

***WELCOME!***

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No need to introduce yourself.  
We'll begin the webinar shortly!

# Performance Contracting: Delivering Results That Matter

**William Aaron**

*Weidner, Inc.*

**Susan Lewis Kaylor**

*Alcohol, Drug & Mental Health  
Board of Franklin County, OH*

February 16, 2011

# Welcome to the Webinar!

- We'll be 90 minutes at most
- Time for questions at the end
- Please watch the background noise ...  
we can hear you!
- The audio will be recorded and available  
later

# Our Next Webinar

## Walking The Walk: An Employee Performance Management Process That Works

*Thursday, March 3, 1 p.m. CST*

- Continuing series on Employee Performance Management
- Rollout of **MFR People**, our online employee performance management solution

# Weekly Manager Letter

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- Free of charge
- Once per week, 50 weeks/year
- Concise, engaging performance management and leadership tips
- Concrete action steps



# Who We Are: Weidner, Inc.

- More than 50 jurisdictions served over 12 years at all levels of government
- Wisdom and experience
- Replicable, scalable approaches to meet customer needs
- Achieve Best Practices
- Managing for Results creates pace and sustainability

# Who We Are: Weidner, Inc.

- **\$30+ billion** budgeted each year connected to results by Weidner customers
- Our methods and tools are enabling governments to manage through the economic downturn in smart, customer-focused ways
- Our customers are national leaders in accountability & transparency

# Performance Contracting

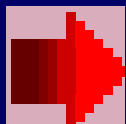
# Two Ways to Deliver Results

1

Deliver Services and Results through your own staff, or

2

Deliver Services and Results through others using a contract with another organization.



## Your Challenge:

**You don't supervise contractor staff! Therefore, everything must be managed through the contract.**

# What is *Performance Based Contracting*?

## ***Performance Based Contracting***

means structuring all aspects of a procurement contract around the purpose of the work and expected results ... rather than the manner in which it is to be performed, or around broad and imprecise Statements of Work.

# What does your network look like...



Or...



What's the difference?

“Past experience has taught me that leaving everything to the vendor community isn’t always in our best interest. We have to focus on what’s really important to our mission, so we need to steer the objectives and metrics from the beginning.”

*Kevin Carroll  
Program Executive Officer  
U.S. Army*

# Functions of the Scope of Services and Results (SOSR)

Describes the performance required of the Contractor:

1. Describes which part of organization's Mission and Strategic Results will be performed,
2. If competitive, establishes the degree of competition by defining those that can compete,
3. Provides basis for estimating the cost of performance,
4. Provides the basis for comparing and evaluating proposals when proposers are required to propose specific methods,

# Functions of the Scope of Services and Results

5. Provides the basis for accepting the work of the contractor,
6. If fixed price, provides the basis for terminating the contract for cause, and the \$ value of damages, and
7. Provides the basis for determining changes and price adjustments.

**The Scope of Services and Results thus becomes the basic management document for both parties.**

# Job and Family Services

- Franklin County, Ohio
- Outcome and Efficiency Targets
  - Contracted Results: Stable Job, Self-Sufficiency, Efficiency
  - Massive cut in funding occurred
  - Ranked Contractors by Results achieved at the best cost per person served, then given their new funding level, “drew a line”
  - Informed contractors below the line they would no longer be funded, and showed them the data
  - Unanimous agreement from Board
  - No political fallout for agency

# Iowa Refugee Services

- Payments, renewals based on results achieved
  - Contracted Results: economic self-sufficiency, family strength, social self-reliance
    - Economic: stable job that supports family
    - Family: Extended families together, low divorce rates, school success
    - Social: successfully using health care, transportation, services; connected to others in community; parents engaged in education of children
  - Shared Result Measures in both contractor and agency programs; Contractors responsible for additional operational-level results and outputs which contributed to agency result measures

# Iowa Refugee Services: Results

- 1<sup>st</sup> year: 98% heads of household were economically self-sufficient within 1<sup>st</sup> 6 months of arrival, affecting 10,000 people
  - Sustained over 10 years
  - California result: Less than 50%
- Cost per successful job placement: \$500
  - California cost per successful job placement: \$10,000
- Named by State Department as most successful Refugee Program in the country

# Iowa Department of Human Services: Governor's Welfare Reform Initiative

- Initial Desired Result:

  - Reduce # of people receiving assistance

- Reconsidered Overall Result:

