Outcomes-based contracts to test preventative policy interventions? The contract design and implementation of Social Impact Bonds in UK Health and Social Care

Stefanie Tan, Alec Fraser, Nicholas Mays

Policy Innovation Research Unit, London School of Hygiene and Tropical Medicine

Social Impact Investments International Conference, Rome, 13 December 2018

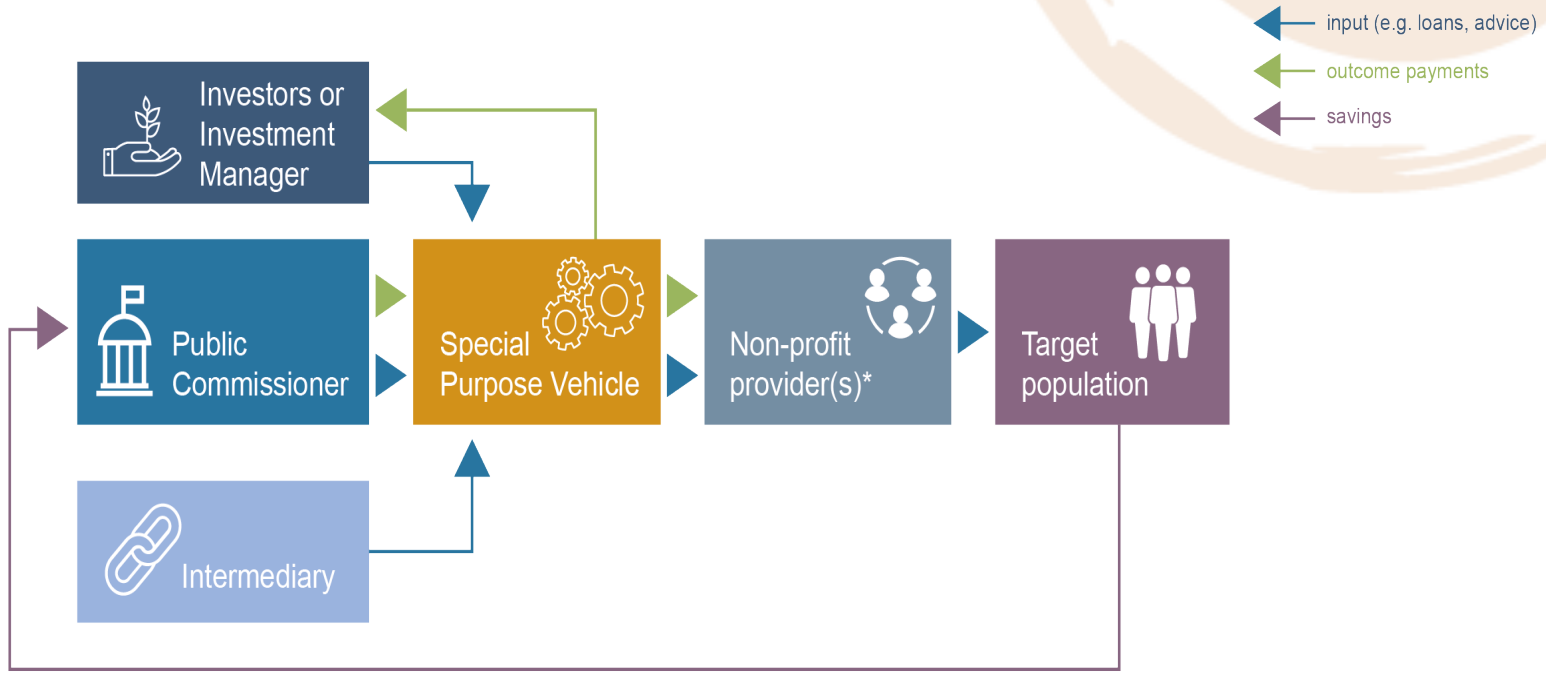
PIRU POLICY INNOVATION RESEARCH UNIT

@PIRULSHTM

LONDON SCHOOL of HYGIENE &TROPICAL MEDICINE

CHIL CENTRE FOR HEALTH ECONOMICS IN LONDON

What are Social Impact Bonds?



* Prime provider and subcontracted providers

What are the advantages of SIBs?

- Investors hold the risk of failure in 100% outcomes-based contracts and governments only pay if interventions deliver on outcomes.
- SIBs can generate cashable savings
- SIBs enable more accountability with public funding because of greater performance management and data collection.
- Private sector program management will make non-profits more efficient and effective at their work.
- The introduction of incentives introduces clear goals that can improve worker motivation

Empirical evidence

- Difficult to develop and commission with the potential for high transaction costs, e.g. fees for performance management and intermediaries' services (Disley et al, 2011; McKay, 2013; DWP, 2014; Tan et al, 2015; Fraser et al, 2018)
- SIBs can improve performance or enable a focus on achieving results (DWP 2016; DCLG 2015).
- Studies suggest that SIBs do not ameliorate the issues associated with PbR contracting and found anecdotal evidence of gaming (Edmiston and Nicholls 2017; Tan et al, forthcoming) and parking and creaming (Rees et al 2014).

