# Transitioning from transaction to milestone performance models

September 6th, 2019

# Disclaimer

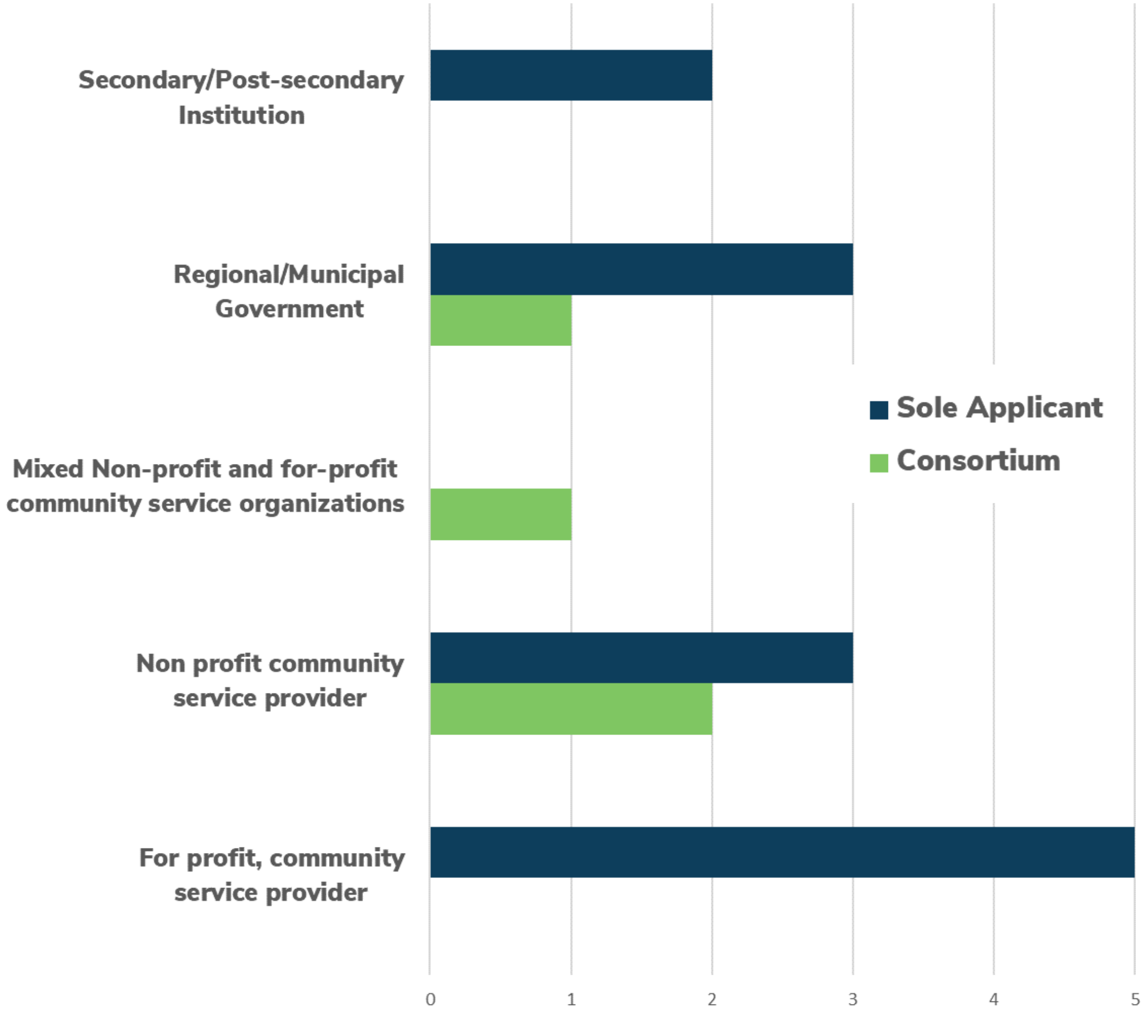
Information provided in this presentation was compiled to provide a resource for ONESTEP members to review and consider as they think about the coming transformation of employment services in Ontario.

- ONESTEP does not speak on behalf of, nor represent in any way, the views or opinions of the Ontario government or its agents.

- Wherever possible, direct reference has been made to any public information so that readers can readily access – and independently review – available documentation.

