# Results-Driven Contracting Workshop: Developing performance metrics & contract incentives for workforce programs

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RFA Workforce Fellows Workshop

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# About us

**The Harvard Kennedy School Government Performance Lab helps state and local governments transform how they deliver services to residents**

GPL's mission is to help governments accelerate progress on persistent social challenges and strengthen core functions, such as how governments procure and contract for high-priority products and services

# Objectives for today's workshop

❏ Increase understanding of and comfort with results-driven contracting (RDC) concepts

❏ Identify an upcoming high-priority grant or procurement and begin to reflect on approaches for incorporating RDC best practices

❏ Workshop potential performance measures and contract incentives aligned with the overarching outcome goals

# Components of a results-driven RFP

**A clear problem statement** with **defined outcome goals:** What are you trying to achieve with this program? In what ways do you want to modify the status quo?

**A defined target population:** Who are the intended recipients of this program? What are their needs?

**A scope of work that invites innovation:** How does the RFP create space for vendors to propose solutions that will help achieve the outcome goals?

**Performance metrics** and a **plan for managing performance during the contract term:** How will you measure whether the procured program or service is making progress toward the goal?

**A purposeful evaluation and selection process:** How does the vendor selection process elevate the proposals most likely to achieve the stated outcome goals?

**Aligned incentives**: Where appropriate, how does the contract payment structure encourage the vendor to achieve the stated outcome goals?

# What makes a good problem statement?

- Connect department **priorities** to a clear and specific **outcome goal**

- Clearly **explain the gap** between current state and desired future state

- **Quantify** key variables

- Sufficiently **focused in scope** to be actionable

- **Neutral** about possible diagnoses or solutions

# Small group discussion: Setting priorities for a grant or procurement

**Select a high-priority grant or procurement**: What is an upcoming grant or procurement for which you are interested in improving outcomes or refining performance measures?

**Clarify the problem you want to address**: Imagine that a friend of yours, who lives in but does not work with your jurisdiction, asks you what problem you are trying to solve through this grant or procurement. In your own words, how would you briefly describe the problem to them?

# What makes a good goal?

- Articulate a vision of **success**

- Emphasize **outcomes** rather than outputs, inputs, or processes

- Can be **quantified**

- **Focused** enough to be **actionable** and **realistic**

- **Broad** enough to encompass the impact you want to have

- Open to operational innovation, centered on **"what" instead of "how"**

"Improve employment outcomes for justice-involved residents"

"Increase share of clients obtaining employment with high-quality wages and benefits"

"Increase access to and participation in work-based learning programs for the health care industry"

# Small group discussion: **Developing clear outcome goals**

**Describe a vision of success:** Imagine that the grant or contract you have selected has reached a successful conclusion. How would you describe the success of the project to others and what evidence would you point to as indicative of success?

**Develop clear outcome goals:** Given that definition of success, what are 2-3 outcome goals you hope to achieve through this grant or contract?

# What are good performance metrics?

- Orient vendors to **success**

- Are (relatively) **simple**

- **Balance** output and outcome metrics

- Identify data **tracking responsibility**

- Are **consistent** across vendors and contracts

- Leave room to **learn**

# Good performance metrics balance output and outcome metrics

## Output Metrics

- Measure the **operations and activities** of the service

- Support understanding of how services are provided, including **quantity, timeliness**, etc.

- Sometimes critical to support measurement of outcome metrics

- Often available in the **short-term**

- **Examples:** Number of clients without high school credential enrolled, number of employers recruited in health care fields

## Outcome Metrics

- Measure the intended **results/effects** of the service

- Support understanding of **impact** and **quality** of services

- Can be available only in the **long-term** and may be challenging to collect data on

- **Examples:** Credential completion rate by training provider, share of clients employed with wages >$15/hour

# Setting the stage for working with vendors to improve performance

Some of the most important work for agencies happens during the course of the contract, when real-time improvements can drive better outcomes for the people being served

Embed expectations about data and active contract management with providers within the grant or procurement:

- Define the **goal** of the program

- Include **preliminary metrics** for measuring program success

- Give providers an idea of **how the contract will be managed** (meeting frequency, reporting expectations, collaborative tone)

# Small group discussion: Designing performance metrics

**For each outcome goal you created, what performance measures could be used to understand whether your goals are being met?**

Create at least one *output* and *outcome* metric for each goal.

## Questions to consider:

- ❑ What would **success** for clients look like?
- ❑ Are there **specific populations** you want to prioritize as part of this grant or contract?
- ❑ Are there key **milestones in service delivery** you want to ensure clients meet?
- ❑ For what **timeline** are you interested in outcomes?
- ❑ Do you have a **balance** between **short-term measures** that tell you about service delivery (e.g. enrollment, retention, engagement milestones, etc.) in real time and **long-term measures** that tell you about impact?

