



Procuring for Success

Lessons to Support a Shift Toward Procuring Outcomes

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Pay for success (PFS)¹ is designed to alter the way governments contract for services by encouraging those governments to pay for outcomes rather than pay for activities.² This shift may also affect how governments define the services they need, select providers, and establish the business terms that define provider relationships (i.e., the procurement process). This brief seeks to provide government stakeholders interested in PFS with important lessons on how a strong procurement process can improve PFS projects.

Although local procurement rules vary by state and county, they can be sufficiently flexible to accommodate complex PFS projects. In fact, many procurement best practices—those that foster stakeholder engagement and help select high-quality partners—can both make the PFS deal-structuring process easier and contribute to better projects. This brief focuses on the key decision points in a PFS project's procurement and offers suggestions and methods for procuring the best possible project.

The recommendations and findings that follow are informed by a review of existing PFS project contracts and procurement documents as well as interviews conducted with key government stakeholders. Our interviews covered six projects across five locations: Cuyahoga County, Ohio; Denver, Colorado; Santa Clara County, California; South Carolina; and Connecticut.³ In each location, we spoke with one to three people involved with procuring or structuring the project. Whenever possible, we interviewed the government official who helped design the project and select the partners. We also spoke to representatives from two procurement professional associations about our assumptions regarding PFS and procurement.

BOX 1

Procurement and PFS Terms in This Brief

Best value analysis: A method of evaluating proposals where factors related to value (such as quality of services delivered and provider capacity) are considered in addition to cost.

Contract: The legally enforceable document that details the terms of agreement between two or more parties.

Funder: A third party that provides some or all of the initial PFS investment and that will receive payment if the project is successful. Also called an investor.

Intermediary: A project partner, typically responsible for coordinating the project and raising investor funds.

Interventions: A specific set of activities and inputs delivered to a vulnerable population intended to improve their outcomes. In PFS, most projects rely on evidence-based interventions, which are supported by research findings that suggest the activities are likely to bring about the intended outcomes. Also called a program.

Outcomes: The specific social welfare results people receiving the services experience.

Request for information (RFI): A nonbinding communication used by governments to gather information about current industry practices and developments to understand the capacity and willingness of service providers and potential partners.

Request for proposals (RFP): A document used by governments to solicit responses from potential vendors of goods and services that fulfill a public need. RFPs list the capabilities and service requirements that a government agency seeks to purchase. An evaluation of RFP responses takes into account multiple factors, such as price, capabilities, experience, references, and other provider attributes.

Request for responses (RFR): A document used by governments to solicit responses from potential suppliers of goods and services that fulfill a public need. RFR responses may be bids, quotes, or proposals.

Services: The activities that a government procures.

Sinking fund: A mechanism for government to deposit the success payments that may be made at a future date. Also known as a social impact fund.

Vendor: The organization selected to deliver the services. Also known as a bidder, supplier, or respondent.

Note: Procurement terms are defined as they are used in this brief. For more information on procurement terms, see "NIGP Dictionary of Procurement Terms," the Institute for Public Procurement, accessed August 8, 2017, <http://www.nigp.org/home/find-procurement-resources/dictionary-of-terms>.

Overall, interviewees believed that existing local procurement regulations and processes were sufficiently flexible to accommodate the complex nature of PFS projects. Local government champions or their advisors had sufficient knowledge of the procurement process to develop requests that met their PFS project needs. Several interviewees noted that including procurement officials early in the

process can help projects avoid running afoul of local rules. Knowledgeable procurement experts can also provide important advice on how to structure requests for information (RFIs) and requests for proposals (RFPs) to obtain the best possible responses.

Procurement and PFS Projects

What Is Procurement?

Public procurement is the process by which governments define needs, identify suppliers, and establish the contractual relationships needed to acquire goods and services from outside parties.⁴ Local and state procurement guidelines vary by jurisdiction, but they generally aim to ensure that governments use a fair and transparent process to select the best vendor while minimizing the risk of fraud or collusion. Governments want to receive competing bids from multiple qualified vendors and will often solicit bids via an RFP (box 1), especially for complex or high-dollar value projects.

Figure 1 shows the typical procurement process for social services, though the specific steps for a jurisdiction will vary. Procurement of many social services begins with idea exploration, which is not necessarily part of the formal procurement process. With an idea in mind, governments will often use an RFI, RFP, or request for response (RFR) to solicit responses or proposals from the field for how best to provide that service. The responses and their providers will be evaluated and a provider will be selected. The procurement process concludes with negotiations and the signing of a contract.⁵

FIGURE 1

Procurement Process for Social Services Chart



Idea exploration—Establishing a topic and outcomes and completing other necessary tasks before obtaining agency approval to create an RFP or RFR. Sites may also identify legislative changes needed to launch a project. Depending on how a site selects a topic, this step may include releasing an RFI.

