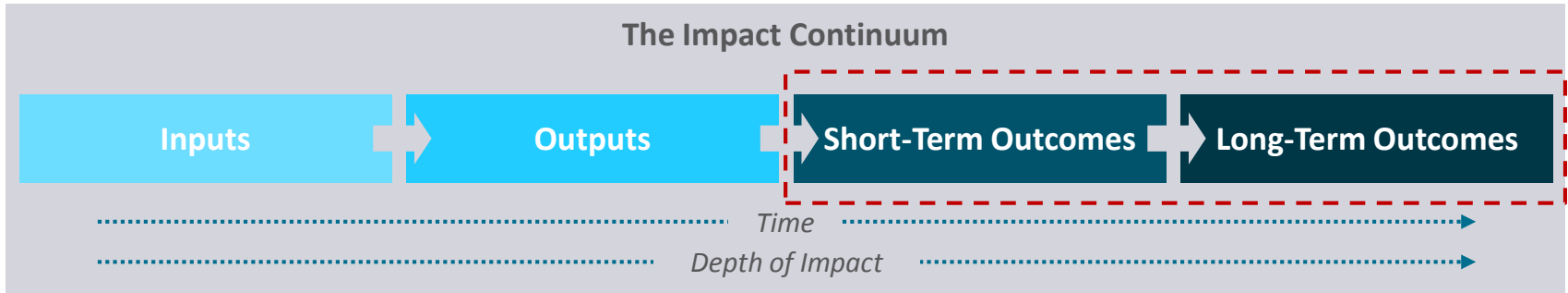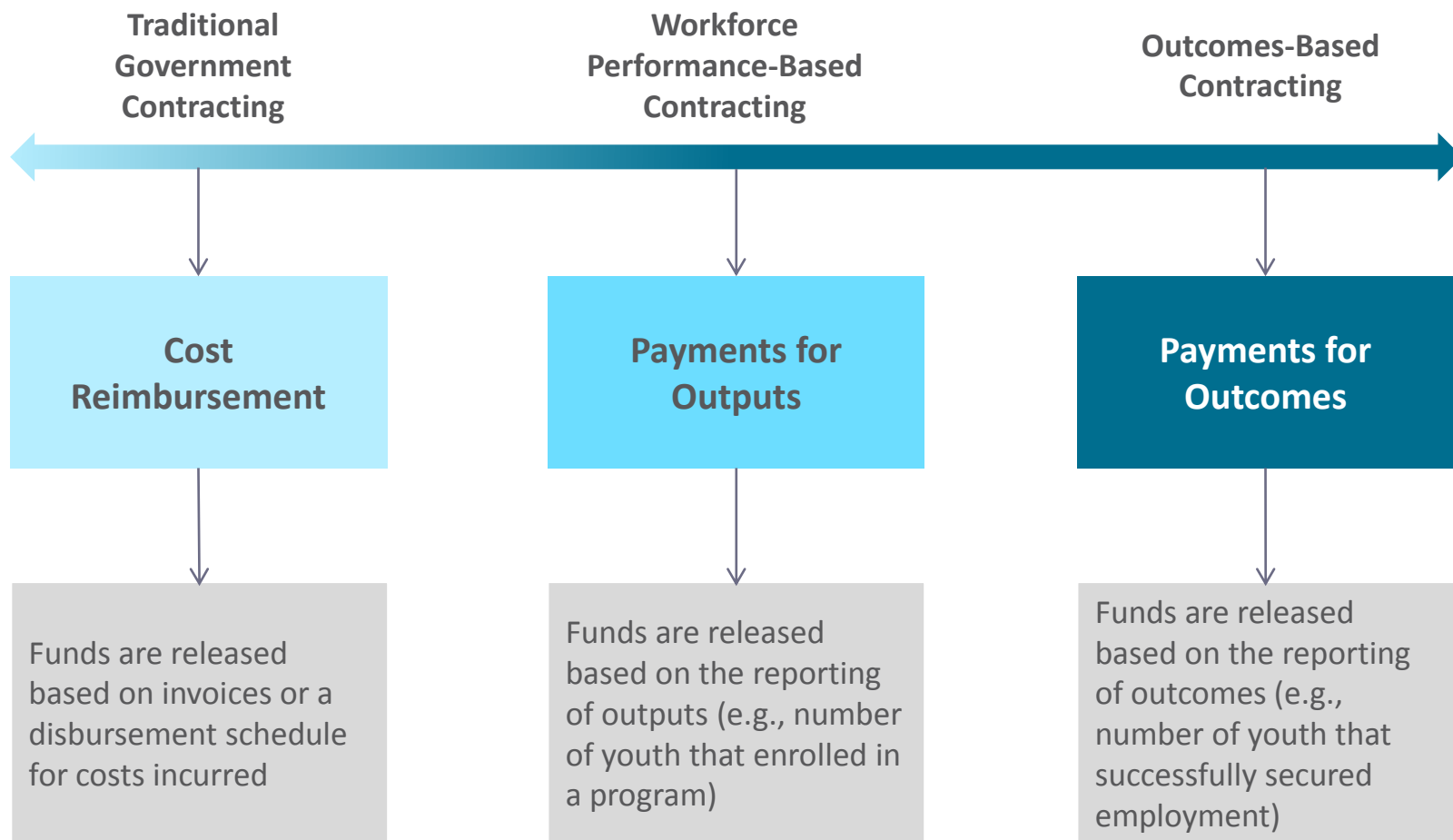

"Outcomes orientation" refers to a focus on the more impactful, but often delayed, changes that result from a program ("outcomes"), rather than its resources and activities ("inputs" and "outputs").

Outcomes-based contracting builds off of performance-based contracting by paying for longer-term outcomes achievement

Contracting Spectrum

Traditional Government Contracting

Workforce Performance-Based Contracting

Outcomes-Based Contracting

Cost Reimbursement

Payments for Outputs

Payments for Outcomes

Funds are released based on invoices or a disbursement schedule for costs incurred

Funds are released based on the reporting of outputs (e.g., number of youth that enrolled in a program)

Funds are released based on the reporting of outcomes (e.g., number of youth that successfully secured employment)

The following components of outcomes-based contracts ensure funding and services are working together to improve long-term life outcomes

What are Outcomes-Based Contracts?

Stakeholder Engagement

All components are developed in close collaboration with a community of agencies, funders, and providers, and service recipients

Goals

The funder and provider identify goals they collectively want to achieve for a defined population

Metrics

Both the funder and the provider will measure progress against quantifiable metrics

Data Sharing & Evaluation

The funder and provider collect and share data on those metrics during the contract period (and afterwards) to ensure accountability

Continuous Improvement Process

The funder will give providers flexibility to access and learn from data, innovate, and continually improve outcomes

Incentive Structures

The funder will reward providers that meet or exceed outcomes goals and measurably improve lives through both financial and non-financial incentives

Outcomes-based contracts include customized payment and process incentives to support program goals

Payment Incentives
Incentives related to financial terms and payments within contract(s) tied to meeting performance targets

Dollars

- Contingent bonus payments
- Contingent cost coverage
- Contract renewal / expansion
- Payment terms
- Contract size / term

