Key Components of the Pay for Success Feasibility Process

In the development of a Pay for Success (PFS) Initiative and the feasibility technical assistance process, there is a series of key components related to actions that need to be completed and decisions that need to be made by the core project team charged with design and implementation in order for the PFS initiative to move forward. The list below outlines these components and the associated goals for each. Although the list is presented in a linear order, note that many of these items will be completed in parallel and iteratively.

#	Component	Activities, Considerations and Decision Points	Complete When…
1.	**Identify suitable policy area.**	• Internal and external discussions to decide what policy are to address: o Are there places in your area of expertise where there is underinvestment in prevention? o Are there promising programs that are currently under-funded or ready for scaling-up? o Has your area experienced penny-wise but pound-foolish budget cuts? o Are there important programs that get substantial funding but where there are serious concerns about performance? o Are there promising programs or providers in other jurisdictions that we should try to bring to our city, county, or state? o Do we have any proven programs with a long waitlist?	There is significant interest and engagement in pursuing PFS.
2.	**Solidify core leadership team.**	• The core leadership team should include individuals who: o Are committed to providing the staffing capacity and support to drive the PFS effort forward o Have decision making authority and ability to influence the process o Have direct access to data sets regarding the proposed target population o Have direct access to the proposed target population. • The core leadership team should also ideally include: o The payer for the proposed outcomes o The entity currently bearing the cost of the proposed target population in the current system ▪ *If these entities are not part of the core team, the core team should at minimum include members who can work closely with and ensure the participation of the payers as closely aligned stakeholders.*	Core project team is representative of entities that can own the outcomes and cost savings of project; can influence the process and have the authority to make decisions on behalf of their agencies; and these roles are clearly understood and defined.

3.	**Ensure all members of the core project team understand how a Pay for Success project functions. Identify and respond to knowledge gaps.**	• Do members understand the basic premise of the Pay for Success model? • Are members familiar with existing PFS transactions? • What areas or components of the model are more familiar/less familiar? • What additional learning would be helpful to ensure everyone has the right working knowledge?	All members of project team can speak to the PFS model and how it can work in their community.
4.	**Identify and secure project end payers.**	• Who are the potential makers of success payments for the project and what is their level of commitment? • What process is needed to secure this commitment and develop an overall amount of success payments that are available? Is budget office or legislative approval needed? If so, how will this be obtained?	Project end payer is actively at the table and working to ensure they can make success payments if a PFS transaction moves forward.
5.	**Access and analyze all relevant data systems and data for the initiative.**	• What data sets will be used? Who owns the data set? • What is the availability and access to the data sets in relation to project needs? • What data is critical to project success? Helpful but not fundamental to project success? • What kind of cross matching is needed between data systems? How can this be accomplished? • What data sharing agreements are in place to support the data sharing needs of the project? What new or additional agreements need to be developed and executed? • How can/should the data be analyzed to answer key questions related to the transaction? Who can conduct this analysis?	All needed data for the initiative is available in a timely manner and can be analyzed to answer key questions.
6.	**Determine and clearly define the target population.**	This component is often completed in parallel and iteratively with item 7 & 8 below. • Which vulnerable population is of greatest interest to the core leadership team/broader community for a PFS initiative focused on supportive housing? • Of that group, what subset makes the most sense for a PFS transaction? • What are the key demographics and characteristics of this population group? • How many individuals total are in this target population group?	Target population is clearly defined based on accurate data sets.
7.	**Define the status quo cost and outcomes for the target population.**	Often in parallel and iteratively with item 6 & 8. • Collect and review proposed demographic data on target population to answer the key questions below: o Where are the target population members currently residing (setting and geography)?	Target population is clearly defined based on accurate data sets and their current costs and outcomes in the system are well understood.

