

REQUEST FOR INFORMATION: Pay for Success Contracts and Social Innovation Financing

Overview: In keeping with the Patrick-Murray Administration's on-going commitment to change the way government does business, and to find savings and efficiencies across state agencies, the Commonwealth of Massachusetts, through its Executive Office for Administration and Finance (EOAF), is interested in issuing a Request for Responses that will allow the Commonwealth to partner with entrepreneurs from the nonprofit and private sectors to increase the efficiency of government-funded service delivery, reduce costs to taxpayers, and accelerate innovation in ameliorating social problems.

Specifically, the Commonwealth is considering whether to enter into a limited number of pay for success contracts for the delivery of certain government services. Toward this end, we are soliciting information from potential partners as well as from interested citizens about the areas of government activity where success-based contracting strategies have the potential to improve outcomes and/or reduce costs. If the Commonwealth decides to go forward with this approach, the information obtained from this RFI will be used to develop a Request for Responses that is targeted at the most promising applications of the pay for success strategy.

Background: Pay for success contracts are contracts where payments to service providers (or to intermediaries who raise private sector funds to finance the operations of the service providers) are made largely or entirely based on achieving specific performance targets. This approach is currently being piloted by the UK Justice Ministry as a way to finance services aimed at reducing post-release reoffending by prisoners. In the U.S., the Obama Administration has recently proposed spending up to \$100 million to test this approach.

Pay for success contracts may also be supported through the use of social impact bonds. These are financing arrangements where third party investors/intermediaries provide service providers with operating capital and other expertise to support pay for success contracts with the government.

The administration has identified homelessness and corrections as likely policy areas for initial pay for success contracts, but proposals related to other social services will also be considered.

Information Solicited:

We are requesting feedback on the following questions:

- Which social services are the most promising candidates for pay for success contracts? In answering this question it would be helpful if you would be specific about why a pay for success contract has the potential to reduce costs and/or improve outcomes in this area.
- Are there innovative solutions to social problems that have been demonstrated on a relatively small scale that have the potential to be scaled up using pay for success contracts in a way that would reduce costs and/or improve outcomes?

- Are there areas where targeted investments in preventive services would have a high likelihood of reducing future budgetary costs by more than the cost of the services?
- Are there other areas of government activity where upfront investments and innovative contracting strategies could improve performance and reduce costs?
- How should pay for success contracts and social impact bonds be structured to support these goals?
- What information would be useful to EOAF in drafting a more detailed procurement solicitation for these contracts?

Submission Instructions: Submit your responses electronically only to: social.innovation@state.ma.us by no later than 5:00 PM on Monday, June 6, 2011.

Other Information:

- a. Please note that this is an RFI issued solely for the purpose of obtaining information. Nothing in this RFI shall be interpreted as a commitment on the part of the Commonwealth to enter a contract with any respondent or to make any procurement.
- b. This RFI has been posted on Thursday, May 5, 2011.
- c. Respondent Questions. Potential respondents who have questions regarding this RFI may e-mail them to social.innovation@state.ma.us by 5:00 PM on Thursday, May 12, 2011. Respondents may only make inquiries and request clarification concerning this RFI by written questions via e-mail. Responses to inquiries and clarification questions will be provided electronically to all interested parties via a posting on Comm-pass.
- d. By submitting a response, respondents agree that any cost incurred in responding to this RFI, or in support of activities associated with this RFI, shall be the sole responsibility of respondent. The Commonwealth shall not be held responsible for any costs incurred by respondents in preparing their respective responses to this RFI.
- e. Responses to this RFI may be reviewed and evaluated by any person(s) at the discretion of the Commonwealth, including independent consultants retained by the Commonwealth now or in the future.
- f. EOAF retains the right to request additional information from respondents and may, at its sole discretion, elect to request formal presentations from certain vendors and/or create an RFR or RFQ which will include the detailed requirements and criteria for the procurement and be based, at least in part, on the responses received to this RFI. EOAF may request further explanation or clarification from any and all respondents during the review process.
- g. All responses to this RFI will be public record under the Commonwealth's Public Records Law, Mass. Gen. L. ch. 66 s. 10, regardless of confidentiality notices set forth on such writings to the contrary.