



# Shaking up the Routine: How Seattle is Implementing Results-Driven Contracting Practices to Improve Outcomes for People Experiencing Homelessness

Hanna Azemati and Christina Grover-Roybal<sup>1</sup>

September 2016

## I. Executive Summary

Seattle's budget for homeless services increased from \$29 million in 2005 (in 2016 dollars) to \$50 million in 2016. Yet homelessness has continued to rise—at an average rate of 13% *per year* between 2011 and 2016. In an effort to change this trend, the Seattle Mayor's Office, the Human Services Department (HSD), and five service providers began a pilot project in August 2015 to reorient homeless services contracts to focus on performance (primarily permanent housing placements and housing stability) and address other limitations with the current contracting structure. The Harvard Kennedy School Government Performance Lab (GPL) provided pro-bono technical assistance to the Seattle pilot project through Bloomberg Philanthropies' What Works Cities (WWC) initiative.<sup>2</sup> There were two main components to the pilot: consolidating contracts and implementing results-driven contracting (RDC) strategies to focus contracts on performance goals.

### 1. Consolidating contracts

HSD combined some of the existing contracts to reduce the administrative burden for HSD and providers, to free up contract managers' time to focus on performance, and to give providers the flexibility to shift funding and resources between programs in response to changing needs.

### 2. Implementing RDC to reorient contracts to be performance-focused, including by:

- a. **Setting up a performance tracking system:** HSD currently lacks reliable data about how HSD-funded services impact homeless individuals and families and help move them into stable housing. As part of the

pilot, contracts now have standardized outcome and process metrics that can support program evaluation during the course of contracts as well as decision-making for key programmatic, funding, and policy issues.

- b. **Specifying performance goals:** By analyzing historical data, the GPL helped HSD better understand past performance of programs as well as set appropriate performance targets in contracts.
- c. **Structuring payments to align incentives:** Contracts set aside a portion of payment to providers to encourage complete and timely data collection.
- d. **Implementing active contract management:** HSD and providers will regularly review data to identify homelessness trends and challenges in delivering effective services and develop strategies to improve outcomes through a) monthly meetings between staff at HSD and each provider to collaboratively troubleshoot program-specific problems, b) quarterly internal HSD meetings to develop policies and strategies, and c) quarterly executive meetings between HSD and providers to consider how to best address the needs of each subpopulation (i.e. youth, families, single adults).

This increased focus on performance from both HSD and the providers has the potential to boost the effectiveness of programs in addressing homelessness. In addition, the City will receive more relevant, actionable data from providers and will be able to better formulate policies to address homelessness. If this pilot project succeeds, Seattle should expand RDC strategies to all high-priority homeless services contracts.

<sup>1</sup> Azemati is an assistant director at the Government Performance Lab (GPL) where she directs the GPL's role with What Works Cities. Grover-Roybal is a fellow at the GPL and led GPL's work in Seattle.

<sup>2</sup> WWC, which launched in April 2015, is a national initiative to help 100 mid-sized American cities enhance their use of data and evidence to improve services, inform local decision-making, and engage residents. As part of this initiative, the GPL will support at least twenty cities in implementing results-driven contracting

(RDC) strategies for their most important procurements and contracts. Through WWC, the Sunlight Foundation also advised Seattle on the development of its first open data policy and accompanying Executive Order 2016-1, and the Center for Government Excellence at Johns Hopkins University supported Seattle in setting up a performance management system focused on the City's priorities related to The Housing Affordability and Livability Agenda (HALA).

## **II. Background**

The City of Seattle, like many cities on the West Coast and across the country, is engaged in the seemingly Sisyphean effort of ending homelessness. Despite a tremendous increase in spending on homeless services, the number of Seattleites who stay in shelters or sleep on the streets continues to rise. The Seattle Mayor's Office and City Council have increased the amount of money allocated to homeless services from \$29 million in 2005 (in 2016 dollars) to over \$50 million in 2016. Yet between 2011 and 2016, the number of unsheltered individuals climbed an estimated 13% per year.<sup>3</sup> The severity of the situation prompted Mayor Ed Murray to declare a state of emergency in November 2015 to raise awareness around Seattle's homeless crisis and to enable the City to designate additional one-time funding for homelessness programs.

In an attempt to curb the growth of homelessness and spending, the Mayor's Office, the Human Services Department (HSD), and five service providers began a project in August 2015 to pilot a new approach to contracting for homeless services that would shift the focus to performance improvement rather than just compliance. These providers were selected because they represent the spectrum of service provider size – from small organizations holding two contracts to large national organizations – and provide a wide range of service delivery models targeting youth, families, and single adults. In this pilot project, HSD consolidated 26 existing contracts into 8 portfolio contracts worth a total of \$8.5 million per year, which represents about 17% of Seattle's homelessness spending.<sup>4</sup> As part of Bloomberg Philanthropies' What Works Cities initiative, the Harvard Kennedy School Government Performance Lab (GPL) provided pro-bono technical assistance to Seattle on this pilot project.