Process Incentives
Incentives created as a result of undertaking/participating in the outcomes contracting process

Data

- Outcomes data access
- Performance feedback loop

Services

- Flexible program delivery
- Population focus
- Reduced reporting burden

Policy

- Preferred vendor list
- Technical assistance / training

Stakeholder Engagement

- Brand recognition
- Collaboration

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The WIOA legislation enables local workforce boards to structure P4P contracts to promote longer-term outcomes

Traditional Workforce Contracts, including Performance-Based Contracting	WIOA P4P Provisions
Ties payments to **inputs** and **outputs** like enrollment	Payments tied to **long-term outcomes** like education attainment, wage growth and reduced recidivism
2-year funding cycle requires short contract periods; no time for course correction	**10% "no-year" set-aside** of WIOA formula funds can be spent well beyond the 2-year funding cycle
Most workforce contracts are actually **cost-reimbursemen**t with no link to performance	**P4P contracting strategy** is required; **includes evaluation**, third party data checks, and project cost-modeling

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In 2017, Third Sector worked with a cohort of five workforce boards for nine months and supported the launch of the country's first two P4P contracts

Third Sector WIOA P4P Cohort

The SkillSource Group, Inc. (Northern VA)	Improving education and employment outcomes for youth involved in justice system and/or aging out of foster care system
San Diego Workforce Partnership (San Diego, CA)	Improving education, employment, and recidivism outcomes for justice-involved youth through innovative workforce interventions
Workforce Solutions Capital Area (Austin, TX)	Improving education and employment outcomes for Opportunity Youth in Austin/Travis County through employment services
Office of Workforce Development (Boston, MA)	Increasing financial literacy and job readiness for youth through Summer Youth Employment Programs
Denver Office of Economic Development (Denver, CO)	Improving education and employment outcomes for youth facing homelessness or involved with foster care and/or justice systems

