Brian Sandoval
Governor

Richard Whitley
Director

Nevada Department of Health and Human Services

Public Workshop on Senate Bill 400 – Success Contracts

Agenda

- Public Comment
- Introductions and opening remarks
- Presentation on success contracts
- Solicitation of stakeholder input and Q&A
- Next steps
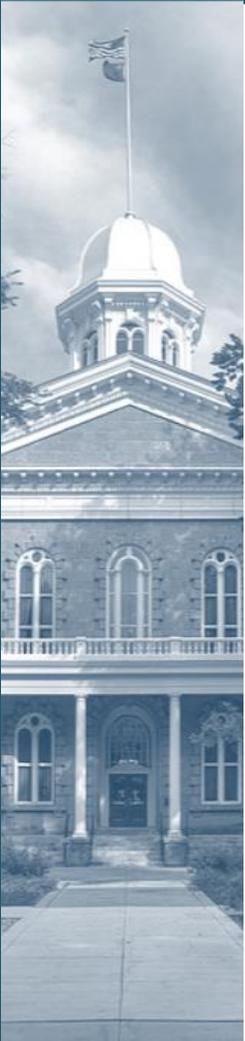- Public comment regarding any other issue
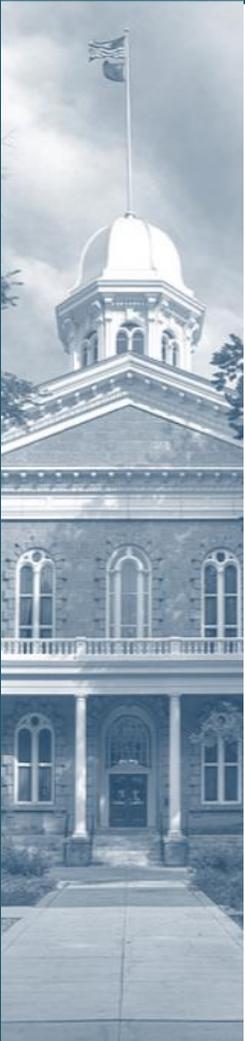- Adjournment

Public comment

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Introductions and opening remarks

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Presentation on success contracts

Senate Bill 400 Overview

- Senate Bill 400 authorized the Nevada Department of Health and Human Services (DHHS) to enter into "success contracts".

- The bill was introduced by Senator Spearman, passed by both houses, and signed by Governor Sandoval during the 2017 Nevada Legislative Session.

- DHHS is tasked with implementing its provisions.

Senate Bill 400 Overview

- Senate Bill 400 amends Chapter 232 of the Nevada Revised Statutes (NRS):
  - Section 2 defines "success contracts".
  - Section 3 outlines the requirements of "success contracts", the process of award, and other accountability measures.
  - Section 4 establishes the Success Contract Account within the State General Fund.
    - ***but makes no State appropriation to the Account***

Defining "Success Contracts"

- Senate Bill 400 defines success contracts as "a contract between the Director and person or local government that provides for the person or local government to:

  1) Provide or arrange for the provision of services;
  2) Finance the cost of those services by soliciting investments; and
  3) Receive payment upon the achievement of specified objectives."

Pay for Success Overview

- "Success contracts" represent an approach to contracting known more broadly as Pay for Success.

- Pay for Success is a tool that governments can use to overcome financial barriers, scale effective interventions, and minimize risk to public funding.

Pay for Success Overview

"Pay for Performance" or "Performance Contract"

Government pays for outcomes (as opposed to quantity of services), as measured by an independent evaluator. Parties agree to target outcomes/metrics, evaluation methods and payment schedule (often with minimum and maximum).

