



**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



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# 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).

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## “Operating Loan” or “Social Impact Bond”

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\**

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*“Pay for Success” projects combine both of these financing mechanisms*

# Pay for Success Overview

## Opportunities for growth

Fiscal constraints 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

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## Pay for success

Government-sponsored interventions produce results and savings

Scales up successful innovations and promotes collaborative system change

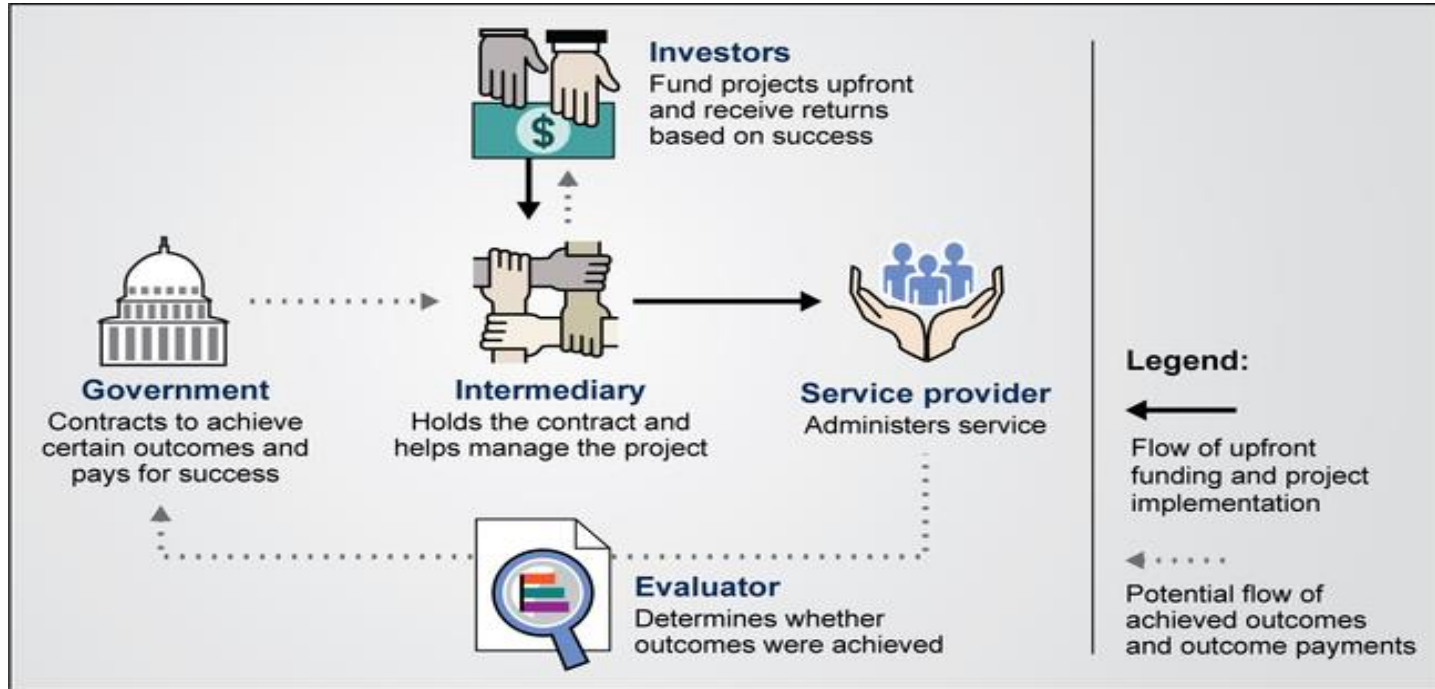
Community providers obtain stable funding stream to support pilot project

