



Payment by Results and the Outcomes Star

**Research Report for the London Housing
Foundation**

October 2011

Contact: joy@triangleconsulting.co.uk

Tel: 020 7272 8765 www.triangleconsulting.co.uk

Summary of Key Points

1) ***Payment By Results is now a government priority across a wide range of departments and is creating an explosion of interest in outcomes and how to measure them***

2) ***The Outcomes Star (both the original version for the homelessness sector and other versions) is already being used within a PBR context.*** In some cases payment is being linked to progress as measured by the Star, in others the Star is being used alongside the payment framework but is not part of it. The commissioners and service providers interviewed in this research favoured the Star because it measures distance travelled, provides more detailed information on progress than other approaches and supports a recovery and empowerment approach to service delivery.

3) A simple PBR approach in which payment is linked to the achievement of a small number of end outcomes works best when there are simple unambiguous outcomes which can be linked to a single intervention by a single provider. In these circumstances it is probably not appropriate to link payments to outcomes as measured by the Outcomes Star. However ***the Star can play an important role in enabling the provider and commissioner or investor to monitor and manage progress towards achieving the end outcomes for which the provider is paid.***

4) When the problems and their solution are more complex (as they often are in the homelessness sector and other sectors that use the Star) there are dangers that linking payment to a few end outcomes may significantly distort service delivery. In these circumstances the PBR approach may still work well but there is a need for a broader and more learning oriented approach to assessing results and a closer relationship between commissioner/investor and provider with on-going dialogue about progress and barriers. In these circumstances ***the Outcomes Star may have a role to play in the payment formula as well as in monitoring progress and managing performance.***

5) There are significant potential risks and potential benefits in using a PBR framework to commission public services. It is the details of the contract and the commissioning relationship which will determine whether individual contracts work for or against the interests of the service user and the wider public. The next 18 months are likely to be critical in terms of learning how to make this approach work well as a number of government departments are carrying out pilots during this period. ***This is a particular moment in time in which there is an opportunity to play a significant role in shaping practice.***

6) Schemes that are of particular interest are the Cheshire and Cheshire West's Supporting People scheme which is one of a number of DCLG pilots and Phoenix Futures which is a provider initiated PBR scheme.

1. Introduction

This paper reports the findings of a small piece of research commissioned by the London Housing Foundation and carried out by Triangle into the role that the Outcomes Star is and could play in Payment by Results approaches to funding services. The key questions that it seeks to answer are:

- Who is using or planning to use the Outcomes Star within social investment or payment by results models?
- What are the key elements of these models in relation to the outcomes measured and the conditions for payment?
- What are the advantages and disadvantages for these models and what issues need to be considered in making them work?
- What further work is needed to enable voluntary sector service providers in general and those in homelessness agencies in London more specifically to gear up for social investment and payment by results?

The paper is based on a review of the literature on Payment by Results, interviews with key individuals and attendance at two national outcomes events. The first was a recent 'Impact Summit' organised by the National Endowment for Science, Technology and the Arts (NESTA) which brought together key leaders in the field of impact measurement to discuss key issues and sector wide approaches to improving impact measurement. The second was a conference on impact measurement and analysis organised by Third Sector. Full details of papers examined and people interviewed are provided in the Appendix.

In this paper we will be using the term Payment By Results (PBR) as a generic term to cover all funding schemes in which all or part of the payment is dependent on activity levels or outcomes achieved including Social Impact Bonds.

2. Background

Linking payment to activities or outcomes has been a method of funding that has been employed in a range of sectors for some time. For example as early as the 1990's within adult education core funding for NVQ programmes was provided on a per student basis and additional funding provided if and when the student achieved the qualification. However the term Payment by Results came into common use when it was coined as part of the reforms to the National Health Service that were introduced in 2002. Beginning with a limited number of elective procedures in 2003, hospitals have increasingly been paid according to the number of patients they treat, based on nationally set prices (or tariffs) for treatments and procedures. In 2003 the Department of Work and Pensions piloted 'Pathways to Work', a programme to move people from incapacity benefits into employment. Private and voluntary sector service providers receive 30% of the agreed price in monthly instalments, with the remaining 70% being dependent on the person finding and sustaining a job.

Payment by results is now being promoted by Government as an important plank in their programme for public service reform and greater efficiencies in funding those services and was

described by Lorraine Regan of the DCLG as one of the Prime Ministers top five priorities in a presentation to SITRA early this year. It is being piloted by many departments – Department of Health, Department for Work and Pensions, Department for Communities and Local Government (DCLG), Ministry of Justice and others.

Key recent developments include:-

The Social Impact Bond pilot at Peterborough, launched in September 2010 by the Ministry of Justice and Social Finance Ltd. The Government will pay a return to social investors – including the Esmée Fairbairn Foundation and Barrow Cadbury Trust – if their investment in projects run by charities delivers reductions in re-offending of a set amount.