Pay for Success Overview

"Pay for Performance" or "Performance Contract"	"Operating Loan" or "Social Impact Bond"
Government pays for outcomes (as opposed to quantity of services), as measured by an independent evaluator. Parties agree to target outcomes/metrics, evaluation methods and payment schedule (often with minimum and maximum).	Loan from private funder who provide upfront capital to intermediaries or service providers in exchange for a share of the government payments if targets are met. *Not a traditional "bond" – different risk profile*

Pay for Success Overview

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"Pay for Success" projects combine both of these financing mechanisms

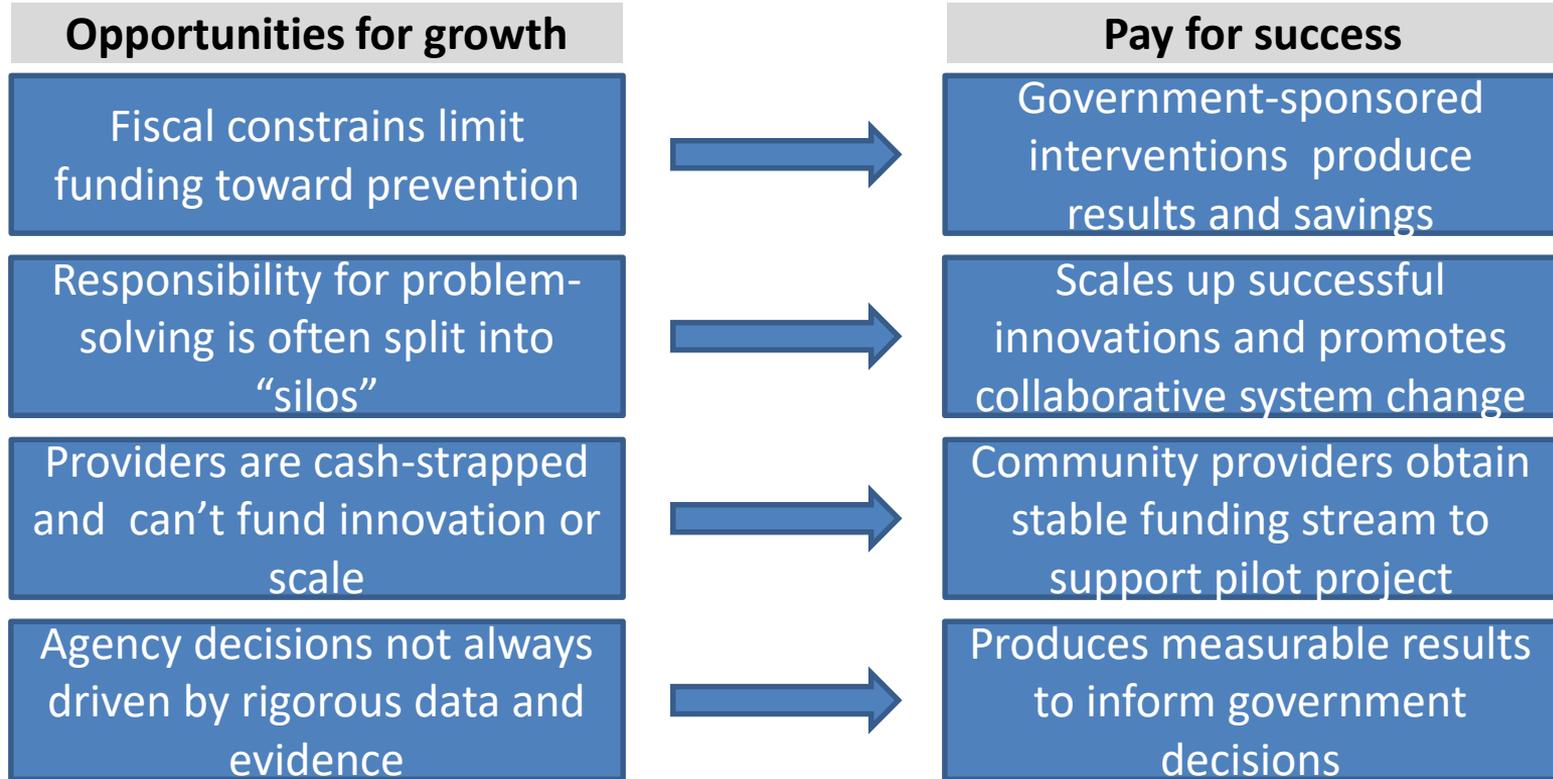# Pay for Success Overview

Opportunities for growth

Fiscal constrains limit funding toward prevention

Responsibility for problem-solving is often split into "silos"