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Northern Virginia saw WIOA P4P provisions as an opportunity to reach more underserved youth and better meet their unique needs

Northern Virginia Workforce P4P Project

Traditional Contracting

Periodic Enrollment

Under 10 foster care and justice-involved youth enrolled per year

Ad Hoc Data Gathering

Outcomes not tracked for foster care and justice-involved youth

Cost-Reimbursement

Provider reimbursed for time and materials

Outcomes-Based Contracting

Coordination and Outreach

100 foster care and justice-involved youth served over three years

Outcomes Tracking

Employment and academic outcomes **tracked quarterly**

Performance Payments

Up to **$150K** in payments for program outcomes during and after intervention period

Northern Virginia Workforce P4P Project

Traditional Contracting	Outcomes-Based Contracting
Periodic Enrollment	**Coordination and Outreach**
Under 10 foster care and justice-involved youth enrolled per year	**100** foster care and justice-involved youth served over three years
Ad Hoc Data Gathering	**Outcomes Tracking**
Outcomes not tracked for foster care and justice-involved youth	Employment and academic outcomes **tracked quarterly**
Cost-Reimbursement	**Performance Payments**
Provider reimbursed for time and materials	Up to **$150K** in bonus payments for program outcomes during and after intervention period

Northern Virginia incentivized a mix of inputs, outputs, and outcomes to promote enrollment of harder-to-serve youth

	Inputs	Outputs	Short-Term Outcomes	Long-Term Outcomes
Cost Reimb.	Program costs for three years			
Payment Outcomes			• Measurable skill gains during program • Youth placed in employment, training, or education 2Q after exit	• Attainment of degree or certificate 4Q after exit • Youth placed in employment, training, or education 4Q after exit
Other Priority Outcomes		Increased enrollment of previously underserved justice and foster care youth	• Increased community stakeholder collaboration • Increased data sharing • Lessons learned on serving a previously underserved population leading to service improvements	• Reduction in recidivism rates and time spent incarcerated • Decrease in use of TANF, SNAP, and Medicaid

A focus on outcomes created increased outreach and collaboration among referral partners

Trainings: Conduct bi-annual on-site staff trainings at referral partner organizations' staff meetings on NVTI Program, eligibility criteria, and referral process

Reporting: Referral partners complete monthly reports on number of eligible youth currently in services and NVTI lead follows up and provides updates on program enrollment and performance

Coordination: Referral partners reach out to DFS case manager directly when there is a referral prospect

Meetings: Quarterly referral partners meeting to track progress and coordinate/improve efforts to strengthen referral process and continuous collaboration and improvement of joint programming

One-Stop Shop Service Initiation: DFS Case Manager initiates WIOA enrollment services at individual referral partner facilities

In addition to WIOA-funded P4P contracts, other state and local workforce and employment services have shifted towards a greater focus on outcomes

Outcomes-Based TANF-Funded Workforce Programs

Funder	Program	Illustrative Outcomes
dta	Competitive Integrated Employment Services (CIES)	• Placement at job earning >$16.25/hour • 30, 90, 180 day job retention • Stable living and housing plan • Skills to manage stress and adversity
CDHS CO	Colorado Works Subsidized Training and Employment Program (CW STEP)	• Exit into unsubsidized employment • Unsubsidized employment retention • Wage growth
THE COUNTY OF FRESNO 1856	Subsidized Employment	• Long-term career establishment (employment maintenance of 18 months) • Stable children and family (intergenerational TANF enrollment) • Self-sufficiency (income compared to state supplemental poverty measure)
THE COUNTY OF SANTA CRUZ 1850	Subsidized Employment	• Secured unsubsidized employment • Credit (access, score, and utilization) • Emergency department visits • Justice involvement

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Outcomes-based approaches are tools to advance stakeholders' priorities and require a dedicated and engaged coalition to launch