  - % of those receiving welfare who no longer need assistance because they have "moved out of poverty"

  - % people "leaving welfare"

  - % heads of household with earned income

  - % completing post-secondary education

# Iowa Department of Human Services: Governor's Welfare Reform Initiative

- At start in FY '92:
  - 18% welfare recipients heads of households with earned income
- 1 year later:
  - 36% heads of household with earned income
- More than doubled the rate of heads of households in post-secondary education
- More than doubled the rate of people leaving welfare within 1<sup>st</sup> 2 years

# Oklahoma Community Rehabilitation

- Oklahoma: Community Rehabilitation: Incentive-based, milestones
  - Result: stable job at reduced costs
  - 1992 – 1997, when transition complete
  - # on waiting lists ↓ 53%
  - # weeks spent in Assessment ↓ 18%
  - # who never obtained a job ↓ 25%
  - Cost ↓ 63% per placement (cost per result)
  - Challenge:
    - “getting providers to think in terms of outcomes”

Center for American Progress

doing  
what works



## Social Impact Bonds

A promising new financing model to accelerate social  
Innovation and Improve government performance

Jeffrey B. Liebman February 2011

# Lessons Learned...

## What Works

- Solid, clear SOW
- Well defined problem
- All information provided
- Providers anxious to demonstrate innovation
- Intermediate measures for interim payments and/or incentive pay milestones
- Focus on outcomes and customer results
- Transparency

## What Doesn't Work

- Vague, non-specific SOW
- Lack of clarity about problem
- Information guarded
- Too much risk for small companies
- Vague performance measures with no milestones; payment only at end
- Continued micromanagement or over-management
- Secrecy

# Critical Success Factors

- Intense, ongoing development of strong partnerships.
- Integrated data management system that provides performance reports conforming to agency parameters.
- Payments tied to results using both milestones / interim results *and* end-of-contract results, as well as outputs.
- Performance reports include narratives and other contextual performance information.
- Performance measures based upon and aligned to agency Strategic Plan Results and Program Results.
- Measures are actually good measures.

# Do Not Over-Prescribe...

- Enable the contractor to develop the most innovative and efficient method to solve the problem
  - Do not over-prescribe methods
  - Have balance of objective and more subjective measures, such as Milestones, when results are difficult to quantify at outset
  - Avoid mechanistic approaches that fail to recognize valid variables
- Then choose a capable, trustworthy contractor and focus on creating a strong partnership focused on results

# Bottom Line...

- Identify the problem to be solved—the result you're after—and the people to be served.
- Then let the contractor decide “how” to solve the problem.
- Don't over-prescribe.
- Then, pay based on results.



# Performance Contracting with Non-Profit Partners

Susan Lewis Kaylor, VP  
Performance & Mgmt



# Alcohol, Drug and Mental Health Board of Franklin County, Ohio

- Funds, plans & evaluates mental health & addiction treatment and prevention services;
- Contracts with nearly 40 non-profit agencies to deliver care;
- \$132.9 million annual budget – half from local property tax and remainder from state & local funds;
- 43,000 people receive treatment annually;
- 107,000 youth & adults served with prevention services.



# Why Design a Performance Approach to Managing Non-Profits?

- Complexity of business
- Size of business:
  - 95% of funds go to contract services
- Shareholder expectations:
  - Taxpayers
  - Consumers (direct recipients)
- Stakeholder expectations:
  - Contract Providers



# Integrating Performance Expectations into Non-Profit Contracts:

1. Ensure that the current contract allows for new performance expectations
  - If not, create a plan for revising next contract period
2. Begin slowly – changing the dynamics of a relationship takes time
  - Plan on 2-5 years and begin methodically integrating results and monitoring those results
3. Evaluate organization's data readiness
  - Is there capacity to provide solid, reliable data for every provider to ensure equity in contracting discussions?

# Attributes of Contractor/Funder Relationship

## Political Model

- Contentious
- Crisis-oriented
- Lack of trust
- Attacking any data provided
- Emotional-based

## Performance Model

- Partnership
- Policy-oriented
- Transparent Process
- Using data for quality improvement
- Business-based

# Attributes of Contractor/Funder Relationship

## Political Model

### Political decision making:

- Providers with most powerful Board members, engage elected officials when funding decision unfavorable
- ADAMH Board members advocate for their favorite contractors
- When all else fails ...sue!