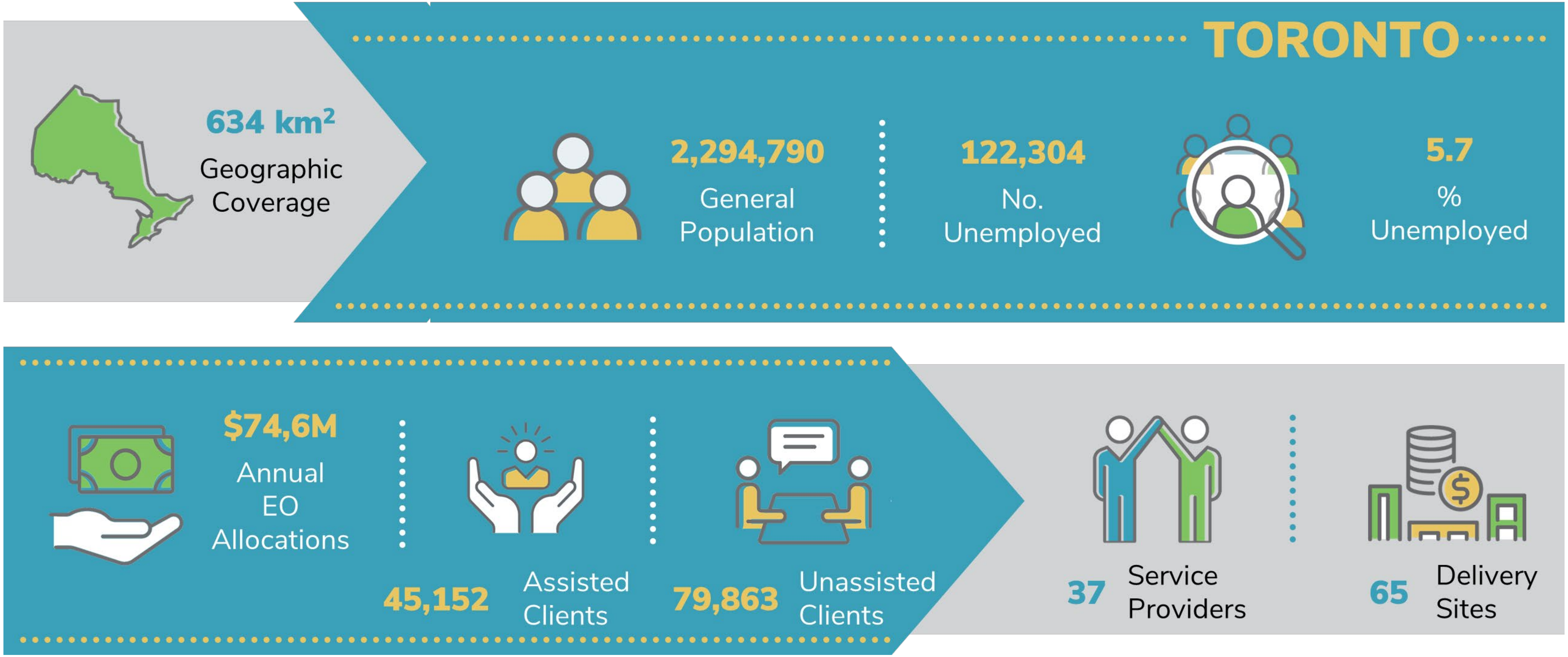
- Where direct information is not available, every effort will be made to provide the source, logic and/or rationale behind the statement.

# Context




- On August 29th, MTCU announced the successful applicants of the Request for Qualifications (RFQ)
- 17 organizations qualified and are now eligible to bid in any 1 (or more) of the 3 prototype catchment areas
- The organizations now have to decide if, and where, they want to compete to become the Service System Manager (SSM) contract holder

# Info on the prototype catchment areas



# Webinars on transformation

We have a series of 3 webinars planned over the next two weeks.

- September 6th: Transitioning from transaction to milestone performance models
- September 11th: The money and math behind pay for performance models
- September 17th: Ontario's employment services transformation call for proposals

# Pay for success models

Contract holder invests in the up-front operational costs to deliver services/achieve the desired outcomes

In return for accepting the risks of funding the project, the investors may expect a return on their investment

Payment of the committed funds by the government is contingent on achievement of results

# Performance-based contracting

Government provides contact holders with an allocation of up-front costs for delivering services

Contract holders then use these base funds establish operations and deliver services aimed at meeting targets set by the funder

Annualized funding structures review performance targets against most recent fiscal to plan for next allocation

# PFS versus PBC

Both are designed to provide government with a method for financing social services that help target positive, measurable outcomes.

**PFS**

- government payment is entirely based on outcome and is paid at the end of the project
- relies on independent private funding
- removes constraints from contract holder on how they can use/spend the money
- supports the exploration, development, and implementation of innovative service delivery strategies

