

Moving America Forward: Innovators Lead the Way to Unlocking America's Potential

Policy Ideas to Tie Payments to Providers for Results Achieved

Pay for Success initiatives condition government payments for service providers on the outcomes they achieve. This innovative funding strategy targets taxpayer dollars to programs based on effectiveness, achieving better results for communities and allowing flexibility for providers to choose the best strategy. As Pay for Success pilot programs are beginning to take root across the country — addressing challenges from recidivism to housing to early childhood education — these initiatives should be expanded to new promising focus areas, including veterans, federal assistance programs, disability insurance, health care, aging in place, and child welfare and be used to support cross-agency strategies to address local needs.

Example of Payment Structure and Flow in Pay for Success Project

Population Served Service Provider **Social Impact Financers** Note: Can be multiple private funders that Intermediary/Special provide working capital **Purpose Vehicle** to the provider/project **Third Party** Evaluator **End Payor** Note: Federal, State and/or Local

Social Impact Financers:

lenders and even the provider can provide the Intermediary with operating capital through loans, grants or deferred service fees to fund the project. The operating capital is typically a lesser amount than the end payor agrees to pay based on the achievement of outcomes but covers the cost of providing the intervention.

Funders, including foundations, commercial

If positive outcomes are determined, the end payor pays the Intermediary based on the established payment terms and the Intermediary then in turn pays the funders back their investment with typically a negotiated modest rate of return.

End Payor:

A state could create, as one did, a Social Innovation Financing Trust Fund via legislative action that allows the State to allocate annual appropriations explicitly for success payments based on the third party evaluated outcomes of a project. This funding becomes 'no year' and is held in this separate account until the evaluator evaluates the impact. Based on the negotiated payment terms, success payments are periodically allocated from this fund to the Intermediary.