## Performance Model

### Results/Performance decision making;

- Providers compete for new funds available and clearly understand expectations for proposals.
- Our Board members focus on fiduciary responsibility to entire community
- No lawsuits in last 10 years

# Attributes of Contractor/Funder Relationship

## Political Model

### Entitlement funding:

- Guaranteed contract every year, unless you lose certification or engage in illegal activities
- Year-end results unimportant “things change” attitude

## Performance Model

### Investment funding:

- Competition among all providers to fund only best
- Focus on customers served, not providers' expectations
- Easier to begin with “new” funding decisions rather than take away previous funding

# Attributes of Contractor/Funder Relationship

## Political Model

### Enthusiastic spending:

- Afraid to turn down influential community partners
- Great ideas are worthy of financial support
- No adherence to budgeted funding plan

**IT'S ALL ABOUT ME!**

## Performance Model

### Discipline to stick to funding plan:

- Guard against “Mission Creep”
- Funds are limited & must be invested in strategic priorities

**IT'S ALL ABOUT SHAREHOLDERS!**

# Establishing Performance Platforms

Provider Stat – external accountability platform

## Basic Business Tenets:

- Maintain business relationship focus;
- Give contract agencies ALL the info in advance so they come prepared;
- Contract agencies decide who should be at the table from their perspective;
- Complete follow-up within 5 days of the meeting;
- Be respectful of their time - internal preparation is vital;
- Data used for monitoring function
- Used for quality improvement in the beginning.

# Provider-Stat – Managing Current Funds

## Financial Performance Indicators

			2007	2008	% Change	2009	% Change
<b>Claims</b>	<b>Provider</b>	# Claims	19,413	23,060	19%	13,935	
		Avg Lag	42	33	-21%	29	-12%
	<b>System</b>	# Claims	1,184,092	1,307,673	10%	759,552	
		Avg Lag	30	30	0%	29	-3%
<b>Enrollments</b>	<b>Provider</b>	# Clients	456	608	33%	100	
		Avg Lag	18	17	-6%	12	-29%
	<b>System</b>	# Clients	31,280	29,889	-4%	4,680	
		Avg Lag	21	17	-19%	10	-41%

Timeliness of Claims  
Data Source: Weekly MACSIS claims extract data.

Timeliness of Enrollments  
Data Source: Electronic enrollment history file.

# Provider-Stat – Managing Current Funds

	2008		2009	
Key Financial Performance Indicators	System Average	Agency A	System Average	Agency A
Admin Costs to Expenses	11%	5%	10%	6%
Current Ratio	3.69	4.63	3.72	2.82
Debt to Equity Ratio	1.25	0.31	0.76	0.59
Fund Balance Reserve	5.68	4.23	5.49	2.96
% of Revenue from ADAMH	0.47	0.73	0.49	0.72
Revenue to Expense	1.01	0.98	0.98	0.96

# Provider-Stat – Access To Care Indicators

ACCESS TO CARE					ACCESS TO CARE				
		<b>SYSTEM</b>			<b>ACCESS 4 - CLIENT COUNTS AND EXPENDITURES FOR</b>		<b>SYSTEM</b>		
ACCESS - 1 TOTAL CLIENTS	2008	39,260		Num Clients			% to Total	Cost / Client	
	2009	40,982		AOD Criminal Justice	2008	5,246	13.40%	\$1,547	
	2010 YTD	26,593			2009	4,870	11.90%	\$1,714	
		<b>SYSTEM</b>				2010	2,388	9.00%	\$1,511
		<b>SYSTEM</b>			MH Seriously Emotionally Disturbed Youth	2008	7,027	17.90%	\$3,660
		New Clients	Total	% New		2009	7,617	18.60%	\$3,526
ACCESS - 2 NEW CLIENTS	2008	12,226	39,260	31.1%		2010	5,651	21.20%	\$2,156
	2009	12,669	40,982	30.9%	MH Severely Mentally Disabled Adults	2008	10,858	27.70%	\$4,152
	2010	5,067	26,593	19.1%		2009	11,251	27.50%	\$4,334
		<b>SYSTEM</b>				2010	8,556	32.20%	\$2,335
		<b>SYSTEM</b>							
		Readmitted	Total	%					
ACCESS - 3 READMITTED CLIENTS	2008	9,079	39,260	23.1%					
	2009	9,267	40,982	22.6%					
	2010	4,681	26,593	17.6%					

Data Source: MACSIS claims extract data.