Social Impact Bonds to tackle multiple problems in a family setting were announced this August by Nick Hurd, Minister for Civil Society announced. These will build on the Peterborough pilot. There will be four Social Impact Bond pilots in Hammersmith and Fulham, Westminster, Birmingham and Leicestershire. The Bond could raise up to £40 million to tackle multiple problems in a family setting and services are expected to start operating under the scheme from April 2012

National Treatment Agency, Payment by Results pilot for treatment outcomes begins in autumn 2011. The NTA is supporting eight Payment by Results pilot schemes to develop and test new approaches to commissioning and delivery of drugs recovery systems that reward achievement of outcomes.

The Cabinet Office has taken the view that there is a need for more common metrics across the social sector and is working with New Philanthropy Capital and others to pilot the development of a small number of key metrics within three subsectors (young people, older people and the unemployed). In his presentation to the Third Sector Impact Conference, Matt Robinson, Deputy Director of the Strategy Unit at the Cabinet Office with special responsibility for Social Investment expressed the view that these indicators should be complemented by “credible methodologies” for measurement and indicated that the Cabinet Office did not believe that these should be imposed top down. The Outcomes Star was the first in the methodologies he listed in his presentation

Developments that we have been made aware of that are specifically relevant to the homelessness sector are:-

The Department for Communities and Local Government (DCLG) is working with a number of local authorities, supporting them to pilot a range of possible payment by results models. These pilots are expected to run for two years and are to be independently evaluated. The local authorities who have volunteered to be pilots are: Cheshire West & Cheshire, Derbyshire, Islington, Kent, Lewisham, Sheffield, Southend, Stockport and Torbay. Birmingham is also involved through a group of providers lead by Midland Heart. Cheshire and Cheshire West are using the Outcomes Star as part of their PBR model. As far as we can determine they are the only participant in the pilots to be basing their scheme around the Outcomes Star. Their scheme is described in section 4 below.

The East London Single Homeless Partnership has a list of providers willing to be spot purchased for tenancy sustainment services which are paid on a Payment by Results basis.

Within **the Greater London Authority** contracts with Broadway, payments are tied to meeting certain milestones which they have to provide evidence of each month or quarter before payment is released. These milestones are mostly outputs rather than outcomes

Discussions are taking place about a **Social Impact Bond** for rough sleeping which will have a payments by results element. Homeless Link report that the Outcomes Star is not seen by those putting together the Bond as being a suitable measure.

3. The Payment by Results Model

In an excellent overview of the PBR approach Dr Marcus Roberts defines PBR as “an approach to allocating resources to services that rewards specific activity or outcomes. Payment depends (to a greater or lesser degree) on what the service does or achieves – for example, on how many hip replacements it performs or how many people it gets into sustainable employment”¹

Despite the simplicity of the concept, however, there are important variations in the way that PBR can be applied:-

3.1 Who bears the risk

Within Social Impact Bonds the risk is taken by the investor. If the agreed target results are achieved then the government repays their investment, with a return. If the targets are not reached then the investment is not repaid. In the Peterborough Prison pilot the target is to reduce re-offending by 7.5% over six years. The provider agencies themselves are not direct beneficiaries of payment by results, nor do they bear the financial risk. In most other PBR schemes however it is the provider that takes the risk, usually receiving part payment for activities delivered and the remainder for the achievement of agreed outcomes.

3.2 Whether payment is for activities or outcomes

Most discussion of PBR assumes that payment is linked to outcomes. However in the NHS PBR refers mostly to payment for activities rather than outcomes. Many PBR schemes in other sectors involve linking most of the payment to the achievement of activity milestones and a smaller proportion to the achievement of agreed outcomes

3.3 How payments are structured

Many commentators agree that when it comes to PBR ‘the devil is in the detail’. PBR schemes can vary considerably in the way that the payment is structured:-

- ***What proportion of the payment is dependent on achievement of targets.***

¹ “By their fruits... Applying payment by results to drugs recovery”

Dr Marcus Roberts, Director of Policy and Membership, DrugScope, published by UK Drug Policy Commission (UKDPC), February 2011.

Whilst the Department of Work and Pensions 'Pathways to Work' scheme linked 70% of payments to outcome achievement, many of the schemes currently being piloted link only 10% or 20% of payment to outcomes

- ***Whether payment is triggered each time an individual achieves an outcome or when a specified proportion of service users do so***
- ***Whether payment is linked to end outcomes or distance travelled***
Most schemes set out to reward end outcomes but a scheme for hostels in Cheshire and Cheshire West will reward distance travelled as measured by the Outcomes Star
- ***What the time period for measurement is*** (and is there follow-up after the client leaves the service to see if outcomes are maintained).