Providers are cash-strapped and can't fund innovation or scale

Agency decisions not always driven by rigorous data and evidence

Pay for Success Overview

| Opportunities for growth		Pay for success
Fiscal constrains limit funding toward prevention	→	Government-sponsored interventions produce results and savings
Responsibility for problem-solving is often split into "silos"	→	Scales up successful innovations and promotes collaborative system change
Providers are cash-strapped and can't fund innovation or scale	→	Community providers obtain stable funding stream to support pilot project
Agency decisions not always driven by rigorous data and evidence	→	Produces measurable results to inform government decisions

Pay for Success Overview

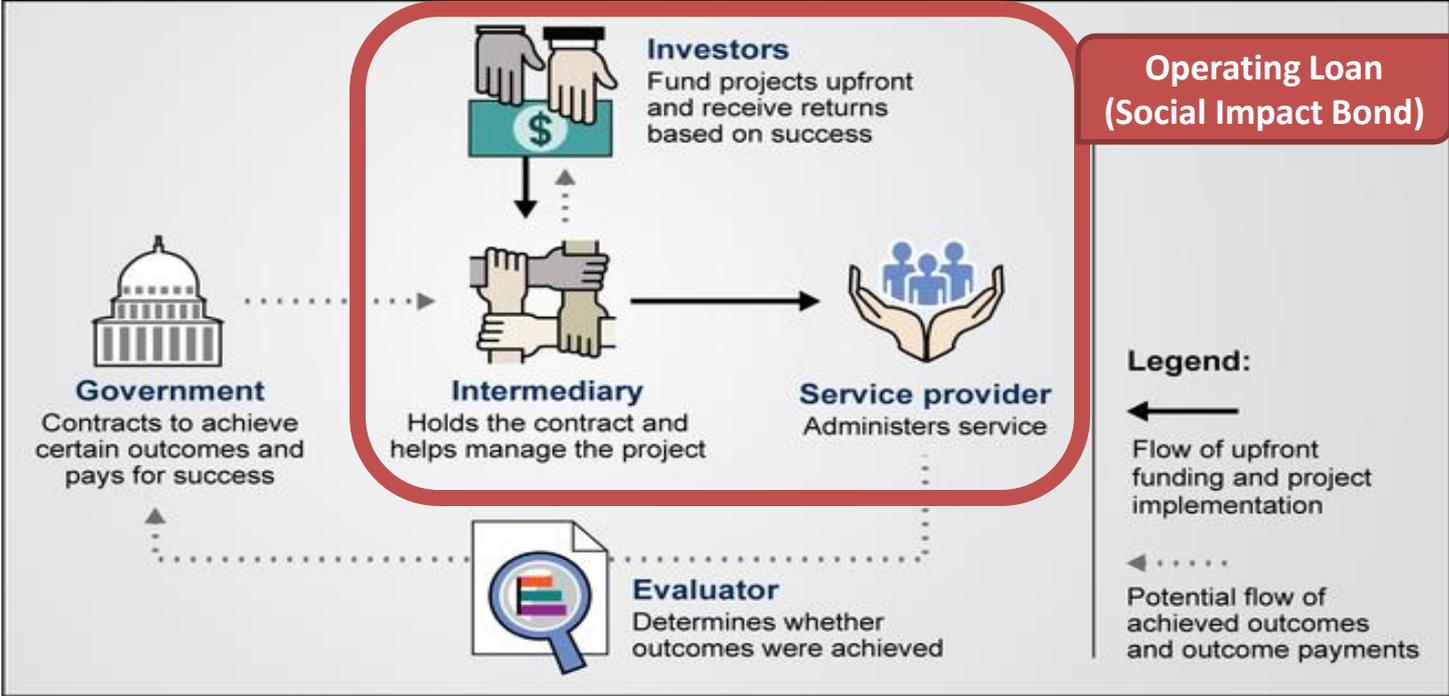| Entity	Role
Investors	Commercial, philanthropic, or community development organizations providing upfront capital that enables service providers to deliver services over the term of the PFS contract
Intermediary	Helps structure a PFS project, solicit/manage investors, manage stakeholders during the project development phase; may also provide ongoing oversight during project implementation
Social Service Providers	Organizations delivering services/interventions (nonprofits, for-profits, and/or government bodies)
Target Population	People being directly served by PFS program interventions
Evaluator	Independently assesses performance data and conducts evaluation on intervention outcomes
Government	Makes payments only when pre-determined outcomes have been met (can also be philanthropy or insurer)