**PBC**

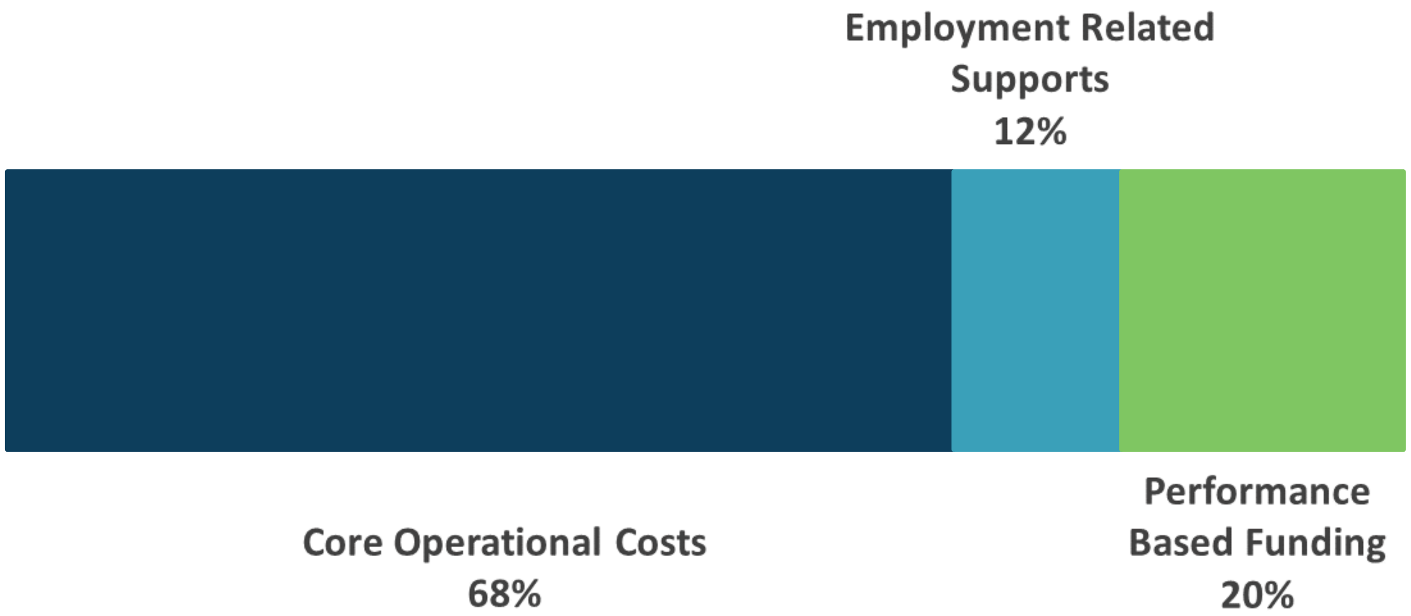
- government payment is based on achieving benchmarks and sequential outcomes
- payments are provided up front and generally across the duration of the project
- payments are usually based on outputs such as the numbers of participants served
- supports continuity of service and capacity of smaller, usually local, organizations


# Ontario's hybrid model

The funding model proposed in the CFP brings together elements of both approaches to marry the impact-oriented approach of a PFS model with the more inclusive PBC model.

# Performance-based funding

Provides operational level funding up-front (but makes it contingent on targets) and uses outcomes-based funding to incentivize and direct impact




# Client stream allocations

The entire model has been structured to ensure that those furthest from the labour market, stream C clients, are the primary focus of service provider case loads and receive the lion's share of resources.

| CATCHMENT | CLIENT STREAM | OPERATING FUNDS | MINIMUM CLIENT Nos | PBF ALLOCATION |
|---|---|---|---|---|
| PEEL | A | $1,834,000 (6%) | 4,200 (22%) | These are the same across catchment areas and differ only by client stream.<br><br>The sum of outcome payments per client in each stream is:<br><br>A - $344<br>B - $1,105<br>C - $3,230 |
| | B | $4,307,000 (14%) | 3,900 (21%) | |
| | C | $25,208,000 (80%) | 10,600 (57%) | |
| HAMILTON-NIAGARA | A | $1,190,000 (3%) | 2,700 (12%) | |
| | B | $5,194,000 (12%) | 4,700 (20%) | |
| | C | $37,759,000 (86%) | 15,900 (68%) | |
| MUSKOKA-KAWARTHAS | A | $415,000 (3%) | 1,000 (13%) | |
| | B | $1,830,000 (13%) | 1,700 (22%) | |
| | C | $11,886,000 (84%) | 5,000 (65%) | |

# Implications of PBF

| | DIFFERENTIAL |
|---|---|
| **Scenario 1:** Everything goes as planned | $0 |
| **Scenario 2:** Miss stream A intake targets by 10% | $302,150 |
| **Scenario 3:** Miss stream B intake targets by 5% and 3-month milestones by 2% | $590,621 |
| **Scenario 4:** Miss stream C 6-month milestones by 20% | $25,323,509 |

- Both operational and PBF have contingency payment approaches that can result in financial risk.
- Operational allocations are target based – missing targets in a quarter alters funds allocated for the remainder of that year
- Performance-based funding (i.e., client outcomes) represent 20% of overall funding in the first year and increases to 25% in the second (with increases in subsequent years as well)

# Cross-jurisdictional learnings: a conversation with Grant Collins, Senior Vice President, Workforce Development at FedCap

onestep.on.ca