Through the overhaul of its contracting practices, the City seeks to leverage its spending to create actionable data that can drive progress on homelessness. In addition to equipping HSD with tools to better understand program performance, the new contracting approach will give providers more flexibility with how they manage their resources and will enable HSD's contract managers to actively manage contracts with a focus on achieving goals rather than just passing audits.

This policy brief describes the process of implementing results-driven contracting (RDC) at

---

<sup>3</sup> Seattle/King County Coalition on Homelessness [2011](#) and [2016](#) One-Night Count

HSD. Sections III and IV outline the limitations of the prior data collection and contracting structures; Sections V through VIII describe the steps taken to develop the RDC framework; Section IX describes the implementation of that framework through active contract management; Section X outlines steps the City of Seattle and HSD could take to sustain and build upon the progress they have made to date; and Section XI considers how other cities can use lessons from Seattle to manage contracts to achieve better results.

## **III. The Need for Robust Data to Develop Targeted Policies and Effectively Manage Contracts**

Seattle does not have the data necessary to understand what is driving its growing homelessness problem and how providers are performing in improving outcomes for people experiencing homelessness. There are three main issues that prevent HSD from fully realizing the benefits of data:

### **1. Providers record data inconsistently**

Every service provider is contractually obligated to participate in the Homeless Management Information Systems (HMIS), a universal data management tool that in theory collects data from all providers and produces comprehensive information on the services delivered to homeless individuals and families. However, given that providers also have their own internal systems, staff are frequently forced to double-enter client information, once in their internal system and then again in HMIS. Service provider staff lack the time and resources needed to prioritize HMIS data entry, particularly if they work for programs that serve a high volume of homeless people. Additionally, it is currently not made clear to providers what the purpose of HMIS data is and how it is used to drive decision-making. And in fact, because HMIS data is unreliable, HSD does not regularly use HMIS data to make policy decisions. Service providers, in turn, feel justified in not entering data because they realize that the City is not using it. Finally, a Washington State law that requires clients to opt into having their data recorded in the HMIS system further limits the completeness of data.

### **2. Data is siloed in three different systems**

Instead of working with providers to improve HMIS data quality so that HMIS data is usable, HSD has

<sup>4</sup> Since these contracts are 18 month contracts, the contract value was scaled to represent an annualized value.

tried to bypass HMIS and require providers to report on outcomes and service delivery through two additional channels: 1) a contract management system (CMS) to collect service provider outcomes, such as the number of pounds of food distributed, the number of showers provided, or the number of individuals and families that exit to permanent housing; and 2) an annual demographic report that gathers racial, ethnic, and age information on clients. Having three parallel systems increases the reporting burden on providers. Moreover, these alternate systems do not track homeless individuals and families across providers or easily connect to HMIS to allow HSD to review comprehensive data on a single provider. This means that HSD cannot analyze how people are moving through the overall system of homeless services to see if the same people are utilizing multiple services or if individuals are returning to homelessness after exiting services. In addition to preventing the City from flagging and acting based on trends that drive homelessness, siloed data can result in missed opportunities to share best practices between providers that do well and those that have room to improve.

### **3. Metrics primarily count activities and vary across programs**

The contract “outcomes” measured in CMS are inconsistent across contracts and primarily count processes. For example, one single adult emergency shelter reports on the number of homeless individuals who spent a night at the shelter while another reports on the number of homeless individuals connected to case management. These inconsistencies prevent HSD from comparing progress across programs or determining the overall level of service utilization. In fact, very few contracts measure the most important objective – helping people transition into stable, permanent housing.

The data limitations hinder HSD’s ability to properly assess performance, right-size budgets, and invest in programs that work. Indeed, the City cannot currently answer the most fundamental policy questions about homelessness in Seattle: why does the problem appear to be getting worse even as Seattle increases its funding for homeless services? Is it because affordable housing has become increasingly scarce? Are substance abuse facilities and jails not effectively discharging people? Is it that Seattle’s generous services are attracting homeless individuals from other communities? Are the counts of the homeless population imperfect? Is it that the services are not successful in transitioning individuals to stable housing? Everyone in the City seems to have their favorite explanation, but the data

does not exist to distinguish amongst these hypotheses. Yet knowing which theories are correct is critical for making effective policy decisions. So a key question that has been driving this pilot project is – can Seattle manage the millions it spends on homelessness in a way that creates the information and feedback loops that are necessary for making progress?