# Request for Results - 2007

## Competitive Contracting for New Funds

- \$3.4 million of new social service money;
- 42 current community partners invited to compete for specific, results oriented funding opportunities;
- Aligned with Board of Trustees Strategic Results and current community needs assessments;
- 20 winners & 18 losers;
- No threatened litigation;
- Board of Trustees unanimously approved staff recommendations.



# Guiding Principles of Request for Results:

- **Transparency**
- **Multiple stakeholders review proposals**
  - Signed ethics form
  - Training prior to review
  - Consumer participation
- **Competition opened to every certified provider**
  - No “favorite” projects approach
- **Ratings based on measurable criteria**
- **Top proposals invited to interview**
- **Past performance counted 20%**
- **Final scores = written proposal + face to face interview + past performance rating.**

# Business Environment Changes in 2009-10

## Changes in Projected Revenues:

- State Revenue Reductions - \$1.5 million
- Reduced Growth of New Property Taxes - \$700,000

## Changes in Projected Expenditures:

- Additional Medicaid Match - \$4.1 million
- Increased State Hospital Costs - \$2.2 million



# Franklin County Reductions

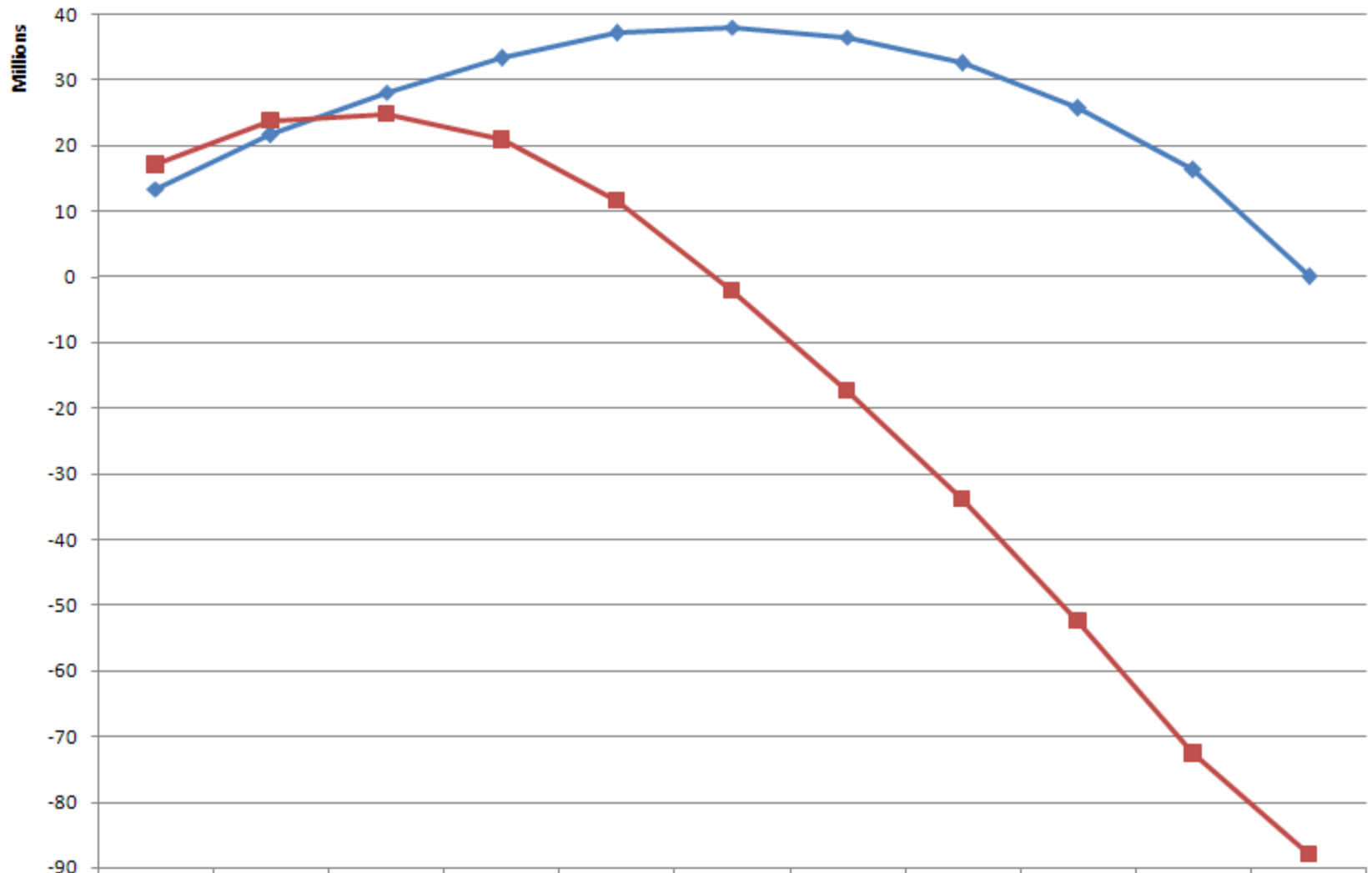
**Effective July 1, 2009**

**ODADAS: \$1,047,347**

**ODMH: \$11,388,880**

SOURCE	SFY09 Initial Funding	SFY09 Final Funding	SFY09 \$ Change	SFY09 Initial	SFY10 Funding	SFY09 Final / SFY10 \$ Change	SFY09 Final / SFY10 Change
				/ SFY09 Final Change			
<input type="checkbox"/> ODADAS	\$9,511,016	\$9,318,772	(\$192,244)	-2.0%	\$8,271,425	(\$1,047,347)	-11.2%
<input type="checkbox"/> ODMH	\$25,598,520	\$21,704,481	(\$3,894,039)	-15.2%	\$10,315,601	(\$11,388,880)	-52.5%
<b>Grand Total</b>	<b>\$35,109,536</b>	<b>\$31,023,253</b>	<b>(\$4,086,283)</b>	<b>-11.6%</b>	<b>\$18,587,026</b>	<b>(\$12,436,227)</b>	<b>-40.1%</b>

## ADAMH Board of Franklin County Projected Levy Cash Balance



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	42795
Original Plan	13362328	21638571	28089671	33268407	37078492	37919288	36398786	32540156	25652877	16239531	0