RFP/RFR creation—Formally writing and releasing the RFP/RFR.

Response solicitation—Advertising the RFP/RFR, hosting bidder’s conferences, responding to bidder’s questions, and collecting responses.

Provider selection—Reviewing and scoring proposals, interviewing potential providers, and selecting one or more providers to negotiate with.

Contract negotiation—Structuring the project through multiparty discussions covering services to be delivered, outcome payments, and the evaluation design. This step, and this structured procurement process, ends when the parties sign a contract.

Note: This simplified process was developed by the authors based on interviews and best practices in procurement. See also “Seven Stages of Procurement,” Georgia Department of Administrative Services, accessed August 8, 2017, <http://doas.ga.gov/state-purchasing/seven-stages-of-procurement>.

How Does PFS Procurement Differ?

PFS projects must follow all the applicable procurement rules and policies of the jurisdiction launching the project. Thus, the procurement of a PFS project will follow the same basic steps outlined in figure 1. However, PFS projects differ from traditional social service projects in several ways that affect their procurement. These differences create several key decision points around which we have structured this brief's recommendations.

First, PFS projects aim to improve social outcomes. Therefore, their procurement focuses not only on selecting the partner organizations but also on identifying and defining outcome measures and selecting an intervention likely to achieve those outcomes. PFS projects require that substantial work is completed before or concurrent to the procurement process to be able to select partner organizations. Many PFS projects, for example, have undergone a detailed feasibility analysis to determine whether the desired outcome is achievable. However, such analyses are balancing acts: if governments are overly prescriptive, they may impede the innovation they are seeking. To select the right partners and program, an agency's request must articulate the goals for the PFS project and remain flexible enough to select the right program.

Further, because of PFS projects' focus on achieving an outcome rather than fulfilling a service, all of them include some type of built-in evaluation methodology. Evaluations can be simple, perhaps merely verifying that an outcome has been achieved, or more complex, including an experimental or quasi-experimental design to measure the impact the project had on the outcomes. Regardless of the methodology, the evaluation design affects procurement because its terms will be included in the contract.

Second, RFIs are commonly used as a starting point in PFS projects. RFIs are generally used to solicit information on which topics are interesting to the community or on the feasibility of specific topics without committing the government to project implementation. For officials exploring PFS, that information gathering is crucial because paying for outcomes often represents a departure from business as usual. RFIs allow officials to gauge community interest before expending significant resources engaging in a feasibility analysis or creating and releasing an RFP.

Beginning with an RFI provides government officials with more flexibility. They can identify potential intermediaries and providers from the RFI submissions and incorporate the information into an RFP.⁶ Denver, for example, released an RFI asking for project ideas that used PFS to address one of four topic areas. The city built its eventual homelessness project based on the submissions of the Corporation for Supportive Housing and Enterprise Community Partners. Connecticut, on the other hand, released both an RFI and an RFP by using the information it gathered from the RFI to inform the RFP (more details are available in appendix A).

Third, PFS projects have more complicated partnership structures than typical social service contracts. Most projects include an intermediary organization whose services may also be procured. Some projects will directly procure a service provider and an evaluator; others will have the

intermediary select the partner organizations. PFS projects also include investors. Although their services are not procured, investors need to be identified before the project launches and may have input during the contract negotiation.

Because of the complicated partnership structure, the negotiation phase for PFS projects can be particularly long and difficult (though interviewees noted the difficulty was more a reality of PFS project structuring than due to procurement rules). Several interviewees noted that developing and finalizing contracts was a complicated endeavor because so many parties were at the table, and many of them were new to PFS or had different ideas on what PFS entails. Thus, stakeholder engagement, while generally not a priority for most traditional procurements, should be recognized as critical practice early in a PFS procurement.

Finally, PFS projects can require unique statutory authority to launch. Although passing the appropriate legislation is not formally a part of the procurement process, it affects whether the project procurement leads to implementation. Two common themes of legislation include enabling outcomes-based contracting and creating a repayment mechanism.

