



Shift to Outcomes WHY IS THIS IMPORTANT?

CREATING A SUSTAINABLE OUTCOMES MOVEMENT Federal Policies to Build an Enabling Infrastructure

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We've applied data and evidence to social policy—to find out what works, scale up when it works, and stop funding things that don't—thereby fostering a new era of social innovation.¹

—President Barack Obama

The movement to create a more outcomes-driven government and social sector has advanced considerably over the past eight years. We've developed new ways to align resources with results, used data as never before to help us achieve them, and built more evidence than we've ever had about what works. Results-driven, collaborative, person-centered approaches are all part of what we've referred to as social innovation. These approaches are proving they can move the needle for vulnerable communities. And, by gaining bipartisan support, they have the potential to survive and even expand despite shifts in the executive branch.

Eight years ago, much of this work was in a concept phase or the early stages. Today, we've achieved proof of concept. It is still early days, to be sure, but we've come a long way, further and faster than many expected. Through legislation and federal funding, regulations and guidance, convenings and spotlight, President Obama's White House Office of Social Innovation sought to support this movement. As we consider how to grow from proof of concept to widespread adoption, this essay addresses the challenges and opportunities, especially at the federal level.

¹ Remarks by President Barack Obama at The White House Frontier's Conference on October 13, 2016.

It suggests promising next steps in federal policy that can put the movement on the path to scale.

THE OUTCOMES MOVEMENT'S EXISTENTIAL THREAT

In most communities and most of the time, introducing outcomes-centered solutions is a herculean task. They require uncommon commitment involving creative workarounds, hard-to-attain waivers, and active engagement from leaders at the highest levels, among other special circumstances. This is neither scalable nor sustainable. Three core challenges inhibit adoption of outcomes-focused approaches:

Lack of incentives—The funding systems into which supporters introduce outcomes-driven solutions were not designed to prioritize outcomes. Evidence is rarely valued; funding of service providers typically focuses on compliance and outputs rather than outcomes. In a funding environment that does not incentivize outcomes, proven, high-impact approaches have little comparative advantage to receive funding. For example, a Social Innovation Fund grantee took the courageous step of exposing its afterschool program to rigorous evaluation. But most school district procurement officers valued the grantee's compelling evidence of impact, as the program's director put it, “about as much as a glossy picture of a kid on a slide” —which is to say, very little. Until procurement rules value evidence, we are less likely to build it. Until they value impact, we are less likely to get it.

Systemic barriers—This absence of incentives for social service providers to engage in what works is compounded by the presence of systemic obstacles. Those bold organizations seeking to implement results-driven approaches face pervasive barriers, including tightly prescribed limitations on reimbursable activities, costly reporting requirements unrelated to outcomes, and, critically, restrictions on cross-silo collaboration, data sharing, and co-funding. For example, a workforce training program alone is less likely to help an at-risk mom get a steady job if her housing situation is unstable and if she does not have reliable child care. But siloed funding disincentivizes the coordination that increases the likelihood of family success. By inhibiting collaboration while also distracting from

outcomes due to overemphasis on process compliance, the current system discourages innovation and favors those who stick to business as usual.²

Lack of capacity—Government staff and service providers themselves have adapted to the systems in which they operate. In particular, funding systems that are primarily built around compliance and outputs shape the priorities, activities and expertise of the public and social sectors. As a result, even where the will emerges to adopt results-driven approaches, the tools to track outcomes and the capacity to deliver them are rarely in place. Under-resourced and overstretched in significant part by procedural demands unrelated to results, few social services agencies or providers can develop necessary capacity in data analytics, evaluation, and outcomes tracking and delivery.

BUILDING AN ENABLING INFRASTRUCTURE

For results-driven approaches to expand and scale, the current, underlying systems must be upgraded and transformed. In their place, we must build an enabling infrastructure in which outcomes-based solutions are a natural fit rather than a square peg in a round hole. The policy recommendations here are a selection of concrete and practical next steps to advance systems infrastructure that incentivizes the achievement of outcomes, removes systemic barriers, and enhances the capacity of government and service providers to be more results-driven.

Incentivizing Outcomes

At every level of government, laws, regulations, guidance, contracts, and grant agreements can be shaped to reward the achievement of outcomes. Through these mechanisms, we can introduce a spectrum of results-oriented policies that permit, encourage, or, when appropriate, require outcomes-focused approaches.