	Outcomes-Based Project Identification Checklist	
✓	**Population**	• Specific, clearly defined intended beneficiary population and eligibility standards to enroll, serve, and measure impact • Population >100 participants
✓	**Outcomes**	• Articulation of shared goals among key stakeholders (e.g., community partners, government agencies, constituents, etc.) • Prioritization and consensus on measurable, priority outcomes
✓	**Data**	• Timely access to (i) historical data for baselining outcomes and setting performance targets and (ii) prospective data for tracking and measuring performance metrics
✓	**Program and Providers**	• Program with proven track record of effectively engaging with intended beneficiary population and addressing its needs • Willingness of providers to experiment with new approaches and develop learning mindset
✓	**Funding and Sustainability**	• Program funding of at least $1M over the course of 3 years • Flexible use of funding (e.g., time and purpose)
✓	**Timing and Resources**	• Commitment to technical assistance and capacity building support for up to one year • Dedicated 0.20 FTE to serve as project manager

Project Brainstorm

What are your organization's or region's priorities that you could see supported by an outcomes-based approach?

Do any project ideas immediately come to mind?

Next Steps:
- Review the examples and project checklist
- Brainstorm with partners around priorities and projects that could be supported by an outcomes-based approach
- Reach out to Marina Zhavoronkova, Assistant Secretary for Program & Performance Management, EOLWD (marina.r.zhavoronkova@state.ma.us) with ideas to continue the conversation

Appendix

- San Diego Workforce Partnership P4P case study
- Third Sector engagement levels
- Contact information

San Diego Workforce Partnership (SDWP) previously contracted with providers on a cost-reimbursement basis, focusing on WIOA outcomes

San Diego Workforce P4P Project

Traditional Contracting

Enrollment Across WIOA Population

Enrolling youth across WIOA population, including justice-involved youth

Short-Term Outcomes Measures

Outcomes not tracked beyond one year after exit

Cost-Reimbursement

Provider reimbursed for time and materials

Outcomes-Based Contracting

Coordination and Outreach

More targeted focus on justice involved youth – **300** justice-involved youth served over 3.5 years

Outcomes Tracking

Both short and long-term employment, education, and recidivism outcomes tracked

Performance Payments

Up to **$1.76M** in performance payments with **$700K** allocated to short and long-term program outcomes

THIRD SECTOR

SDWP's P4P contract incentivized the achievement of new, short-term and long-term project outcomes

San Diego Workforce P4P Project

Traditional Contracting

Enrollment Across WIOA Population

Enrolling youth across WIOA population, including justice-involved youth

Short-Term Outcomes Measures

Outcomes not tracked for foster care and justice-involved youth

Cost-Reimbursement

Provider reimbursed for time and materials

Outcomes-Based Contracting

Focused Outreach and Enrollment

More targeted focus on justice involved youth. **300** justice-involved youth served over 3.5 years.

Outcomes Tracking

Both short and long-term employment, education, and recidivism outcomes tracked.

Performance Payments

Up to **$1.76M** in performance payments with **$700K** allocated to short and long-term program outcomes.

SDWP used a mix of outputs and outcomes to ensure financial sustainability and long-term impact

	Inputs	Outputs	Short-Term Outcomes	Long-Term Outcomes
Cost Reimb.				
Payment Outcomes		Measurable skill gains during program	Youth placed in employment, training, or education 1Q and 2Q after program exit	• Youth placed in employment, training, or education 4Q, 2 years and 3 years after program exit • Increased wages 2 years after program exit • Reduced recidivism 2 years after program exit
Other Priority Outcomes		• Increased enrollment of of previously underserved justice-involved youth • Stronger data reporting, collaboration and partnership between provider and workforce board	• Flexibility in program implementation • Stronger feedback loop • Deeper connection between funds spent and results achieved (SROI) • Breaking silos between workforce and justice data	• Contract stability • Ability to use independently evaluated impact data to strengthen future grant proposals

A shared focus on outcomes achievement and regular "data touchpoints" have reshaped the funder-provider relationship to be client-centered

San Diego's Monthly Data Review Structure

Frequency

Infrequent Data Sharing: Data was only reported quarterly and flowed in one direction

→

Regular Data Sharing: Data is shared on a monthly basis

Context

Data In a Vacuum: Data was analyzed by agency but provided limited opportunities for pivoting and course correction by provider

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Community Context: Provider staff and program participants are engaged regularly to ensure data is contextualized for a shared understanding of what works

Goal

Compliance: Data was reported for compliance and only seen by the local and federal agencies