Current Projection	16993219.72	23811632.64	24698902.03	20812475.77	11555813.8	-2199340.918	-17401043.99	-33838803.6	-52466960.18	-72621776.35	-87933422.98

# Principles in Targeted Reduction Method:

- Limit across the board reductions or like processes
- Priorities based on best available performance metrics
- Most frail, in-need, high-cost protected first
- No de-leveraging of money
- Maintain cultural balance
- Decisions reflect mission, vision and values
- Minimize impact on strategic goals

# Key Steps to Transforming Your Business Relationship

## 1. Build Trust:

- Acknowledge that direct service providers have difficult responsibility
- Any new funds – push out into the system ASAP
- Any required cuts – take yours first!

## 2. Establish/Build Credibility:

- Build data warehouse
- Learn to mine the data
- Do what we promise – follow through is crucial
- Treat every non-profit contractor equally – no “favorite child”

## 3. Respect Non-Profit Autonomy:

- We contract, not micro-manage non-profits
- Always give non-profit leaders information/data prior to meeting

# Shareholder Buy-In: Community

## THE COLUMBUS DISPATCH EDITORIAL:

### For Issue 7

**Levy vital to maintain services** of county Alcohol, Drug and Mental Health Board

Franklin County voters should support Issue 7 to ensure continuation of some of the essential social services that help make the Columbus area a fine place to live, work and raise a family.

Issue 7 is a 10-year, countywide, 2.2-mill property-tax levy for the Franklin County Alcohol, Drug and Mental Health Board, an agency that is run with **an efficiency not always found in government organizations.....**

And the county board has cut costs, tightened its belt and is managing its money well in the face of an economic downturn that has flattened its income. The board's administrative expenses are held to just 5 percent of its budget; the rest goes to the agencies that provide the services....

# Shareholder Buy-In: Consumers

- “ADAMH-funded services are the lifeline for most families who are dealing with mental illness and substance abuse. I don’t know what these family members would do if it wasn’t for the ADAMH system of care.”

-Jim

- “The ADAMH Board helped me when there was no hope left.”