### ***IV. Compliance-Oriented Contracting Practices Hinder Seattle’s Homelessness Strategy***

Seattle’s HSD is relatively high-performing, strives to be data-driven, and seeks to implement forward-thinking initiatives. The Department is one of the largest in the City with a budget of \$142 million in 2016. HSD’s skilled staff are dedicated to supporting high-quality services for some of Seattle’s most vulnerable populations. Compared to many other social service departments, HSD functions well and manages to get high-value programs up and running. However, the staff recognize that there is room for improvement and that the current business-as-usual approach to contract management prevents HSD from maximizing its impact.

HSD holds 176 contracts with 60 different service providers. Contract managers, who on average monitor 22 contracts each, are over-burdened by this volume of contracting. Staff work hard to complete routine contract management activities, such as fulfilling invoices, managing contract revisions, and preparing for audits. Due to this administrative burden, staff do not have time to review provider performance or to take steps to help improve their outcomes, such as identifying and spreading best practices. As a result, even if the data issues described in Section III were resolved, the sheer volume of contracts would significantly limit the impact contract managers can have on program performance.

The high volume of contracts is even worse for the providers. Service providers are not able to redirect resources to meet changing program needs without a contract amendment, which requires significant staff time from both HSD and the providers. One provider had 18 contracts for its different programs. Many of these services were at the same physical location and served the same target population. Homeless individuals and families would regularly use a combination of these services. However, because of the contract structure, these programs had to be treated separately – each had to provide its own line-item budget and resources could not be shared

between programs. Provider staff could not spend time supporting a program unless it was part of the previously submitted budget.

The focus on compliance, and the inability to measure which programs are working and which are not, means that contracts are renewed year after year; and frequently, the only changes to the contracts are small inflation adjustments. Seattle has not conducted a comprehensive competitive procurement process for homeless services in over ten years nor is there any internal assessment of whether providers are delivering contractually obligated outcomes. Providers, in turn, have no financial incentive to improve program performance and reduce costs because their funding is secure. And while it is very well possible that the providers are high-performing in spite of this structure, HSD does not have the data to be able to regularly assess this.

#### ***V. Pre-Engagement and Early Conversations between the GPL, City of Seattle, and Service Providers***

In 2014, HSD released a Homeless Investment Analysis (HIA). The HIA highlighted limitations with Seattle's processes for determining the appropriate levels and recipients of funding allocations as well as contract management practices. It also recommended implementing a pilot project to test "portfolio" funding for providers. In a portfolio-style contract, multiple contracts held by a single service provider (for example, multiple emergency shelter contracts, a contract for case management services, and a supportive housing contract) are consolidated into one pool of funding with a single contract. This not only gives providers the flexibility to shift resources, service provision, and staff time to best meet the needs of people experiencing homelessness, but it also decreases the administrative burden of managing multiple contracts for both service providers and HSD staff.

When the City made the decision to move ahead with a pilot of the portfolio approach, HSD and the GPL recognized that this pilot could also be an opportunity to implement RDC and active contract management practices – tracking what is happening on the ground in real-time and using that information to guide contract management. With reliable performance information, HSD and providers can work together to improve how services are delivered. In addition, by creating a system to track homelessness trends and service provider performance, this pilot project is setting up the groundwork to enable HSD to develop targeted

policies and allocate its budget in a way that responds to the changing needs of homeless families and individuals. For instance, if data indicates that homeless single adults tend to have a criminal justice history, HSD can invest in services that are equipped to support this particular high risk population. Or, if data indicates that the number of homeless families or youth is growing, then the City can allocate funds to services that target these subpopulations.

A GPL fellow, embedded for a year within HSD, met with staff at HSD and providers beginning in August 2015 to better understand a) how people are connected to services, b) how the City and providers each frame their goals and measure success, c) challenges for successful delivery of services stemming from the way that the City contracts for these services, and d) how the City and providers would ideally collaborate and contract. The fellow conducted site visits with the five providers participating in the pilot, and met with staff at all levels – from the executive directors to intake staff and contract managers. A key goal of the site visits was to better understand how the providers collected and used data to inform their program design and service delivery models and how they perceived HSD as a funder.