Pay for Success Overview
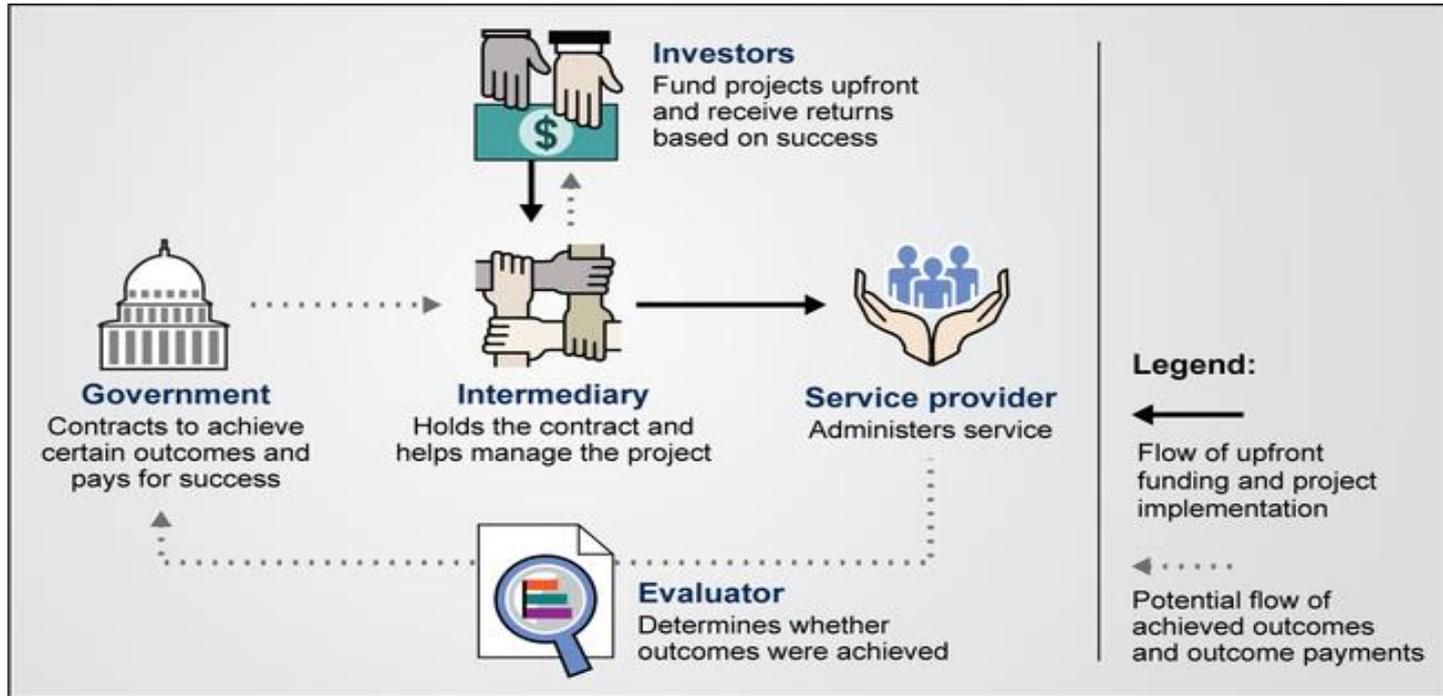