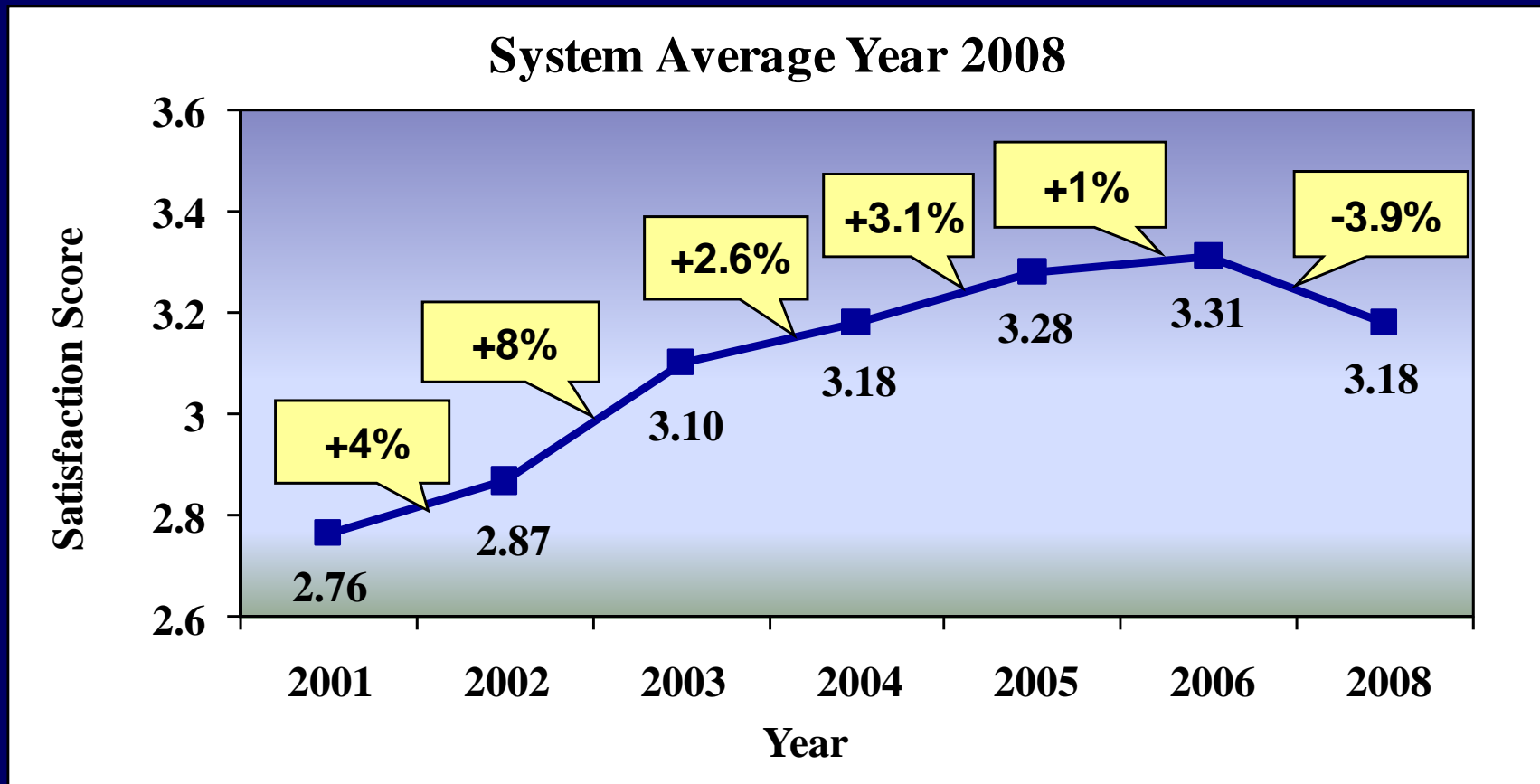
-Vicki

- “I have been in recovery for 10 years. Things are looking great and it’s all because of the ADAMH Board that I’m able to live this new life.”

-Yvette

# Stakeholder Buy-In: Contract Providers

## Provider Satisfaction Survey 2006



## Final Thoughts on Change:

**“Without changing our pattern of thought, we will not be able to solve the problems we created with our current pattern of thought.”**

**Albert Einstein**

**For further information or questions contact:**

**Susan Lewis Kaylor**

**skaylor@adamh.co.franklin.oh.us**

**ADAMH Board of Franklin County**

**447 East Broad Street**

**Columbus OH 43215**

**614.224.1057**

**www.adamhfranklin.org**



**William Aaron**

[waaron@weidnerinc.com](mailto:waaron@weidnerinc.com)

(615) 390-7006

**[www.weidnerinc.com](http://www.weidnerinc.com)**

P.O. Box 90129

Austin, Texas 78709-0129

(512) 347-7054