Outcomes and PFS Procurement

Unlike standard fee-for-service contracts, PFS projects directly tie payment to the outcomes of the project rather than the services delivered.⁷ Under a typical arrangement that doesn't involve PFS, governments determine a particular service, intervention, or program they want and then use the procurement process to identify an organization with the capacity to provide the service and the ability to do it for the best value. Regardless of how effective the traditional arrangement's services are, the government pays if the service is provided. Under PFS, however, governments only repay the project funders if specific outcomes are met. Identifying and defining the appropriate outcomes for payment is therefore crucial to procuring effective services.

Governments need to determine a sound process for defining and identifying issue areas and target outcomes. Based on our research, we have identified two methods for outcome identification: a government-led review of existing needs in the community or solicitation of ideas through an RFI.

- **Review community needs:** The outcomes can be identified through a review of departmental needs or discussions among governmental leaders and community stakeholders. This method for selecting outcomes is not typically part of the procurement process and instead would be used to inform an RFI or RFP. One example of this method is Santa Clara County's homelessness PFS project. Santa Clara began exploring PFS topic areas with help from Catholic Charities of Santa Clara and Step Up Silicon Valley. Through those conversations, Santa Clara decided to launch a chronic homelessness project because of the large number of homeless people in the county and their large costs to governmental services.⁸
- **Solicit public input through an RFI:** RFIs have been used in at least seven of the current PFS projects in the United States. They can be used to gather information from the public on a

proposed topic or range of topics and gauge public interest in PFS. Governments issuing RFIs may already have had some idea of the topic or topics they wanted to explore. For example, Denver used an RFI, but the document encouraged responses that addressed one of four areas: early childhood, at-risk youth, supportive housing, and the most expensive users of city services.⁹

Regardless of how the topic area and outcomes are identified, data should inform how the outcomes on which the contract will pay are defined. If using a needs assessment process, the outcomes should be observable from the agency's administrative data and verified with linked data from other sources when possible. While Santa Clara held discussions with stakeholders focused on chronic homelessness, a concurrent effort was underway to quantify the costs of homelessness (Flaming, Toros, and Burns 2015); this effort is discussed in box 3. If receiving responses via an RFI, a good practice is to review existing data and other information to verify the scale and context of the problems identified. The partners in the Denver project linked homelessness and criminal justice data to identify high-cost utilizers of government services.¹⁰

BOX 3

Santa Clara Cost of Homelessness Study

The more information a government has on the needs of intervention recipients and the costs to serve them, the more accurately that government can price success payments (Milner and Eldridge 2016). Cost studies can help significantly when looking to define outcomes, develop a research design, and negotiate success payments. For example, before launching a PFS project to address chronic homelessness, Santa Clara County undertook an extensive study of the costs of homelessness to the county. The report linked data across local government and nonprofits to identify individuals who were chronically homeless and determine the costs associated with their homelessness. The authors found that homelessness costs the county about \$520 million per year in health care, criminal justice, and other costs. Further, just 5 percent of the homeless population (about 2,800 people) accounted for 47 percent of the costs. The authors recommended prioritizing housing opportunities for this population because the cost of housing would most likely be less than the cost of their homelessness (Flaming, Toros, and Burns 2015). The report not only influenced Santa Clara's PFS project but is also being used in other homelessness programs.^a

Note:

^a County of Santa Clara, "County of Santa Clara Launches California's First 'Pay for Success' Project," press release, August 13, 2015, <https://www.sccgov.org/sites/opa/nr/Pages/ProjectWelcomeHome.aspx>.

Considerations for Effective RFIs, RFRs, and RFPs

A key step in the procurement process is the release of the RFI, RFR, or RFP. Although RFIs have been used to ask the field for information on potential projects, one interviewee noted that RFIs can also educate the public on the benefits of PFS and develop interest in the PFS model. Together with RFRs

and RFPs, these are essential tools to solicit ideas and proposals from the public. Although RFIs do not necessarily indicate that a government will pursue a project, two governments used RFIs of a PFS project to identify potential partners (table A.1).

Before releasing an RFI, RFR, or RFP, governments need to be clear about the information they are seeking and how the responses will be used.¹¹ The questions below address some best practices for developing solicitations to help define and communicate the government's needs and the selection criteria. One interviewee noted that with RFPs for PFS projects, governments must spend time developing clear requirements to help select a provider with the experience necessary to carry out a complex project. In creating an RFI, RFR, or RFP for a potential PFS project, governments should consider several questions:

1. **What type of organizations will be eligible to respond to the RFI, RFR, or RFP?** Some governments select an intermediary and allow them to select the remaining partners (see How to Select PFS Partners later in this brief). The government will eventually need to specify the nature of the relationship between parties in the future contract.
2. **Are the topic areas or outcomes for the PFS project already identified and well defined?** If the topic or outcomes are already well defined, the criteria for delivering services and selecting respondents can be articulated within the document.
3. **Are the intended service recipients clearly defined, or will the respondent define them as part of its proposal?** Narrowing in on the target population before the release of the solicitation allows governments to build in selection criteria that weight previous experience with the service recipients or intervention serving them. If the target population is known, governments can assist respondents by including data on the population, such as size or geographic distribution. Service costs can be greatly affected by the characteristics of the service recipients.
4. **How prescriptive is the definition of the services the government wants to procure?** Some governments look for a particular type of program, whereas others are open to many different types of programs.
5. **What are the qualifications needed to successfully perform the work?** This allows the government to create and transparently communicate the selection criteria that will be used to evaluate the qualifications of responding vendors. The service provider should be willing to have their work evaluated as part of the PFS project.
6. **How long will organizations need to compile quality proposals?** If the scope of the RFI, RFR, or RFP is less defined, bidders may need more time to research potential interventions and draft their proposals, so a longer response solicitation period may need to be considered.
7. **How will the evaluator be selected?** Will there be a government initiated RFP for an evaluator, and will the intermediary help identify them? If there is a separate evaluator RFP, governments should indicate the desire for a rigorous evaluation without being specific on the methodology, which could limit the organizations who will respond or evaluation designs that may be proposed.

8. **What guidance can the agency provide in the RFI, RFR, or RFP on the total estimated project cost?** At the RFI stage, this may not be possible, but the government should try to estimate the total amounts and timing of potential outcomes payments.

Using RFIs, RFRs, and RFPs to Educate and Clarify

RFI, RFR, and RFP processes afford opportunities to clarify PFS goals and build consensus.

Governments have used two elements of the response solicitation phase to increase public knowledge of the PFS model and potential PFS projects:

- **Bidder's conference:** A bidder's conference is a meeting that allows vendors to learn more about the proposed project or request information directly from the agency seeking their responses. (Not every agency sponsoring an RFI, RFR, or RFP will choose to have a bidder's conference.)
- **Question-and-answer period:** Regardless of whether a bidder's conference takes place, almost all RFIs, RFRs, and RFPs have a period when potential respondents can submit questions about the request and the issuing agency will respond with answers. Typically, agency responses to all questions received during the question-and-answer period will be posted publicly or provided to each organization expressing interest in the project.

How to Select PFS Partners

The procurement process is used not only to identify and define the services that governments purchase but also to select and contract with the providers that deliver those services. In PFS as well as best value analysis, cost is not the sole selection criterion.¹² When selecting service providers and intermediaries, a primary consideration is the organization's capacity to manage and deliver services with the likelihood of achieving the outcomes. In Connecticut's RFP, for example, equal weight was given to an organization's capacity, the strength of its proposed program, its ability to structure the project, and its ability to manage all partners in the project.¹³

Because PFS projects are complex partnerships, governments need to determine the desired response structure; that is, how intermediaries, service providers, and evaluators should respond to an RFP. Based on interviews and a review of publicly available contracts and RFPs, we have identified two different structures that have been used to select partners in pay for success projects:¹⁴

- **Separate bids.** Intermediaries, service providers, and evaluators each submit individual applications either in response to the same RFI, RFR, or RFP or those specifically targeting their type of organization. The government then combines the best proposals with the agreement of the organizations. Massachusetts used this process for both its juvenile justice project and its homelessness project.¹⁵

- **Intermediary-first.** The government uses an RFP to select an intermediary or other project lead that then is responsible for finding a service provider. Evaluators can be selected by either the intermediary or the government. In this scenario, governments may help select the service provider but would not necessarily issue an RFP for this purpose. Connecticut's Department of Children and Families used an intermediary-first approach to contract with Social Finance, which was tasked with finding service providers. However, the department remained involved in the selection process.¹⁶

Each structure has its pros and cons. Separate proposals give governments more control over which organizations fulfill which roles, but the government must take steps to ensure that organizations work well together. An intermediary-first arrangement reduces the demand on government to vet service providers, but it may lead to less control over the management of the organization carrying out the service delivery because the organization is one step removed from direct government oversight.

If choosing an intermediary-first model, governments should select the intermediary quickly to develop project requirements and specifications. PFS creates multiyear contracts that require active contract management. One interviewee noted that selecting an intermediary early can accelerate the project's launch and enable efficient selection of the service provider and evaluator. Intermediaries can also help screen the organizations to ensure that the proposed partner organizations can work together.