# Small group discussion: Collecting and using performance data

**For each measure you identified, discuss:**
- Who will be responsible for generating the data?
- How and what information system will they use to generate and collect the data?
- How often will data be collected?

**How would you want to discuss this data with the vendor on a regular basis?**
- What metrics would make for useful conversation on a *monthly or quarterly* basis?
- What metrics would be useful to discuss on an *annual* basis?
- Who would be responsible for bringing what information to each of those meetings?

# What are possible contract incentives?

| | |
|---|---|
| **Measuring & Scoring Vendor Performance** | Defining, **measuring**, and **discussing performance** regularly over the course of the contract, even without performance payments |
| **Selecting Future Work** | **Conditioning future work based on satisfactory performance**, including selecting vendors for scopes of work within a vendor pool, contract extensions, new work under an existing contract, or the opportunity to compete for future contracts |
| **Payment Structure** | Payment structure may be the **most important performance incentive**, using the following structures:<br>• *Fixed Price*: Lump sum payment based on completing the required deliverables<br>• *Time and Materials*: Paid over time, based on the dollars spent or hours worked<br>• *Performance Payment*: Some portion of the contract is paid based on performance, measured using process and / or outcome metrics |
| **Payment Timing** | **Streamlining payment processes** or **withholding payment until key deliverables are completed** or milestones are achieved |

# Designing performance payments

**Designing performance payments requires selecting:**

1. The **performance metric(s)** which will trigger payment, which must be:
   - ✓ Measurable
   - ✓ Verifiable
   - ✓ Controllable
   - ✓ Aligned with intentions
2. The **dollar amount** of the performance payment
3. The **structure** of the performance payment

|  | % of Contract Value | Bonus |
|---|---|---|
| **Escalating** | • Small portion of contract value paid based on performance <br> • Performance payment increases as performance improves, up to a cap | • Bonus paid in addition to total contract value <br> • Performance payment increases as performance improves, up to a cap |
| **Threshold** | • A small portion of the contract value paid based on performance <br> • Performance payment fixed and triggered by reaching a performance threshold | • Bonus is paid in addition to the total contract value <br> • Performance payment fixed and triggered by reaching a performance threshold |

# Case example: Rhode Island TANF workforce services

## Status quo:

**STATISTICS ON SERVICES PROVIDED:**

**Total clients referred: 379**
- Providence & Warwick: 248
- Pawtucket: 131

**Total served: 222**
- Providence: 137
- Pawtucket: 76
- Warwick: 9

**Total referred back: 206**
**Total re-referred: 136**

**Employments (includes OJT): 56**
**On-the-job training: 5**
**Work experience: 0**
**Transitional jobs: 11**

**Hardship: 73**
**BCI: 26**
**Non-English speakers: 75**

## Performance payments:

| Performance metrics | Payment | Service category |
|---|---|---|
| **Activity hours:** Compliance with employment plan activities assigned by DHS | **$5 / 10 / 25** per client per month based on success rate | Supportive services |
| **Education:** Client obtains high school diploma, equivalency, or college credit | **$500** per client | Teen & family development |
| **Training program completion:** Client completes vocational training program | **$500** per client | Vocational training |
| **Employment:** Client employed in unsubsidized job 6 months after enrollment | **$500** per client; **$750** per "high barrier" client | Work readiness |
| **Earnings in Q5:** Client earns $4,000 or more in fifth quarter after enrollment quarter | **$1,000** per client | All services |

*High-barrier clients defined as long-term Rhode Island Works clients, or those who are currently in hardship

**Approach**
- Research metrics for similar programs in other states
- Identify key goals and select measures tightly linked to goals
- Ensure measurability given existing systems
- Consider performance incentives to ensure data collection

# Small group discussion: Designing contract incentives

**What incentives have you used for this grant or contract in the past?** What worked well? What challenges did you experience?

**What approaches might be a good fit for incentivizing vendor performance for this grant or contract in the future?**

## Performance incentives:

- ❑ Defining clear performance goals
- ❑ Measuring and tracking progress towards desired outcomes
- ❑ Discussing performance regularly with providers over course of grant or contract
- ❑ Conditioning future work based on satisfactory performance
- ❑ Streamlining processes to accelerate payment
- ❑ Withholding payment until key deliverables are completed
- ❑ Conditioning a portion of payment based on performance

# Small group discussion: Payment structure thought experiment

1.  **In an ideal world, how do you wish you could pay for this service?**

2.  **For this ideal payment structure, what data and information would you need?**

3.  **If you don't have access to the data and information outlined above, could you use proxy measures as performance metrics?** How good are those proxies?