Disconnects between the providers and HSD quickly became clear, particularly around data collection and data use. HSD was initially concerned that the providers would interpret a greater emphasis on data to mean that they would be required to spend more time on data collection and feared that providers would push back against the new approach. Our meetings with service provider staff, however, brought to light that they actually wanted more information about their performance. In fact, many had already implemented internal systems to collect data and were using data to better understand which of their programs were helping people and which were not. Any service provider resistance to reporting data (perceived or real) was because a) reporting the same information through three separate systems was inefficient; b) it was not evident to providers that HSD actually used the existing data effectively to shape policy or make technical assistance offers; and c) staff time spent entering data was time not spent providing services to Seattle's growing homeless population. Therefore, eliminating redundancies in reporting and data collection and ensuring that every required data element had a clear purpose and policy implication was key to obtaining service provider cooperation in the new effort to prioritize data collection.

## VI. *Setting Up a System to Track Program Performance*

To streamline data reporting, HSD had to identify metrics that could effectively, quickly, and accurately tell the story of both individual program performance and system-wide performance and trends. To help with this, the GPL researched existing outcome and indicator metrics<sup>5</sup> that could support contract management as well as decision-making for key programmatic, funding, and policy issues. These initial recommendations were informed by a) lessons learned from the service provider site visits and conversations with Seattle staff, b) a review of HEARTH measures,<sup>6</sup> existing metrics in Seattle's contracts, and outcomes tracked by other governments (such as Columbus, Ohio and Hennepin County, Minnesota), as well as c) consultations with experts, including the Corporation for Supportive Housing (CSH), the Urban Institute, and Barbara Poppe, a consultant working with Seattle on a broader Homelessness Policy Framework.

These recommendations were shared with a working group comprised of representatives from HSD and the participating providers. The working group met four times to review, revise, and finalize the set of metrics. From the full list of metrics, the working group also identified a high-priority subset consisting of six "key" metrics that HSD will use to measure progress across all programs participating in the pilot. Key metrics will be reviewed on a monthly basis for each provider's consolidated portfolio of contracts to provide snap-shot information about portfolio-level performance. HSD will also use these and other metrics to analyze broader system-wide and subpopulation-specific trends.

HSD then identified the data sources for each metric and tried to streamline reporting requirements. HMIS will be the main data source, as it is federally mandated and collects individual-level data across providers. The annual demographic report was eliminated as all of the data elements it contained could be pulled from HMIS if the data were sufficiently complete. Since King County manages HMIS and Seattle is not able to add data elements to be collected beyond the universal HMIS elements, HSD will have to continue to use its CMS system to collect outcomes that are not reported in HMIS.

---

<sup>5</sup> Indicators measure program activities or actions. Outcomes are the observed changes in someone's well-being that result from a program's activities or actions. For example, the number of people enrolled in a job-training program is considered an indicator while the number of people that obtain and retain a job is an outcome.

<sup>6</sup> The Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009 reauthorized the US Department

of Housing and Urban Development's McKinney-Vento Homeless Assistance programs. One major change was an increased emphasis on performance. The HEARTH Act requires Continuums of Care to submit system-level performance measures, such as the average length of homelessness or the number of individuals and families who moved into permanent housing.

Although this will create some additional reporting burden for providers, the working group considered these outcome to be worth collecting through a separate process. Data from both sources – HMIS and CMS – will be presented together in monthly progress reports to ensure that contract managers have access to all the information they need about program performance to have productive dialogue with providers about how to improve outcomes.

Using a standard set of key metrics allows HSD to compare performance between programs and easily evaluate system-wide performance to understand how its investments are working together. It also signals which processes and outcomes HSD believes are the most important results of a program. Service providers are likely to feel encouraged to focus their efforts on achieving these outcomes. The working group tried to anticipate possible unintended consequences, such as the chance that providers may exit people to housing solutions that are unstable in order to meet an exit target. To monitor and limit such consequences, progress will be measured at multiple points of people's pathways through services – when they initiate services, while they receive services, and after they exit services.

The six key metrics are:

- 1. Successful diversion:** Diversion services (including client assistance dollars and case management services) assist individuals and families, who seek homeless housing resources (e.g., emergency shelter), in finding housing options outside of the traditional homeless system. Focusing on diversion increases the chance that alternative arrangements are fully explored and supported and reserves shelter beds for those that are the most vulnerable and have no other options. Individuals or families are considered successfully diverted if they enter permanent housing or receive rental assistance and other stabilization services and do not enter the traditional homeless services that they initially sought.
- 2. Milestones to success:** Not all individuals and families are able to easily move into stable housing. The "milestones to success" indicator tracks the progress homeless individuals and

of Housing and Urban Development's McKinney-Vento Homeless Assistance programs. One major change was an increased emphasis on performance. The HEARTH Act requires Continuums of Care to submit system-level performance measures, such as the average length of homelessness or the number of individuals and families who moved into permanent housing.

families make in addressing barriers and getting ready for housing, even if they do not immediately reach an exit to permanent housing. These milestones can include helping a homeless individual obtain identification so they are able to complete a housing application or assisting an individual in getting a job so they are able to pay rent. The providers can select the milestones that best fit their service delivery model from a pre-determined list of options and report on those. This metric is not captured in HMIS since it has not been adopted at the national level, but it is measured in CMS.