In the Peterborough Prison scheme the period for the achievement of the outcome target is seven years, whilst in contrast many of the PBR schemes that are being piloted now involve much shorter timescales

3.4 Whether the scheme is designed nationally or locally

The Department of Work and Pensions and the NHS have taken a national approach to PBR both in hospital treatment and in the National Treatment Agency's pilot within drug services. In all of these cases the scheme and payment terms have been designed at a national level and then implemented locally. However indications are that the DCLG is likely to take a more flexible approach to PBR, allowing local commissioners to design their own schemes.

4. The Use of the Outcomes Star in Payment by Results

The research identified the following examples of the use of the Outcomes Star in a PBR context:-

4.1 Homelessness

The Supporting People Team in Cheshire and Cheshire West are re-commissioning homelessness services following a strategic review which identified that many of the buildings used were not suitable and people spent too long in hostels before moving on, including 50% whose only need was for move-on accommodation.

The new contract will be a PBR contract in which payments will be linked to progress towards independence as measured by the Homelessness Outcomes Star and other measures including achieving planned move on (NI 141) and tenancy sustainment. The baseline against which progress will be measured will be provided by an independent assessment, using the Homelessness Outcomes Star, carried out by staff at the local authority before referral to the service provider. The service provider will then be required to use the Homelessness Outcomes Star to measure progress during the client's time in the service.

The exact details of the contract will be developed as part of a 'competitive dialogue' with service providers over the next twelve months. This will include looking at how much of the overall contract value providers are prepared to take on a PBR basis, and how much progress on average should clients be expected to make, for example in a six month period. It is anticipated that the contract will be for a 5 year period.

They believe that this approach will provide the right balance of incentives for their service providers

- By linking payment to progress as measured by the Star they will avoid incentivising providers to take clients who are close to achieving the end outcome. Providers will be able to evidence progress and draw down payment for clients who are at an early stage in their journey and do not reach the end outcome during the contract period
- Linking payment to progress will also introduce incentives to move clients on once they have reached a plateau in the service. This is in contrast to the current approach in which there is no financial incentive to move clients out of the service.

In addition the hope is that this approach will provide more flexibility to service providers in terms of how they work with clients including the 'virtual hostel' approach where the money is used to provide accommodation (possibly in the private rented sector) with floating support.

Asked about whether this approach would incentivise council staff to score clients higher on the Star at the initial assessment (in order to reduce payments to service providers) or incentivise service providers to exaggerate their claims about the progress that service users have made, the interviewee responded that this was not a particular concern. His view was that the scheme would not work for the council if it did not lead to a financially viable model for providers, and it would be possible to put in place appropriate quality checks on the scores that providers recorded.

They feel that a critical aspect of ensuring that the scheme is successful will be getting a suitable IT system which will both enable service providers to record Star readings for clients and enable them as the commissioner to access suitably anonymised data to monitor the contract

4.2 Drug and Alcohol Recovery

Wigan and Leigh Drug and Alcohol Recovery Team

Wigan and Leigh Drug and Alcohol Recovery Team, part of Greater Manchester West Mental Health Trust began a pre-pilot pilot of PBR on 1st October 2011. The pre-pilot period will run until 31st March and will involve putting foundation systems in place in readiness for the full pilot in April 2012 at which point payments will be linked to results. This is one of the National Treatment Agency pilots.

From April 2012 payment will be linked to results as measured by the Treatment Outcomes Profile (TOP). This measures a range of hard outcomes on substance use, injecting behaviour, accommodation, crime and accommodation and soft outcomes relating to health and social functioning, physical health and overall quality of life. However this tool was not seen within the service as being a clinically useful tool and the measurement of soft outcomes using the tool was seen as being too subjective (clients score themselves on a scale of 0-20 with no guidance as to what different points on the scale signify). For these reasons the service will use the Recovery Star as its primary clinical assessment, action-planning and outcomes tool. In the words of the interviewee

“the Recovery Star ticks all the boxes. It is meaningful for clients, it helps workers do their job and it gives meaningful outcomes information”

Star data will be analysed to evidence the changes that clients are making in their time with the service and identify areas of particular success and failure (for example particular client groups that do well or poorly).

The details of exactly how payment will be linked to results was not known by the interviewee at the time of the interview in early October but the service hopes that by taking the initiative in this way it will be able to influence the payment regime towards taking into account change as measured by the Recovery Star and avoid payments being linked exclusively to TOP which they feel does not give a reliable and accurate picture of outcomes for complex clients.

The Recovery Star is also being implemented more widely across the Trust because it is felt that it will support the move to a less medical and more recovery oriented service.