Permitting outcomes-focused approaches—A major barrier to outcomes-focused approaches is that most federally funded programs do not clearly authorize them. Working with Congress, the Obama administration introduced hundreds of millions of dollars in annual federal, state, and local authority to engage in outcomes contracting in workforce training

² Such barriers tend to reinforce one another at every level of government. A state seeking to take on these challenges, for instance, may find limits on its authority to do so federally and resistance from municipal program administrators who may lack the will, capacity, or resources for systems change.

and education, among other programs. There are much greater opportunities to provide similar authority in block grants, formula funds, and discretionary funds, which together represent the bulk of social services funding in America.

Encouraging evidence and outcomes—Low- and no-cost policies can accelerate a shift to outcomes. With bipartisan support, we incentivized adoption of outcomes contracting by launching Pay for Success grant programs at eight agencies, spurring \$160 million in new funding and helping to develop the Pay for Success sector. This has leveraged hundreds of millions more in state and local funding to pay for outcomes rather than process, while seeding an outcomes mindset in communities and states. We also encouraged a shift toward outcomes by making evidence of effectiveness a meaningful scoring factor in multiple grant programs. These approaches have shown promise and should be expanded. In addition to Pay for Success approaches that involve financing, there is great promise in a broader array of funding models that attach payment to outcomes, including partial outcomes and bonus payments, tracking outcomes and rewarding successful providers in subsequent funding rounds, and rate cards.

Requiring outcomes-focused approaches—Making outcomes accountability the rule rather than the exception is understandably rare and, for the most part, premature. Infrastructure and capacity have a long way to go before this would be widely appropriate. However, relevant early steps have been made in this direction. For instance, the new federal education law requires inclusion of evidence-based practices to improve low-performing schools.³ New results-driven contracting approaches in multiple jurisdictions, from Rhode Island to Seattle, also indicate progress.⁴

Removing Barriers

As noted above, systemic barriers to cross-silo collaboration reduce service providers' ability to deliver results-driven, person-centered approaches. As a result, we too often provide those in need with fragmented services and

uncoordinated care. We've found promising approaches that effectively remove obstacles to results-driven collaboration:

Removing barriers to pooled funding when outcomes are tracked—Exchanging individual grant compliance for outcomes tracking and accountability across grant programs has promise. It also has bipartisan support and precedent upon which we can build. For example, Performance Partnership Pilots (P3) give communities flexibility to combine funds across multiple federal funding streams to advance outcomes-driven strategies for at-risk youth. This pooling approach should be applied to other populations.⁵

Building coalitions of the willing—Through the White House Data-Driven Justice initiative, we organized a bipartisan coalition of 140 state and local leaders to facilitate collaboration to reduce unnecessary incarceration and provide better care to high-cost super-utilizers. With the right leadership and spotlight, the coalition-of-the-willing model could apply to other issue areas where success calls for communities to advance cross-silo solutions by cutting through red tape.

Promising Solutions

To better understand the barriers to implementing results-driven approaches, we engaged with hundreds of grantees through our federal grantee experience initiative. There are promising solutions to address the most common and frustrating challenges grantees cited, including:

Simplifying reporting while finding ways for it to add value—Reporting requirements of federal grantees are often time-consuming, costly, and redundant, distracting service providers from focusing on outcomes. There is great opportunity for new technology to reduce reporting redundancy. We launched a technology pilot to simplify reporting while finding ways for it to add value rather than distract. Such models should be studied and, if effective, expanded.

Shifting focus to what's needed rather than what's prescribed—Federal programs often seek certain outcomes but tightly prescribe the activities a grantee may undertake to achieve them. A common complaint among

3 U.S. Department of Education, "Every Student Succeeds Act (ESSA)," available at <https://www.ed.gov/essa?src=rn>.

4 Harvard Kennedy School Government Performance Lab, "Results-Driven Contracting: An Overview," available at http://govlab.hks.harvard.edu/files/siblab/files/results-driven_contracting_an_overview_0.pdf?m=1456763365.

5 Increased outcomes accountability should be accompanied by reduced reporting and compliance burden unrelated to outcomes, as it does with P3.

grantees is that they are often unable to provide the appropriate service to meet a client's needs because the service is not reimbursable under a grant award. Outcomes contracting models, like Pay for Success, can give additional latitude to service providers, providing grantees a great deal of flexibility by shifting the focus from activities to results.