Negotiating the Contract

PFS contracts are more complicated than typical service provider contracts, so negotiations can last longer (US Government Accountability Office 2015). Governments, service providers, intermediaries, investors, and evaluators must agree on the evaluation design, outcomes, and terms of success payments, as well as the termination clauses. Each organization involved will work to ensure that its interests are reflected in the contract and that the contract terms, including the evaluation plan, the specific roles for each organization, and the repayment schedules, are acceptable. Although such work is time intensive, agreement among the project's major players is essential (Kodali, Grossman, and Overholser 2014).

Because each of these aspects varies based on the topic, the target population, and the size and scope of the project, PFS contracts are different for each place and project. Based on our interviews, negotiations also differ widely by site. Several sites noted the difficulty of working with many stakeholders from the government, investors, intermediaries, evaluators, and service providers. Further, negotiations may be time limited. RFPs can have deadlines by which a contract must be executed. Some sites have highlighted that if you start with an RFI, the negotiation is the most important and prolonged step because the open-ended nature of the RFI means everything must be decided during the negotiation phase.

One interviewee mentioned that it was important during negotiations to determine whether the project should have incentives for the service providers in addition to the regular success payments made to the funders. Service provider incentives can be used to reduce risks associated with implementation of the program because they can encourage better performance toward meeting outcome measures. In PFS projects, service providers can receive a success payment which may in turn be reinvested in service delivery (Nonprofit Finance Fund 2016).

The final contract arrangement can take many forms and is influenced by the response structure that the government chooses for the RFP. Because of the complexity of the relationships, the contract should clearly define each party's role and how the project will be governed. A common arrangement is for a government to sign a contract with the intermediary or a special purpose vehicle or entity specifically created to manage the project. Intermediaries can then select the remaining partners or the government can contract directly with select partners. South Carolina signed a three-way contract with Nurse Family Partnership, the state, and a fiscal agent; the latter was included in the contract to hold the success payments. Nurse Family Partnership is responsible for contracting directly with organizations who deliver home visiting services.¹⁷

Engaging Stakeholders

Stakeholder engagement is a crucial part of the procurement process and ensures that respondents are adequately informed about project requirements so that proposals are high quality. With PFS projects, stakeholder engagement may be more important than for more typical social service projects. Unlike other service provider procurement efforts, which may only need support from the agency executive and the specific department, PFS projects have to build support across a range of internal and external stakeholders, including legislators, nonprofits, foundations, and investors.¹⁸ One interviewee noted that governments need to spend time during the idea exploration and response solicitation phases to educate stakeholders on outcomes, pricing, and measurement to reduce the amount of time covering these topics during contract negotiation.

Special Legislation for PFS Projects

Legislation is not typically considered part of the procurement process, but some jurisdictions have found it necessary to pass legislation enabling outcome-based contracts before signing one. Stakeholders should identify up front whether special legislation is beneficial or necessary to authorize PFS projects as well as the scope of that legislation. Massachusetts, for example, provided broad legislation to “improve outcomes,” whereas Oklahoma authorized PFS only for criminal justice projects with outcomes reducing public costs (Teicher, Grossman, and Chong 2016).¹⁹ Having insufficient or uncertain authority could negatively affect a jurisdiction's ability to contract for outcomes.

Governments often have limitations on the length of contracts or the ability of current officials to obligate payments from future administrations. Governments may need to pass legislation to create a repayment mechanism, such as a sinking fund or social impact fund to hold and eventually disperse

success payments. Such repayment mechanisms are necessary because measuring the achievement of outcomes takes time, so payment may only be possible several years after the project launches. One interviewee noted that the structure of the repayment mechanism can be an important point of discussion during the contract negotiation phase because investors will seek strong guarantees to reduce repayment risk and governments will want to limit their liability.

Massachusetts found it necessary to pass legislation that both enabled a PFS contract and created a repayment mechanism. In 2012, the Commonwealth of Massachusetts created the Social Innovation Financing Trust Fund to fund contracts that either “improve outcomes or lower costs” for government. The legislation empowered the Secretary of Administration and Finance to enter into PFS contracts and requires that the Secretary request an appropriation each fiscal year to make the expected payments earned during that year. The legislation also requires that an independent evaluator certify that the service provider has achieved the desired outcomes. Massachusetts gave extra assurance of payment when it pledged its full faith and credit to meet success payments.²⁰

Conclusion

The goal of procurement is to select the best service providers to deliver services at the best value to the government. What sets PFS procurements apart from others is that PFS projects require more work than typical social service programs to identify the outcomes and define the services sought to achieve them. Compensating contractors based on outcomes rather than services may require additional steps and time at the beginning of a procurement, but the PFS model helps validate that value received (successful achievement of target outcomes for price paid) indeed represents the best value to the agency and its many stakeholders. This focus on value can help align government resources with effective programs, which, over time, has the potential to improve government service delivery and the lives of vulnerable people.