Evaluation

- To assess whether and how SIB contracts achieve better outcomes than alternative funding mechanisms
- To understand how workers in non-profit organisations respond to the use of direct and indirect outcome-related financial incentives
- Multiyear evaluation (January 2014-June 2017)

PIRU POLICY INNOVATION RESEARCH UNIT

An evaluation of Social Impact Bonds in Health and Social Care

Interim Report

Stefanie Tan, Alec Fraser, Chris Giacomantonio[1], Kristy Kruithof[1], Megan Sim[1], Mylene Lagarde, Emma Disley[1], Jennifer Rubin[1], and Nicholas Mays

Policy Innovation Research Unit (PIRU), Department of Health Services Research and Policy London School of Hygiene and Tropical Medicine, and RAND Europe[1]

PIRU Publication
2015 - 12

Methods

- Comparative case studies
- Qualitative interviews with 177 informants (government, intermediaries/consultants, investors, non-profit providers)
- Analysis of contractual documents

The SIB Trailblazers in UK health and social care*

Focus	Aim
Chronic homelessness	Personalised service pathway for entrenched homeless population
Social prescribing	Non-medical interventions in the local community to foster sustained healthy behaviours)
Social isolation	To reduce social isolation among older people through befriending services and social activities.
At-risk youth	'Evidence based' Foster Care for Adolescents programme providing behavioural interventions for 95 children aged 11 to 14 years
'Foster care' for adults	An alternative to care homes for people in need of support: carers share their lives and often their homes with those they support

Risk transfer to private sector?

- SIBs are intended to transfer risk of failure to investors but contracts analysis revealed complex allocations of risk between actors
  - One site was 100% dependent on outcomes payments to repay investors
  - Two sites: providers received block contracts for services so no financial incentives to providers, financial risk lay with performance managers

"Effectively a contractor was found who had no skin in the game… No deep sense of commitment, no penalty if things didn't work out, you know, these are very asymmetric relationships that people, people get paid if things work, but actually there's no cost to the delivery partner if things don't work." (Investor 10)

"…not having looked at the contract in as much detail as we should have done and finding there are these expectations... I think some of that was our fault in the sense that because we had been in conversations we had presumed certain things would be happening and hadn't actually recognised the extent of the monitoring and input." (Provider 73)

SIBs ensure that governments only pay for success?

- SIBs intended to demonstrate attribution of outcomes so commissioners do not pay for outcomes that would have been achieved anyway
- In all SIB sites, it was assumed that the intervention was responsible for observed outcomes.
  - Efforts in 2 sites to demonstrate attribution with counterfactual control group experienced issues with data access.
- All SIB sites were designed with intention of cashable savings for commissioners but:
  - Potential for cashable savings (1)
  - Hypothetical savings (1)
  - Cost-neutral at best (1)

Measurement and evaluation

Study site	Outcome metrics	Attribution
Chronic homelessness	Reduction in homelessness; move to secure accommodation; repatriation to country of origin; employment; reduction in A&E.	Data uploaded to independent database tracking homelessness; no control groups possible (3)
Social prescribing	Improvement in self-reported well-being, reduction in secondary care admissions	Self-reported (1) Quasi-experimental counterfactual group (1)
Social isolation	Reduction in self-reported loneliness	Self-reported
At-risk youth	Number of children moved from residential care to foster placements. 'Bonus' outcome metrics: improved school attendance, better behaviour and wider wellbeing	Before and after approach
'Foster care' for adults	Number of new Shared Lives care placements established	n/a

Incentives improve implementation and motivation?

- Introduced greater clarity around goal-setting, set out link between actions and financial outcomes
  - Outcomes-based financing in SIBs enable personalisation and positive risk-taking in tackling difficult social problems
  - Flexibility and experimentation allows focus on the delivery of highly personalised, individualised services while evidencing work

BUT also potential for sanctions or direct interventions by intermediaries:

- Focus on outcomes, increased data monitoring, and performance management resulted in stronger managerial pressures to meet outcomes.

> *"If you miss one, this much [money] we lose. And that motivated the team as I said before, to motivate the team outcome to make them outcome focused, we know the client is going to benefit in the end" (Provider 37)*

Policy implications

- High transaction costs and much time is needed to launch an impact bond
- Potential for suboptimal allocations of risk between actors in contracts
- Reliance on process measures not long term outcomes
- Importance of context: non-profits involved, organisational factors, implementation process
- Attribution of outcomes to the SIB-financed intervention should be prioritised in future projects and more more robust research (use of counterfactuals or randomised design) is needed
- SIBs need to demonstrate cost-effectiveness

Evaluation of SIBs in UK Health and Social Care

Alec Fraser[1], Nicholas Mays[1], Emma Disley[2], Megan Sim[2], Kristy Kruithof[3], Mylene Lagarde[4], Chris Giacomantonio[5]

[1] Policy Innovation Research Unit, London School of Hygiene and Tropical Medicine
[2] RAND Europe [3] UK Home Office [4]LSE Health [5]Halifax Police

Evaluation report available at:

http://www.piru.ac.uk/assets/files/SIBS_Evaluation_final_report.pdf

Acknowledgements

This research is based on independent research commissioned and funded by the NIHR Policy Research Programme through its core support to the Policy Innovation Research Unit (Project No: 102/0001). The views expressed in the publication are those of the authors and are not necessarily those of the NHS, the NIHR, the Department of Health and Social Care, its arm's length bodies or other Government Departments.

email: stefanie.tan@lshtm.ac.uk