3. **Permanent housing:** This outcome measures how successful the service provider is in moving individuals and families into permanent housing. For programs that work with youth and young adults (YYA), this metric will distinguish between the types of housing – permanent versus transitional housing – to which YYA are connected.
4. **Housing stability:** The “permanent housing” outcome tracks individuals and families only at the moment when they exit services. It is possible that they will become homeless again after reaching a permanent housing outcome. The “housing stability” outcome measures the longevity and suitability of the permanent housing outcome by tracking if individuals are still living in permanent housing three months after exit from services. This metric requires follow up with former participants. If the provider learns that an individual is no longer stably housed or requires additional assistance, the service provider can intervene at this point. This metric is not captured in HMIS since it has not been adopted at the national level, but it is measured in CMS.
5. **Returns to homelessness:** This outcome captures returns to homelessness as defined by re-entry into homeless services for six months and one year after an exit to permanent housing. It is measured by reviewing HMIS entries to see if an individual that exited to permanent housing re-appears in HMIS. This metric assesses whether providers are successful in connecting individuals and families to stable, long-term housing.
6. **Disproportionality:** The racial distribution of Seattle does not match the racial distribution of Seattle’s homeless individuals and families. Eight percent of Seattle’s population is African

American, yet more than 40% of families who receive homeless services are African American. Despite this over-representation of the African American population in homeless services, white people are more represented as recipients of higher-intensity services. There are similar disparities of LGBTQ and former foster youth in YYA programs. The disproportionality metrics help Seattle and providers monitor the demographics of individuals and families to see if there are disparities between who enters a program, the level of service they receive, and their likelihood to achieve positive outcomes. With this information, Seattle and providers can identify and collaboratively address disproportionalities and ensure that all groups benefit from the services they need to achieve housing placement and stability.

Although the six key metrics provide a crucial snapshot of on-the-ground performance, there are other process indicators and outcome metrics that give Seattle and providers much needed information about system-wide performance and trends, such as the number of individuals who are considered long-term stayers at emergency shelters, the utilization rate for individual programs, and the average length of stay of program participants.

Seattle also reviewed and shared these metrics with King County. Ideally, the two largest funders in the region will eventually measure progress in a standardized way rather than directing providers to report on different metrics. Streamlining requirements across funders would reduce the burden on providers, increase the likelihood that the new outcomes-oriented approach will be sustained, and could ultimately improve outcomes for the target population by ensuring that more entities are focused on results.

## ***VII. Looking Back to Move Forward***

Once the working group finalized the key metrics, the GPL used these metrics to measure past program performance to help inform performance targets specified in contracts. Although these outcomes are not tied to payment (see textbox on the next page), performance goals (for example, 10% improvement over the prior year’s performance) can help guide conversations between the funder and the service provider.

The GPL compiled several years of historical HMIS and CMS data to help HSD staff set targets that

account for the barriers faced by each program’s participants. For example, a transitional housing program that exclusively serves individuals with a chronic illness should not be expected to achieve the same performance levels as a transitional housing program that serves a population with fewer barriers.

These performance targets were then built into a progress report that tracks a program’s achievements of these outcomes based on their submitted HMIS and CMS data. This progress report will be automatically generated every month. Using a color code, the progress report indicates whether a program is on track to achieve the targets or if the program is failing to achieve targets—in which case the program may need additional technical assistance or a performance improvement plan. The progress report is included in Appendix A.

### ***VIII. Laying the Foundation with High Quality Data***

The purpose of progress reports and the new set of standard metrics is to supply HSD and providers with actionable data. For these tools to be useful and meaningful, all parties need to trust the quality and completeness of the data in these reports.

In Seattle, HMIS data quality is incomplete. A key limitation to data quality is a Washington State law that requires individuals to opt into having their data collected in HMIS. At some programs, up to 50% of participants are reported as having refused to consent to data collection. In some cases, it could be that the intake worker did not ask the individual to consent, poorly framed the reasons why consent is necessary, or failed to answer the individual’s questions. Low consent rates result in incomplete HMIS data, which severely limits HSD’s ability to understand how individuals cycle through the system and accurately assess the number of people who are using multiple services. This reduces HSD’s ability to help streamline common referral paths and fund programs appropriately. Furthermore, if a participant does not consent to data collection, HSD has no way of knowing if that individual returns to a different HSD-funded program after exiting to permanent housing. Returns to homelessness may be significantly underestimated if programs have low consent rates.