Appendix A

TABLE A.1

Current PFS Projects and Procurement Methods Used

Location	Project	RFI use	RFP use	Outcome measures
Salt Lake County, Utah ^a	REACH	RFI topic areas included criminal justice; behavioral health; and other areas that affect the county's budget, such as homelessness, youth services, and public health	RFP was used to select a lead agency that entered into a contract with the county	(1) Reduction in days incarcerated, (2) reduction in statewide arrests, (3) improvement in quarters of employment, (4) successful program engagement
Salt Lake County, Utah ^b	Homes not Jails	RFI topic areas included criminal justice; behavioral health; and other areas that affect the county's budget, such as homelessness, youth services, and public health	RFP was used to select a lead agency that entered into a contract with the county	(1) Improvement on months without jail or shelter, (2) successful graduation to permanent locations, (3) improvement in substance abuse treatment enrollments, (4) improvement in mental health treatment enrollments
Santa Clara County, California ^c	Partners in Wellness	No RFI, but county studied the chronically homeless and those with acute mental illness	RFP was used to select a lead agency that entered into a contract with the County	(1) Reduction in use of emergency, inpatient, and psychiatric services, (2) reduction in jail days, and (3) improved health and wellness
South Carolina ^d	Nurse-Family Partnership	RFI topic area was infant and maternal health	No RFP. South Carolina used a noncompetitive procurement process [†]	(1) Reduction in preterm births, (2) reduction in child hospitalization and emergency department usage due to injury, (3) increase in healthy spacing between births, and (4) increase in the number of first-time moms served in high-poverty ZIP codes
Connecticut ^e	Family Stability Project	RFI topic area was children and families involved in the child welfare system who are also impacted by substance abuse	RFP was to find intermediary that would manage program and select service providers	(1) Prevention of out-of-home placements, (2) prevention of rereferrals to the Department of Children and Families, (3) reduction in substance abuse, (4) successful family-based recovery enrollment
Denver, Colorado ^f	Housing to Health Initiative	RFI topic areas were early childhood, at risk youth, supportive housing, and front-end users	No RFP. Intermediary organizations were identified from the RFI submissions	(1) Housing stability (2) Reduction in jail bed-days
Santa Clara County, California ^g	Project Welcome Home	No RFI, but county studied the chronically homeless and those with acute mental illness	RFP was used to select a lead agency that entered into a contract with the county	Number of months of continuous stable tenancy

Cuyahoga County, Ohio ^h	Partnering for Family Success Program	RFR topic areas were child welfare and youth mental or behavioral health, but other topic areas were also considered	No RFP. Partner organizations were selected from the RFR submissions ^{††}	Out-of-home foster care placement days avoided
Chicago, Illinois ⁱ	Child-Parent Center Pay for Success Initiative	Information not available at time of publication	Information not available at time of publication	(1) Kindergarten readiness, (2) avoided use of special education services, (3) achievement of reading at grade level in third grade
Massachusetts ^j	Home & Healthy for Good	RFI topic areas were homelessness and corrections, but other topic areas were also considered	Separate RFR homeless service provider and RFR homeless intermediary	Stable housing for at least one year
Massachusetts ^k	Juvenile Justice	RFI topic areas were homelessness and corrections, but other topic areas were also considered	Separate RFR youth service provider and RFR youth intermediary	(1) Reduction in jail or prison bed days, (2) improved job readiness, (3) increases in employment
New York State ^l	Recidivism and Workforce Development Project	No RFI used	RFP used to select an intermediary	(1) Reduction in jail or prison bed days, (2) number of members who start a Center for Economic Opportunity transitional job (3) increases in employment
New York City ^m	NYC ABLE Project for Incarcerated Youth	Information not available at time of publication	Information not available at time of publication	(1) Number of participants served, (2) total jail days avoided
Utah ⁿ	High Quality Preschool Program	Information not available at time of publication	Information not available at time of publication	(1) Decreased use of special education and remedial services

Sources: Author review of publicly available documents and interviews, including project fact sheets, RFPs, RFIs, and contracts. See Nonprofit Finance Fund (2016).