4.  **In reality, is this ideal payment structure possible?** Why or why not?

5.  **Which of the performance metrics you created might be a good candidate to use to condition a portion of the vendor's payment?**

    -   For those metrics, what unintended consequences may result from the vendor attempting to maximize payment?

    -   If none of the metrics would be a good fit, why not?
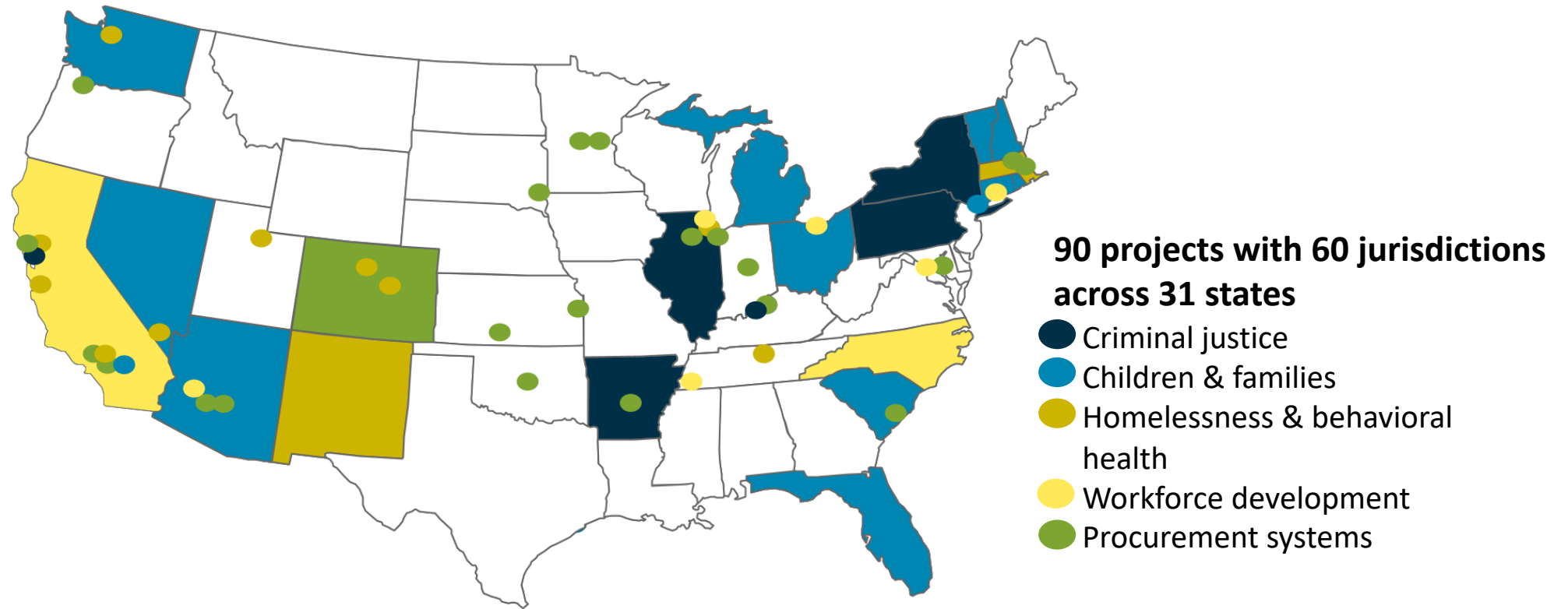
# Debrief & wrap up

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# Appendix

# Introduction to the GPL



**90 projects with 60 jurisdictions across 31 states**

- ■ Criminal justice
- ■ Children & families
- ■ Homelessness & behavioral health
- ■ Workforce development
- ■ Procurement systems

**GPL Fellows**

Provide hands-on

**technical assistance**

**Technical Experts**

Offer **expert guidance**

on complex challenges

**National Network**

Convene state and city

**innovators**

**Publications**

Spread ideas through

**policy briefs and tools**

# GPL's approach to improving service delivery

## Program Development

- Identify population at risk & assess needs of population
- Engage stakeholders to understand challenges
- Analyze service array against needs to identify overlaps and gaps
- Map referral process to identify handoffs
- Develop criteria to prioritize projects

## Procurement

- Conduct market research, including vendor outreach
- Draft procurement documents using results-driven contracting strategies
- Construct performance payments

## Implementation

- Create systems for tracking performance metrics
- Develop processes to regularly meet with vendors to rapidly improve service delivery
- Evaluate outcomes and use results to inform future decisions