Produces measurable results to inform government decisions

# Pay for Success Overview

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

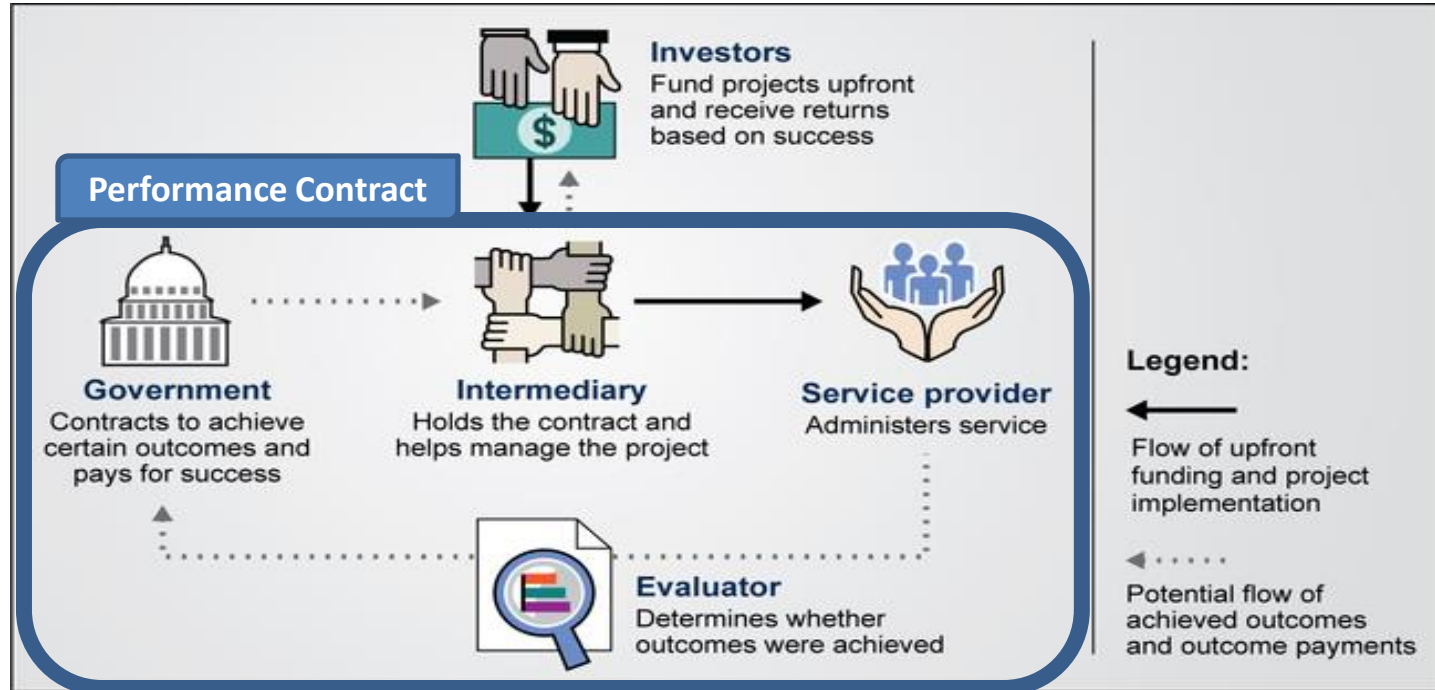
# Pay for Success Overview



Source: GAO analysis. | GAO-15-646

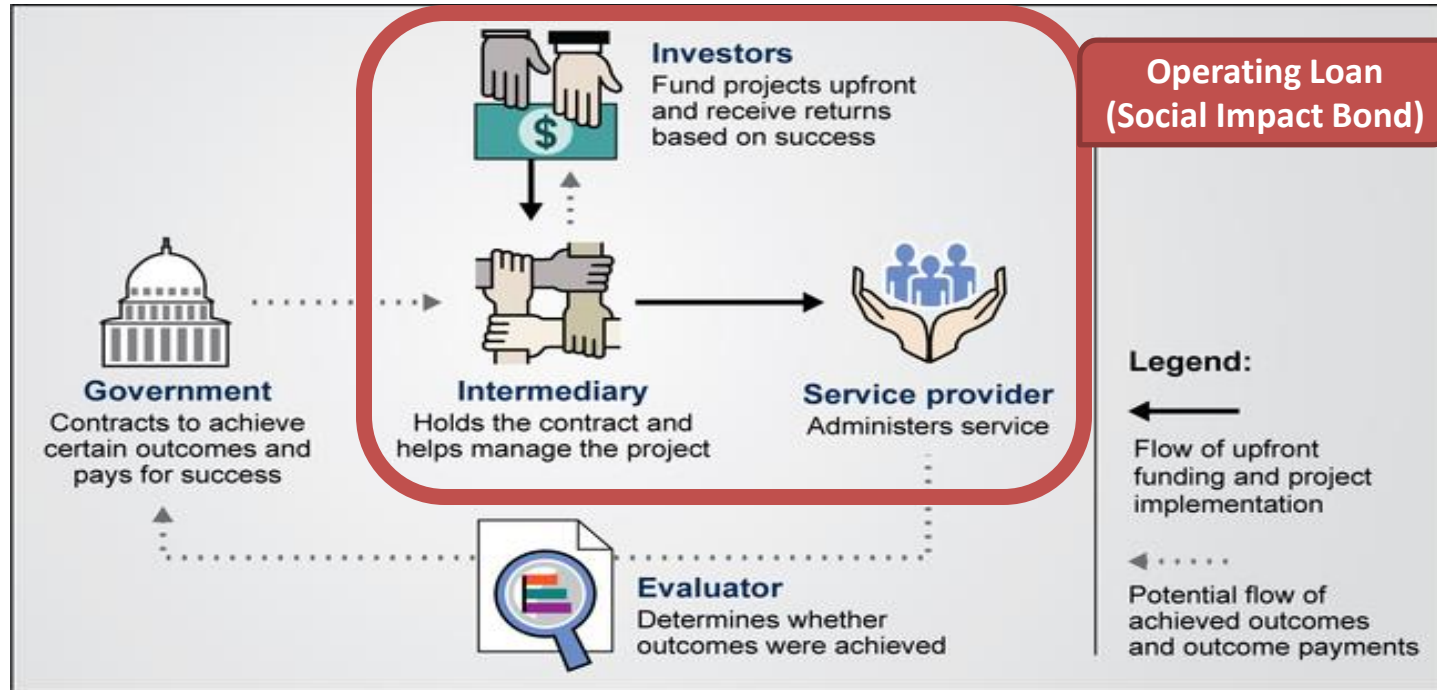


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# Pay for Success Overview

- 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**

Third  
Sector  
capital 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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# Solicitation of stakeholder input and Q&A





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# Next steps





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# Public comment regarding any other issue





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# Thank you!

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