Seattle recognized that rapid improvement of data quality was necessary to ensure that all parties trusted the information presented in the progress reports and to move forward with active contract management. Seattle decided to tie 10% of program

### **Considerations for Paying Service Providers Based on Performance**

For the pilot phase, Seattle has decided not to link performance on any of the key metrics to payment. This decision was driven in large part by the lack of reliable data. Many of the key metrics are new in HSD’s contracts. In addition, concerns about the quality of historical data means that proposed performance benchmarks may not be accurate representations of baseline performance levels. However, HSD staff will regularly monitor these metrics and collect high-quality performance information to set baselines going forward. If Seattle decides in the future that it is appropriate to link performance to payments, the City will have robust information to be able to set reasonable targets.

Even with robust data to inform targets, HSD will need to carefully consider the following issues if it decides to implement a performance-based payment structure in the future: a) Higher stakes may distort the provider’s efforts to focus excessively on achieving success on metrics that are tied to payment, potentially at the expense of other program goals and client well-being. Outcome metrics should be designed to reflect meaningful success of individuals and families; b) Metrics must be relevant to the provider’s service delivery model. If the provider does not have control over the outcome or expects to only have a small impact, paying them based on that metric may mean that HSD will have to pay a premium to mitigate the risk the provider has to take on of missing its target; c) It is important to avoid situations where financial incentives induce providers to serve only those individuals who are most likely to succeed. Unless a system can be designed to mitigate this risk – for example by having clients assigned to providers rather than recruited by providers or by setting clear eligibility criteria – paying on outcomes could do more harm than good. In particular, cream-skimming could result in the highest need individuals and families falling through the cracks, and HSD funds being used to serve those that are less urgently in need of support.

payments to data quality (called “data payment”) to incentivize data collection improvement. In designing this payment structure, Seattle had to consider the following issues:

#### **1. Reward payment or cost reimbursement penalty**

A performance payment can be structured as a reward that is paid on top of the cost reimbursement

or as a portion of the cost reimbursement that is withheld if performance standards are not met. Seattle chose to implement a cost reimbursement penalty – if a service provider does not record sufficiently complete data, it will not receive the full cost reimbursement. Seattle selected this approach for two reasons: 1) since data collection standards have been included in contracts for many years (though were previously not being enforced), providers should already be meeting these data collection targets; 2) as pilot contracts are replacing existing contracts, it would be difficult to appropriate additional funding for a reward payment.

## 2. Size of payment tied to performance

The larger the performance payment, the greater the incentive for providers to focus resources and efforts on meeting targets. Seattle decided to limit the performance payment to 10% of the contract value in order to encourage providers to invest staff time in data entry activities, while still ensuring that they have the funding necessary to run their programs. HSD was concerned that a higher performance payment could shift the focus to data collection potentially at the expense of people receiving services.

## 3. Fixed threshold or sliding scale

The data payment could be structured such that the service provider receives 100% of the performance payment if it reaches a certain performance target (or “fixed threshold”) and no performance payment if performance falls below that target. While this would provide a strong incentive for the service provider to achieve the performance target, a fixed payment may introduce a “ceiling” on performance. This would be particularly problematic if the target was set too low based on an inaccurate extrapolation from historical performance. A sliding scale payment has the advantage of providing service providers with an incentive to improve performance over a much wider range of performance levels. HSD decided on the sliding scale structure with a significant bump up in data payments once the completion rate exceeds 70%. This structure means that providers have an incentive to improve data completeness at all levels of completion, but that they have a particularly strong incentive to make sure their data completion rate is above 70%.

## 4. Data elements for assessing completion

HSD debated whether to measure data completion across all HMIS data elements or for only the most important data elements. HSD ultimately decided

that focusing on the most crucial fields – the six key metrics that are universally applied to the pilot contracts – in assessing data completion would help providers transition into applying the new data reporting standards and prioritize the key metrics.

The payment mechanism is set up so that provider and HSD staff can easily calculate how much performance payment a program will receive based on their data completion rate (see textbox). The simple payment structure encourages high-performing providers to maintain and further improve upon their achievement and holds low-performing providers accountable for not providing complete data.

### **The Data Payment: Tying 10% of Cost Reimbursement to the Data Completion Rate**

**If the data completion rate is below 70% and performance has fallen compared to previous three months:** The provider receives no data payment, thereby missing out on 10% of cost reimbursement.

**If the data completion rate is below 70% but performance has improved compared to previous three months:** The provider receives half of the data payment times the data completion rate. Service provider misses out on at least 6.5% of cost reimbursement below the 70% threshold.