^a Salt Lake County, Utah, “[Fact Sheet: Salt Lake County Pay for Success Initiatives](#)” December 19, 2016; Salt Lake County, Utah, “[Request for Information Pay for Success Contracting](#),” accessed August 18, 2017; Salt Lake County, Utah, “[Request for Proposals Lead Agency for Criminal Justice Recidivism Pay for Success Project](#),” issued April 15 2015;

^b Ibid. Salt Lake County, Utah, “[Request for Proposals Lead Agency for Homelessness Pay for Success Project](#),” issued August 10, 2015.

^c County of Santa Clara, California, “[Solicitation RFP-MHS-FY14-0408 Chronic Homelessness Pay for Success Project](#),” issued April 21, 2014; Third Sector Capital Partners. n.d. “[Partners in Wellness Fact Sheet](#).” Boston: Third Sector Capital Partners.

^d South Carolina, “[Social Impact Bond RFI #1 1 Request for Information \(RFI\)](#),” issued September 17, 2013; South Carolina, “[Pay for Success Contract Among South Carolina Department of Health and Human Services and Nurse Family Partnership and The Children’s Trust Fund of South Carolina](#),” executed January 1 2016.

^e State of Connecticut, “[Request for Information \(RFI\) Social Impact Bonds and Pay for Success Contracts for Children and Families Impacted by Substance Abuse](#),” issued November 1 2013; State of Connecticut “[Request for Proposal \(RFP\) Pay for Success Project to Target Families Involved in Child Protective Services and Impacted by Substance Use](#),” issued February 14, 2014; “[Connecticut Family Stability – Pay for Success \(PFS\) Project](#),” Connecticut Department of Children and Families, last modified May 31, 2017, accessed August 17, 2017,.

^f City and County of Denver, Colorado, “[Request for Information Social Impact Bonds](#),” issued September 3, 2013.

^g County of Santa Clara, California, “[Pay for Success Agreement by and between the County of Santa Clara and Abode Services](#),” executed June 23, 2015,; County of Santa Clara, California, “[Request for Proposals Acute Mental Health: Frequent Users Care Coordination Pay for Success Project](#),” issued December 12 2014,

^h Cuyahoga County, Ohio, “Request for Responses Cuyahoga County Pay for Success,” issued October 29, 2012;; Cuyahoga County, Ohio, “Pay for Success Contract among Cuyahoga County, Ohio, Mental Health Services for Homeless Persons, Inc. d.b.a. FrontLine Service and Cuyahoga PFS, LLC,” executed October 28, 2014,

ⁱ City of Chicago, Illinois, “Loan Agreement and Pay for Success Contract between City of Chicago and IFF Pay for Success I, LLC,” issued October 8, 2014,

^j Massachusetts, “Request for Information: Pay for Success Contracts and Social Innovation Financing,” issued May 5, 2011; Massachusetts, “Request for Response (RFR): Social Innovation Financing for Homelessness – Intermediaries,” Issued January 18, 2012.; Massachusetts, “Request for Response (RFR): Social Innovation Financing for Homelessness – Service Providers,” Issued January 18, 2012.; Massachusetts, “Pay for Success Contract by and between the Commonwealth of Massachusetts and Massachusetts Alliance for Supportive Housing LLC,” issued December 3, 2014,

^k Massachusetts, “Request for Information: Pay for Success Contracts and Social Innovation Financing,” issued May 5, 2011.; Massachusetts, “Request for Response (RFR): Social Innovation Financing for Youth – Intermediaries,” Issued January 18, 2012, ; Massachusetts, “Request for Response (RFR): Social Innovation Financing for Youth – Service Providers,” Issued January 18, 2012, ; Massachusetts, “Pay for Success Contract Among the Commonwealth of Massachusetts, Roca, Inc. and Youth Services Inc.,” executed January 7, 2014,.

^l New York, “Pay for Success Pilot Project Employing High Risk Formerly Incarcerated Persons,” issued July 13, 2012;; New York, “Pay for Success Intermediary Agreement,” executed October 1, 2013.

^m “Utah High Quality Preschool Program,” Urban Institute Pay for Success Initiative, accessed August 18, 2017.

ⁿ “The NYC ABLE Project for Incarcerated Youth,” Urban Institute Pay for Success Initiative, accessed August 18, 2017.

Notes: NA = not applicable. Two locations, Cuyahoga County and Massachusetts used Request for Responses (RFRs) rather than an RFI or RFP. We have included Cuyahoga’s RFR in the RFI section because of feedback from interview sources. We have included Massachusetts’ RFR in the RFP section because it was used specifically to select service providers or intermediaries. Selecting a project from RFI submissions is unusual in procurement. Typically, because procurement should be competitive and transparent, only RFP submissions will be selected to be developed into projects. However, governments may have more flexible procurement rules that allow for RFI submissions to be developed into projects. Also, a government may decide that, based on the RFI submissions, only one organization has the capacity to develop the project and then do a sole source procurement, which requires justifying the absence of a competitive process.