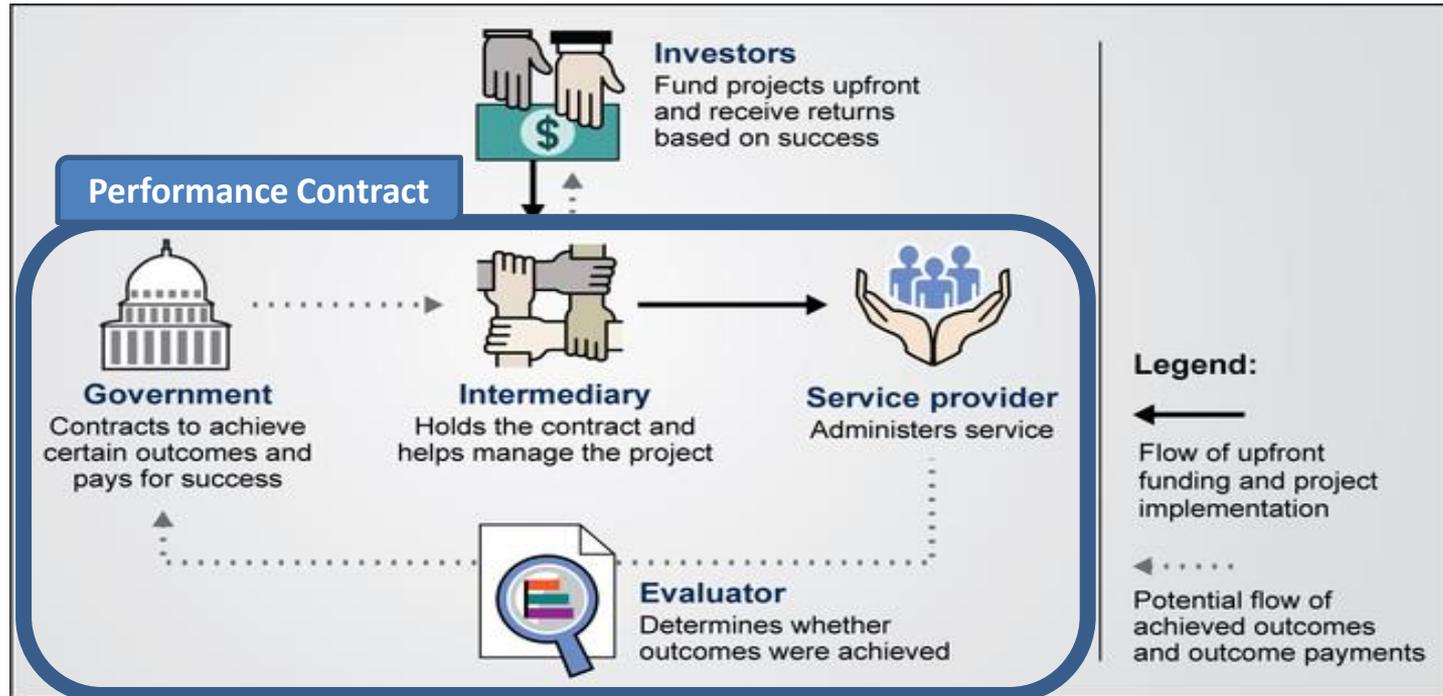
Source: GAO analysis. | GAO-15-646