**If the data completion rate is between 70% and 90%:** To encourage providers to meet at least a 70% data completion rate, the full data payment becomes available above this target. The provider receives the total data payment times the data completion rate. At most, the service provider misses out on 3% of cost reimbursement.

**If the data completion rate is above 90%:** HSD has sufficient information to make decisions. The maximum data payment is paid and the provider is fully reimbursed its costs.

## **IX. Active Contract Management – Making Data Meaningful and Actionable**

Active contract management is the process of sharing and reviewing data on a regular basis and making collaborative decisions and changes based on those data. A foundation of reliable, relevant, and trustworthy data can ensure that key stakeholders operate with a common understanding of performance and can illuminate trends regarding the

homeless population that require action. It can inform discussions that drive homeless services program adjustments and policy decisions. HSD will use performance data to collaborate with providers to monitor progress, detect problems, and resolve issues in real time. As part of the pilot, Seattle has adopted active contract management strategies through three types of ongoing meetings:

**1. Monthly data sharing and contract check-ins between HSD and providers**

Each month, HSD contract managers will generate and review a monthly progress report that measures outcomes on the six key metrics for each provider. HSD contract managers will send this progress report to provider staff and then meet with them over the phone or in-person to troubleshoot problems and develop joint recommendations to improve service delivery and coordination. Broad recommendations emerging from these check-ins can be shared at the quarterly executive meetings (described below).

**2. Quarterly internal HSD meetings**

During quarterly internal meetings, HSD staff will assess system-wide performance on key outcomes and indicator metrics, such as the pace of homeless individuals and families entering and exiting the system. HSD staff can review programmatic shortcomings and identify trends that need to be addressed as well as brainstorm solutions. These meetings provide a forum for obtaining internal consensus on strategic programmatic, funding, and policy decisions to improve results. In addition, HSD will use these internal meetings to prepare for the quarterly executive meetings with providers.

**3. Quarterly executive meetings between HSD and service providers**

Executive meetings (held soon after the quarterly internal HSD meetings) will convene key staff from HSD and providers that are participating in the pilot. Participants will review homeless population outcomes to better understand the effectiveness of services and to identify trends related to the homeless population over time. Service providers can compare their program performance to the general trends of the other participating programs. Executive meetings are not meant to be venues to single out or shame low-performing service providers. Instead, they are meant to serve as opportunities for providers to monitor progress, improve coordination between services, and to learn from each other how to more effectively serve people experiencing homelessness. In the pilot, these meetings serve as an opportunity to

bring together providers to talk about the implementation of portfolio contracts. In the future, these executive meetings will be held by target population or service delivery model type to review the data by target population and collaborate around best practices in service delivery.

At these active contract management meetings, data is only the beginning of the conversation. The progress reports ensure that everyone starts with a common baseline understanding of performance, but HSD and the providers need to use what they learn from the data to develop and implement strategies to improve outcomes.

**X. Building on the Results-Driven Contracting Pilot**

Through this pilot project, HSD has made significant progress by restructuring contracts and re-orienting them to be more outcomes-focused. This project positions the Department to not only improve outcomes of these specific contracts but also to expand RDC strategies to additional contracts. There are four key ways that Seattle can embed these practices within HSD to help the Department achieve better results with their contracts:

**1. Ensure that HSD and service providers fully adopt the new, performance-focused approach to contracting**

Active contract management meetings will need to be a priority for all levels of HSD staff, from the contract managers to the director. Service providers and HSD contract managers must devote sufficient time to review progress reports and to collaborate on developing solutions when the data indicate that changes are necessary. HSD will need to enforce the new payment mechanism. If a service provider has low data completion rates, HSD must withhold payment and provide the tools necessary to help the provider improve data collection.

**2. Increase capacity of HSD contract managers to implement active contract management practices**

Contract managers are each responsible for monitoring the financial and program performance of 20-25 contracts. To fully implement active contract management practices, staff will need to have time to regularly review the performance data, flag problems, and work with the provider to develop and implement necessary changes. Although the progress reports will be automated, contract managers will

need time to pull the necessary data and carefully review the reports to identify specific issues to discuss at check-in meetings. At each check-in, contract managers need to identify specific action items with provider staff and follow up after the check-in until progress is demonstrated by the data.

To make sure that contract managers have sufficient capacity to properly implement active contract management, HSD will need to either hire a) dedicated staff responsible for the fiscal monitoring of contracts to allow the contract managers to solely focus on performance improvements or b) more contract managers so that each has a smaller case load.

### **3. Establish a timeline for competitive funding processes and use performance to guide contracting decisions**

Currently, most contracts are simply renewed year after year. Competition for HSD funds provides a strong incentive for providers to meet contract requirements, including data reporting, and to continuously seek to improve performance. Competitive pressures can help ensure that providers are carefully assessing their proposed budgets and that costs are reasonable.