[†] South Carolina had a more complicated procurement process than many locations because the state needed to obtain a Medicaid waiver. The waiver allowed South Carolina to include Nurse Family Partnership home visiting services as an acceptable Medicaid service. Nurse Family Partnership acts similarly to an intermediary because it contracts directly with organizations providing the home visiting services in specific communities. See South Carolina Pay for Success contract for more information.

^{††} Cuyahoga County received authority to follow an alternative procurement process, which allowed the county to negotiate with different parties simultaneously, merge proposals with parties’ consent, or reject and rebid the entire project. Additionally, the bidding process included two rounds. First organizations submitted proposals in response to the RFR and then the county selected finalists to develop and submit more detailed applications for funding. See Cuyahoga RFR for more information.

Notes

1. Pay for success, or PFS, is an innovative financing mechanism that shifts the risk of implementing a public project from a traditional funder (usually a government) to a new private or nonprofit funder. The PFS project typically scales an evidence-based program to improve outcomes for a vulnerable population. If an independent evaluation shows that the intervention achieved agreed-upon outcomes, then the traditional funder repays the new funder's investment with interest. By prioritizing evidence, outcomes, performance management, and the strategic deployment of resources, PFS could improve delivery of social services to vulnerable populations, yielding positive benefits to individuals, governments, and society at large.
2. Because the vast majority of PFS projects have used governments as the end payor, this brief focuses on government procurement.
3. As of this brief's publication, Santa Clara County has two PFS projects.
4. The Institute of for Public Procurement defines "public procurement" as "The designated legal authority to advise, plan, obtain, deliver, and evaluate a government's expenditures on goods and services that are used to fulfill stated objectives, obligations, and activities in pursuit of desired policy outcomes." See "[NIGP Dictionary of Procurement Terms](#)," accessed August 10, 2017.
5. Contract management, during the implementation period following the signing of a contract, is sometimes considered part of procurement.
6. Requests for information should be used only to identify parties. Governments would need to follow local rules to select the project partners.
7. Although performance-based contracts have existed for some time, fee-for-service arrangements are still very common. For more information on strategies to improve procurement systems, see Liebman and Azemati (2016).
8. County of Santa Clara, California, "[Solicitation RFP-MHS-FY14-0408 Chronic Homelessness Pay for Success Project](#)," issued April 21, 2014
9. City and County of Denver, Colorado, "[Request for Information Social Impact Bonds](#)," issued September 3, 2013.
10. Corporation for Supportive Housing, "[Pay for Success Advances in Denver](#)," *The Pipeline* (blog), January 26, 2016.
11. Caroline Whistler and John Grossman, "[A Question of Outcomes](#)," *Standard Social Innovation Review*, Winter 2017.
12. For more information on best value analysis, see Maas (2016).
13. State of Connecticut "Request for Proposal (RFP) Pay for Success Project to Target Families Involved in Child Protective Services and Impacted by Substance Use," issued February 14, 2014.
14. Our review of RFIs and RFPs found that most jurisdictions allowed organizations to bid separately on the same RFP, issued separate RFPs for each organization's services, or selected an intermediary organization as the project coordinator or manager who then helped select the remaining organizations.
15. Massachusetts, "RFP – Homelessness Intermediary"; Massachusetts, "RFP – Homelessness Service Provider"; Massachusetts, "RFP – Juvenile Justice Intermediary"; Massachusetts, "RFP – Juvenile Justice Service Provider"
16. State of Connecticut "Request for Proposal (RFP) Pay for Success Project to Target Families Involved in Child Protective Services and Impacted by Substance Use," issued February 14, 2014.
17. South Carolina, "[Pay for Success Contract Among South Carolina Department of Health and Human Services and Nurse Family Partnership and The Children's Trust Fund of South Carolina](#)," executed January 1 2016.
18. Third Sector Capital Partners. "[Developing the Cuyahoga Partnering for Family Success Program: Partner Perspectives and Lessons Learned](#)."

19. “Criminal Justice Fund,” Oklahoma S. B. No. 1278.
20. “An Act Establishing the Social Innovation Financing Trust Fund and Authorizing the Lease of the Henderson Boat House,” Massachusetts H. B. No. 4219 (2012).

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