Broadly speaking, governments at all levels should work with grantees to reduce reporting and compliance burden in exchange for outcomes accountability. There are new opportunities to do so. Recently published federal Uniform Guidance introduces several authorities that remove barriers and can waive restrictions that get in the way of cross-silo and outcomes-focused approaches.⁶

Building Capacity

In the social services sector, both government administrators and nonprofit practitioners have built their operations around the current, compliance-focused system. There will be understandable trepidation around systemic shifts. That said, when programs focus on outcomes, they better honor the mission and dedication of the public- and social-sector employees who deliver services. No one should expect the sector, often under-resourced and overworked, to turn on a dime. It will need help getting there. Key areas of pursuit include:

Public-sector and service-provider data access and capacity— Access to reliable and recent data is critical for successful implementation of outcomes-oriented approaches at scale. Among other things, this is essential if we are to reduce reporting burden for outcomes accountability; it is foundational for informed cross-silo collaboration; it is needed for low-cost, rapid evaluation; and it is the basis of planning and executing outcomes contracting models. The Obama administration took a variety of steps to advance local data capacity, from Data-Driven Justice and new HIPAA guidance to the Commission on Evidence-Based Policymaking, which holds hope to increase responsible data access, not just for researchers but also for local practitioners. Through the Social Innovation

⁶ Agencies at all levels of government may seek to use these new authorities as appropriate. Just one such promising authority is federal agencies' ability to offer "fixed-amount awards." Through such awards, federal agencies and their grantees can eschew the typical model of cost reimbursement for prescribed activities in favor of payment for results. This broad authority has been rarely used in connection with social programs but holds great promise. For more information please see <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-201.pdf>.

Fund's administrative data pilot and data readiness grant programs, communities will be better able to access and interpret data that will help them target services to those most in need and assess outcomes.

Outcomes-focused technical assistance— Each year, governments spend billions on technical assistance (TA). There is significant unrealized potential to deploy TA resources to help government and service providers use data and evidence to achieve measurably better results. In particular, outcomes-focused TA builds capacity of service providers to: 1) Identify the most important outcomes that service providers are trying to achieve, and measure them; 2) Implement evidence-based practices most likely to achieve target outcomes in local communities by meeting service providers where they are and help them adapt evidence-based programming to their current efforts; and 3) Use data to inform service delivery by identifying and targeting populations in need of services, as well as to assess real-time outcomes with the objective of enabling service providers to learn, course correct where necessary, and continuously improve.⁷

Funding overhead costs to enhance capacity and performance— Reorienting programs around outcomes will require nonprofit service providers to increase investment in capacity, talent, data, and evaluation. Too often, however, nonprofits have very limited overhead and administrative resources. The Obama administration introduced new federal guidance enabling service providers to access greater funding for administrative overhead or indirect costs.⁸ Uptake by nonprofits has been slow in a cost-competitive environment. Governments should see this mandate as an opportunity rather than a cost. Philanthropies, which often contribute overhead funding, are well-positioned to advocate for adoption.

THE PATH AHEAD

Many are daunted by the road ahead. I am among them. In this constrained budget environment, worthy programs may find themselves fighting for limited resources. But, several of the advances described here

⁷ For more information about outcomes-focused TA see David Wilkinson, "Outcomes-Focused Technical Assistance: Enabling Greater Impact Through Data and Evidence," The White House Office of Social Innovation (December 15, 2016), available at <https://obamawhitehouse.archives.gov/blog/2016/12/15/outcomes-focused-technical-assistance-enabling-greater-impact-through-data-and>.

⁸ U.S. Government Printing Office, "OMB Guidance § 200.414 Indirect (F&A) Costs," available at <https://www.gpo.gov/fdsys/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-414.pdf>.

have gained bipartisan congressional support. Helpfully for the outcomes movement, the most important steps Congress can take, including most proposals noted above, involve little or no cost and would increase the effectiveness of federal funds.

Advocacy will be critical. Elected leaders must see that there is a constituency for evidence and impact that offers concrete, practical, actionable proposals.

Thankfully, the outcomes movement has already begun to show that by using data and evidence to do things smarter, by collaborating across silos, and by doing so with a clear-eyed focus on results, we can measurably move the needle for communities in need. By more effectively deploying taxpayer dollars for verifiable results, we can build trust in government. Most important, these tools and approaches can help us build a country that is more just, a society that is more equal, and communities that are stronger.

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