		○ What are the key demographics and characteristics of this population group? ○ What services are this population group using in the targeted system(s)? Other systems? ○ What are their costs in the current system, particularly ones relating to the end payer? ○ What costs are they incurring in related systems? ○ What outcomes are experienced in the status quo?	
8.	**Define the desired outcomes and intervention required to produce them. Estimate the cost of the intervention.**	• What are the desired outcomes for the population? • How and to what extent will these be achieved by connecting the target population with housing? • What package of services will be needed by the target population? How will these be accessed and funded? To what extent can existing funding be leveraged? • How will housing units be accessed or created? To what extent can existing units/funding be leveraged? • What other interventions are necessary beyond supportive housing to produce the desired outcomes? • What evidence base links the desired outcomes with the proposed intervention? • What are the cost estimates for the intervention bundle? • What outcome(s) is the projected payer interested in? • Is there a desire to and/or ability to "cash" or recapture projected savings? Can this be done in current system? • Is there a need for administrative or legislative requirements to distribute savings? • How will the savings be distributed among government partners/jurisdictions? • What will be used to trigger success payments? Will housing stability be used as a proxy for cost savings? • The determination of payment triggers should involve all key project stakeholders.	Outcomes are clearly defined and linked to a housing and service model best positioned to produce them. Estimated costs of the implementing the intervention have been determined.
9.	**Cost-benefit analysis of promising and/or proven interventions.**	• What does the evidence on the target intervention show from cost effectiveness studies, recent research results from professional evaluation firms, or outcome data from local providers? Does sufficient evidence to demonstrate specific outcomes could be replicated? • Conduct a benefit-cost analysis that address the following questions: ○ What types of benefits are you willing to consider (e.g. monetizable, cost reduction, societal)? ○ How do we want to distinguish between benefits that produce monetizable budget savings and those that do not but will still be considered?	When there is consensus among the payers as to what the value is of the proposed intervention(s).

		o How do budget savings change when disaggregated by level of government? o Will we look only at benefits that can be observed in the short-term or will we also extrapolate to longer-term benefits?	
10.	**Create the eligibility and enrollment process.**	This item will be influenced by the evaluator but conversations should also be begun earlier in the process. • How will the members of the target population be identified? • What is the criteria for enrolling them in the initiative? • Who will be responsible for conducting for enrollment activities? • Will identification/enrollment happen through one central location/agency or at multiple locations?	Detailed eligibility and enrollment process for the PFS initiative is written.
11.	**Develop preliminary financial model.**	As with many of the components in the feasibility process, the financial model will be created and revised frequently as data is gathered and decisions are made. The financial model will include such items as: • Number of individuals to be included in the initiative • Anticipated timeframe for the transaction • Ramp up rate (number of individuals housed/served in a given period of time) • Calculation of status quo costs and anticipated savings (depending on structure of model) • Costs of implementing the intervention • Success payments to be earned and schedule of payments • Transaction costs (legal, intermediary, evaluation, etc.). • Anticipated mix of capital in the transaction ("capital stack") • Anticipated interest and/or success fees to be earned by investors and schedule of payments • Repayment schedule for working capital	Model is developed based on agreed upon assumptions, cost data and timeline. Model is refined and updated as more information becomes available and/or details are solidified.
12.	**Develop a strategy to identify key partners (intermediary, providers, 3rd party evaluator, capital investor (s)).**	As relevant based on existing partners, anticipated project needs during the feasibility and implementation stages, and identified intervention model, you may wish to consider the following questions in developing a strategy to identify additional partners: • What materials will be needed to educate and inform potential partners? • How will we outreach to our potential partners? • What procurement methods, requirements, and strategies are needed to identify and secure partners? • Who will issue any relevant procurements?	Strategy is outlined to select needed partners Materials created to help support the strategy. Preliminary education and outreach conducted.

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In 2009, President Obama authorized the creation of the Social Innovation Fund as part of the Corporation for National & Community Service to find solutions that work, and make them work for more people – by proving, improving and scaling effective models. SIF and its non-federal partners have invested nearly $1 billion in effective community solutions since the program's inception. Launched in 2014, the SIF Pay for Success (PFS) program is designed to help cities, states, and nonprofits develop Pay for Success projects where governments pay service providers only when there are demonstrable results.

***Note: Pay for Success (PFS)** is a general term for performance-based contracting between government and social service providers, where government only pays providers if target outcomes are achieved, e.g. reduced recidivism or improved health outcomes, as opposed to providing cost reimbursement payments.*