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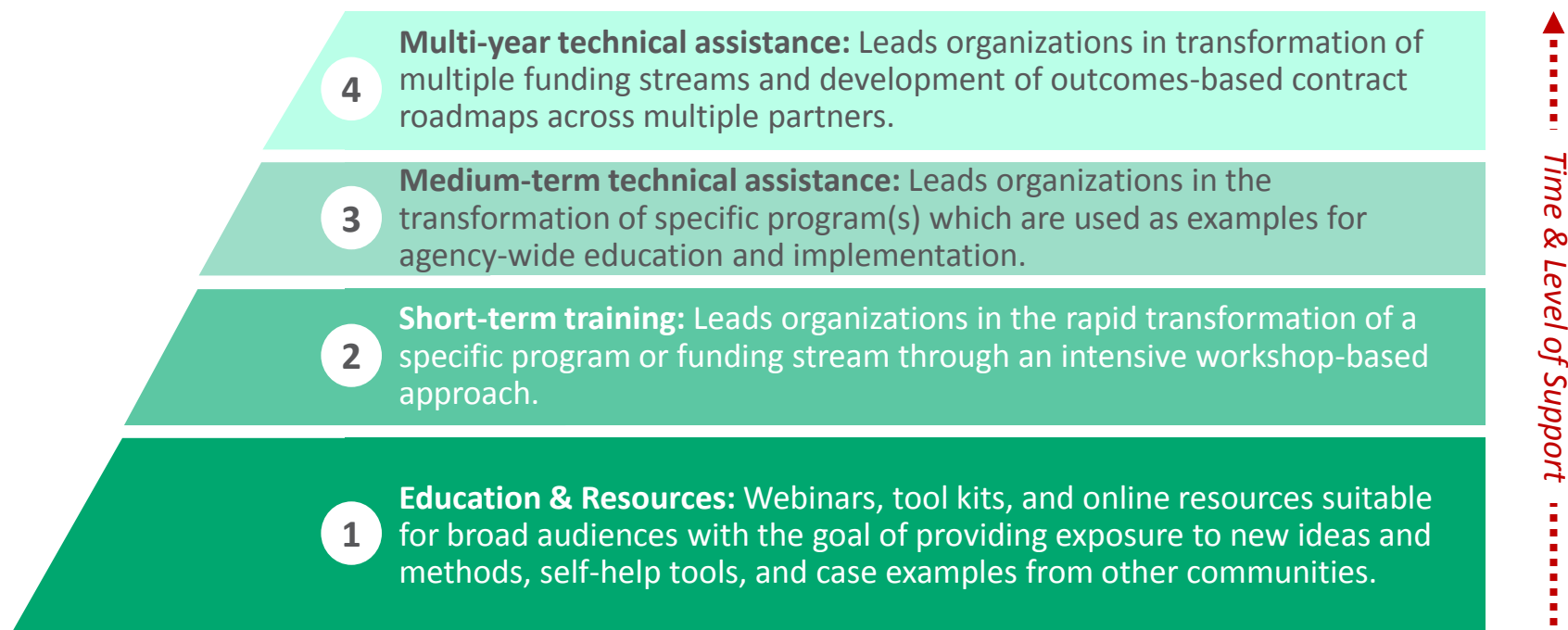**Ongoing Learning:** Data is used for ongoing learning and improvement, analysis is developed and shared with providers and provider staff

The San Diego P4P contract fundamentally changed the agency-provider relationship.
The provider is now viewed as a collaborative partner and has a seat at the table to analyze data and contribute to program and process change decisions.

Third Sector supports organizations and cohorts pursuing outcomes-based approaches through education and hands-on technical assistance

Third Sector Engagement Levels

4 — **Multi-year technical assistance:** Leads organizations in transformation of multiple funding streams and development of outcomes-based contract roadmaps across multiple partners.

3 — **Medium-term technical assistance:** Leads organizations in the transformation of specific program(s) which are used as examples for agency-wide education and implementation.

2 — **Short-term training:** Leads organizations in the rapid transformation of a specific program or funding stream through an intensive workshop-based approach.

1 — **Education & Resources:** Webinars, tool kits, and online resources suitable for broad audiences with the goal of providing exposure to new ideas and methods, self-help tools, and case examples from other communities.

Time & Level of Support

Third Sector can work with you to customize an individual or cohort-based training and technical assistance engagement to best support your project needs, considering your timeline and funding constraints.

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