

Pay for Success Readiness Self Assessment

This Self-Assessment tool is designed to help organizations - including state, local and tribal governments, intermediaries, funders, and service delivery providers - think about basic readiness to develop a Pay for Success project. These questions are not part of the Department's Pay for Success grant solicitation (SGA). Organizations considering applying under the PFS SGA should consult that document for requirements and criteria of the grant competition.

Is there a clear, measurable problem to be solved?

- Review your state or local budget. Is there a clear, measurable problem to be solved, or an identifiable population being served, that consumes a disproportionate part of resources? More specifically, can you identify a particular workforce system issue and target population that is not achieving optimal outcomes?
 - For example, are you meeting targets for placement and retention for populations with barriers to employment, like school dropouts, or individuals with disabilities?
 - Does a certain demographic within the overall target population consume a disproportionate amount of the allocated resources that could be better served by more focused or customized services?
- Can you identify cost efficiency gains or improved outcomes that could result through a different approach to service delivery?
- Can you cite evidence or form a reasonable argument that a different or new approach would have measurably better results?
- Can you clearly articulate and quantify the improved results that you would like to see?
- Do these improved results have a tangible value to the workforce system or broader public sector? Is this value measured in terms of direct cost savings, or does it indirectly manifest across many different local agencies/departments.
- Are there intrinsic benefits to the workforce system that may not be directly linked to monetary gains, such as improved efficiencies, higher quality of service, better customer satisfaction, or long term prevention?
- Can you explain how the combined value (cost savings and indirect benefits) of the improved results is significant enough to justify pursuing a PFS financing model?

Is there a way to evaluate progress in solving the problem? Can data be generated to support the evaluation of progress toward outcomes?

- Could an evaluation be designed to reliably determine whether a new or different service approach is improving outcomes for the relevant population, as compared against an appropriate comparison group or control group?

- Can you identify data that could indicate whether outcomes are being achieved for a target population? Is the same data available for the comparison group or control group?
 - Types of data could include demographic data, detailed data on provided services, and employment outcome data on job placement, retention, and earnings.
 - Do you have the ability to organize your systems so that the data could be collected and analyzed? Or can you identify a service provider that could collect this data?
 - If you see hurdles to collecting and using the needed data, are there mechanisms to overcome these hurdles?
- Could an evaluation include methods to measure interim progress toward your ultimate desired outcomes so that your service delivery strategy could be actively managed on a day to day basis?

Are there potential community partners that are already working on this problem in promising ways?

- Are you aware of other entities in your community—such as service providers, for-profit or not-for-profit organizations, and philanthropic entities—that show interest in, or are already tackling this problem? Are they implementing any especially effective service approaches to solve this problem?
- Can you identify any evidence that shows a particular service delivery strategy, or combination of strategies, has had better impact than others and could be adopted in your community?
- Do you have social service delivery organizations in your community that are familiar with performance-based contracting and have the capacity to deliver data-based interventions to address this problem?

Can you measure savings to the government—in your program or others—that would result from the improved outcomes?

- Can you collect enough information on the current cost of addressing this problem, or the current cost of delivering services to this target population?
 - Can you quantify the direct and/or other costs associated with this problem? For example, direct costs could include the workforce services that are currently provided. Other costs could include dependence on other government services or benefits, increased need for expensive remediation services, or lost tax revenue.
- Are you able to reasonably identify cost savings for your program through the alternative intervention?
 - Can you measure savings that would accrue to different program(s) than the one that is supporting the intervention?

- Do you have any mechanisms for calculating these savings?

Can you build in safeguards to prevent harm to vulnerable populations?

- Will the project ensure that savings are not achieved by denying benefits or services to at-risk individuals who would otherwise be eligible?
- If a provider fails to provide the basic services they committed to provide, will alternative services be available to the target population?
- Will state, local, or tribal governments uphold their commitment to provide basic services to complement the intervention?

Can you identify sources of up-front financing to guarantee service delivery before payments for achieving outcomes would be made?

- Do you know of non-profit or for-profit entities that may be interested in this type of social investment?
- Can you get commitments from these investors for working capital for the duration of the project?
- What forms of incentive can you offer to potential investors?
 - Depending on your financial analysis of savings and project outcome valuation, are the potential savings from the alternate service delivery strategy great enough that you will be able to offer a return on investment to your investor partners?
 - Overall cost savings should be significant enough that your government is able to realize some cost savings, even after paying final program expenses and providing an attractive return on investment to all investors.

Advanced assessment questions for generating a Pay for Success agreement between all major project partners that govern the project.

- Have you developed—or can you develop—a pro-forma agreement that clearly stipulates results to be achieved, how those results will be measured, who will perform the measurement, the amounts and the timing of any payments associated with results?
- Have you considered how standard contract terms and conditions should vary to support this type of project?
- Do you have the ability to modify these terms and conditions appropriately?
- Do you have adequate administrative and legal capacity to develop and adhere to such an agreement for the life of the project?
- Can you develop acceptable dispute resolution methodology or arbitration contingencies should project partners not agree on final validation or evaluation results?