Pay for Success Overview

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Pay for Success Overview

Operating Loan (Social Impact Bond)

Investors
Fund projects upfront and receive returns based on success

Government
Contracts to achieve certain outcomes and pays for success

Intermediary
Holds the contract and helps manage the project

Service provider
Administers service

Evaluator
Determines whether outcomes were achieved

Legend:
→ Flow of upfront funding and project implementation
◄ · · · · Potential flow of achieved outcomes and outcome payments

Source: GAO analysis. | GAO-15-646

Pay for Success Overview

- Pay for Success projects have been utilized in a number of policy areas:

Recidivism	Green infrastructure	Juvenile justice
	Early childhood education	Maternal and prenatal health
Homelessness	Child welfare	Foster care

Pay for Success Overview

- Given DHHS's goal of improved patient experience, improved health outcomes, and reduced cost of care per capita, PFS services are a good fit when:
  - The projects rely on an evidence-based intervention;
  - The intervention has been shown to produce savings in health care services over the long term; and
  - Sources of financing to scale the programs are limited or not readily available in the local context where the project seeks to operate.

Pay for Success Overview

- Pay for Success projects originated in the U.K., but have gained momentum in the U.S.

- State and local governments, with their flexibility and knowledge, are ideal partners for PFS projects.

Project Locations	Launch Year
Connecticut	2016
Cuyahoga County (OH)	2015
Chicago (IL)	2014
Denver (CO)	2016
District of Columbia	2016
Illinois	2016
Massachusetts	2014
Michigan	2016
New York	2013
New York City (NY)	2012
Salt Lake County (UT)	2013, 2016
Santa Clara County (CA)	2015
South Carolina	2016

Pay for Success Examples

Spotlight: Massachusetts Juvenile Justice Pay for Success Initiative

- In 2014, MA contracted to utilize Roca's High Risk Youth Intervention model to provide outreach, life skills, and education to 929 men aged 17 to 23 with the goal of reducing incarceration by 40% and increasing job readiness and employment.
- Performance period: 7 years
- Initial private investment: $18M+
- Maximum success payment: $27M (includes federal grant)

Project Partners

Pay for Success Examples

Spotlight: South Carolina Nurse-Family Partnership

- In 2016, SC expanded Nurse-Family Partnership's services to an additional 3,200 first-time, low-income mothers across the state with the goal of reducing preterm births, reducing hospitalizations and ER visits, increasing healthy spacing between births, and increasing services to those in high-poverty areas.
- Performance period: 6 years
- Initial private investment: $17M
- Initial public investment: $13M (Medicaid)
- Maximum success payment: $7.5M

Project Partners

Options for Nevada DHHS

- DHHS intends to utilize its new contracting authority under SB 400 as a creative public financing mechanism to help identify of effective and scalable health treatments and interventions.

- DHHS's focus areas may include (but are not limited to):
  - Behavioral health
  - Maternity and early infancy
  - Innovative case management/capacity building

DHHS's PFS Approach

- DHHS seeks public input for potential interventions that could serve as its first Pay-for-Success project. The State will also utilize existing needs assessments to select a specific focus area for the PFS project, and coordinate with other State agencies as applicable.

- SB 400 requires a competitive bid process.

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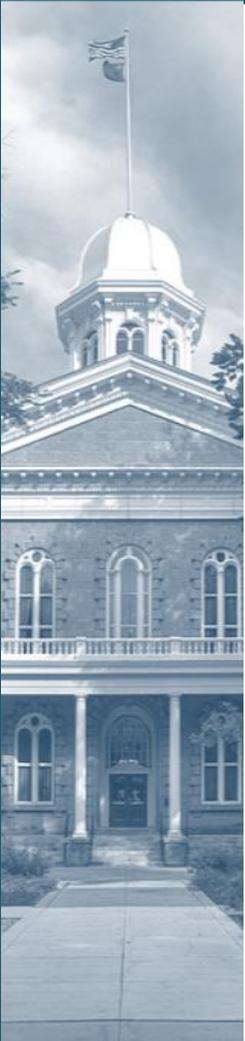
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Public input and needs assessments	Request for Information (RFI)	Feasibility	Success Contract Process

Solicitation of stakeholder input and Q&A
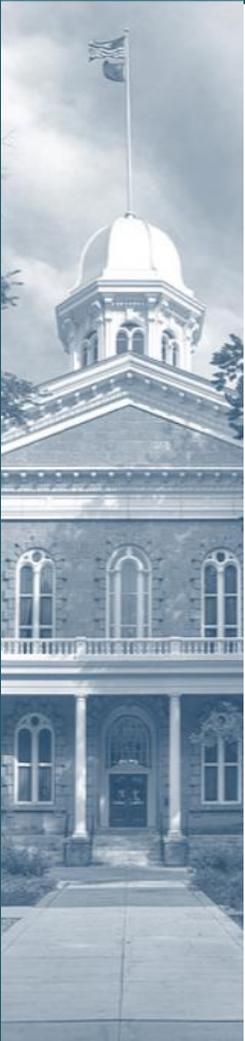
Next steps

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Public comment regarding any other issue

Brian Sandoval
Governor

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Thank you!

Contact: gmu@dhhs.nv.gov

Helping People. It's who we are and what we do.