A key concern with consolidating contracts is reduced competition in the bidding process. Few providers beyond those participating in the pilot have the capacity to compete for large contracts with multiple service areas if HSD were to re-bid services as consolidated contracts in the future. HSD will need to ensure that smaller providers have the opportunity to compete for future funding dollars. This can be accomplished either by encouraging multiple providers to partner on a bid when they respond to a procurement, or by breaking up funding dollars into smaller pots during the procurement process and then re-integrating the contracts if a single provider wins multiple contracts.

### **4. Expand results-driven contracting and active contract management practices beyond the pilot**

HSD should begin to evaluate all contracts based on a consistent set of metrics and regularly review performance data. The six key metrics developed for the pilot are likely a good place to start when developing universal metrics. If all contracts are evaluated on consistent performance measures, HSD will better understand how individual programs are impacting Seattleites experiencing homelessness and

how the system as a whole is helping people move from homelessness to permanent housing.

If HSD decides to expand RDC strategies beyond the pilot, monthly check-in meetings and the subsequent work to implement the recommendations that result from these meetings may be too time-consuming to conduct for every single contract. HSD could identify a subset of its most important contracts (based on contract size, performance concerns, or priority level of the target population, for example) and focus performance management efforts on those. HSD could also conduct general reviews of performance data for all programs on a monthly basis and only schedule direct check-ins with programs that are not on-track to meet targets.

## **XI. Conclusion: What Other Cities Can Learn from Seattle**

Like Seattle, many cities across America are tackling challenges related to their human services contracts as they attempt to maximize the impact of their limited resources and make progress in addressing major social problems. Seattle's pilot project to implement RDC practices for homeless services contracts can serve as a model for other cities that are trying to achieve better results not only for homelessness but for many other priority areas. Cities should identify their most important contracts and employ RDC strategies to improve outcomes – by clearly identifying the goals of the contract, setting up a performance tracking system to monitor progress against goals in real time, and meeting regularly with contractors to troubleshoot problems and spot opportunities for improving processes. As the Seattle project demonstrates, RDC is about much more than just writing a good contract. To fully realize the potential of their contracted dollars, cities need to set up systems to actively manage their contracts.

*The Government Performance Lab at the Harvard Kennedy School conducts research on how governments can improve the results they achieve for their citizens. An important part of this research model involves providing pro bono technical assistance to state and local governments. Through this hands-on involvement, the Government Performance Lab gains insights into the barriers that governments face and the solutions that can overcome these barriers. For more information about the Government Performance Lab, please visit our website: [www.govlab.hks.harvard.edu](http://www.govlab.hks.harvard.edu).*

*The Government Performance Lab is grateful for support from Bloomberg Philanthropies, the Dunham Fund, the Laura and John Arnold Foundation, the Pritzker Children's Initiative, the Rockefeller Foundation, and the Social Innovation Fund.*

© Copyright 2016 Harvard Kennedy School Government Performance Lab

**Appendix A: Progress Report for Monthly Check-Ins  
Between HSD and Providers (Using Illustrative Numbers)**

<i>Note that metrics are reported at the portfolio level.</i>		Year-to-Date Performance		Year-to-Date Target		August 2016 Performance		Monthly Average from Prior Three Months	
		#	%	#	%	#	%	#	%
<b>I. Key Metrics</b>									
	Successful Diversion Outcomes	16		24		2		4	
	Milestones to Success								
	Obtained Identification	28		24		3		4	
	Enrolled in Public Assistance	23		24		4		3	
	Payment of Arrears	20		24		2		3	
	Permanent Housing Outcomes	45	38%	48	40%	6	43%	6	40%
	Housing Stability		87%		95%		85%		86%
	Returns to Homelessness (6 months)		26%		10%		27%		28%
	Returns to Homelessness (12 months)		32%		10%		32%		30%
	Racial Disproportionality of Households								
	Achieving Key Outcomes								
	Households of Color		86%		100%		82%		89%
	White		105%		100%		107%		103%
<b>II. General and Program Administration Metrics</b>									
	Capacity	50		50		50		50	
	Entries	116		120		14		13	
	Exits	117		120		14		15	
	Occupancy		92%		90%		95%		95%
<b>III. Data Collection</b>									
	HMIS Consent		88%		100%		80%		92%
	HMIS Data Completion		97%		100%		90%		95%
	Data Collection Rate		85%		100%		72%		87%

Please see Section VI of the policy brief for definitions of key metrics. Performance is indicated with green if performance is within 90% of the target, yellow if performance is between 70-90% of the target, and red if performance is less than 70% of the target.