Phoenix Futures

Phoenix Futures is a service provider running four residential services for people with substance misuse issues in England and Scotland. Service users receive services for a fixed period, starting at the ‘welcome house’ which clients attend for four weeks, moving on to the ‘primary stage’ which is 10-12 weeks and then the ‘secondary stage’ which is 10 weeks.

On 1st April 2011 they launched their own Payment by Results initiative in which they offered commissioners a deal in which they promised to return a proportion of the fee for a drug user if results were not achieved. The results were defined as:-

- Meeting the goals agreed in the care plan
- The client moving forward on two spokes of the Star

The initial Star scores and care plans are agreed with Care Managers who purchase places on behalf of their clients and Care Managers are invited to the review meeting at the end of each treatment stage at which the care plan goals are reviewed and a second Star reading takes place.

Unlike the other initiatives reported here, this PBR scheme was both initiated and designed by the service provider rather than being required by the commissioner. The motivation at Phoenix Futures was to remain competitive and in tune with current developments in the sector.

During the period of 1st April until 30th September in which this scheme ran, they took on nine clients on a payment by results basis. They did not encounter any difficulties or disputes with Care Managers around the Star scores or agreeing whether care plan goals had been achieved. From Phoenix Futures point of view the pilot was a success because it resulted in more contact with Care Managers and gave them a greater sense of what their priorities were.

4.3 Mental Health

Stockport local authority joint commissioning with mental health

PBR is being introduced within all mental health commissioning in April 2013 and is being piloted before that. The model, which is currently in development is based on the health model for PBR in which 'patient clusters' are identified and the treatments which are suitable for each cluster are specified. A tariff is then set for each treatment and payment to the service provider is based on the number of patients they have in each cluster and the tariff for that cluster.

The mental health commissioner for Stockport who was interviewed for this study was very concerned that this system would not work within mental health and, in fact would be detrimental to recovery because they system would reward service providers for keeping patients on their books or simply moving them between different cluster groups.

He is leading an approach to the Department of Health proposing that an alternative system be piloted from April 2012. This alternative would involve holding back 30% of payment to reward 1) discharge (20%) and 2) achievement of recovery outcomes/patient goals (10%). Exactly how the measurement of recovery outcomes would be carried out is still to be determined. He indicated that the Recovery Star is an obvious contender because it is widely seen as a very useful clinical tool. However there would need to be evidence of the validation of the tool for NHS Trusts to consider adopting it in this way.

Worcester City Council, joint commissioning with mental health

The Joint Commissioning Unit in Worcester have recently re-commissioned their re-enablement pathway and have designed the new pathway around the use of the Recovery Star. All people with a 'substantial and critical need' will receive an assessment using the Recovery Star at their assessment hub and on the basis of this assessment a package of care is put together from a range of providers. The Star then follows the person from the assessment to the various providers of care and on to whatever further services they receive after that.

They have a strategic focus in using the Star, aiming to use it as a way of changing how the services work. The Trust is trying to introduce a recovery orientation within their services but has found that it can be hard for staff to understand what it actually means for them. The Recovery Star provides a tangible way of working with service users by showing people what recovery actually means in practice. They also feel that just using the Recovery Star helps to put the person at the centre of the care rather than just giving people standard solutions, and enables service users to 'co-produce' their care rather than just being passive recipients of service.

They share the concerns expressed by the interviewee in Stockport local authority above that the way that PBR is going to be introduced into mental health will not work in the patients or the tax payers interests. The view of the interviewee was that the Recovery Star should be a central part of service delivery and that payment should be link to the completion of the Recovery Star because this in itself indicates a recovery oriented approach. However she did not feel that payment should be linked to increase in scores because progress for a service user can be affected by circumstances outside the services or patients control.

Commission for Quality and Innovation (CQUIN) Payment Framework

We are aware as part of our work developing the Life Star (for people with Learning Disability) that some service providers within the Mental Health and Learning Disability sector are required to complete the Recovery Star with service users as a condition of payment with the CQUIN payment framework. As far as we are aware payment is linked simply to the use of the Recovery Star with service users rather than to progress measured on the Star.

4.4 Family Support

The London Borough of Croydon

The London Borough of Croydon is in the early stages of implementing a Payment by Results pilot within children's centre services. There will be seven children's centre 'collaborations' each of which will run a Family Engagement Partnership (FEP) where health and children's centre staff will identify families that practitioners believe would benefit from early engagement. Initial engagement with identified families will be made via children's centre Family Support Workers. Through this engagement families will decide what additional support they would find useful and a Family Engagement Plan drawn up. Where concerns such as lack of parenting capacity are identified additional support will be made available e.g. intensive 1:1 support, Community Mothers Programme etc.

Results will be measured for each service collaboration (including the children's centre and health visitors, midwives and GPs) and the vision is to use payment by results principles to help drive forward a systemisation of early identification and engagement that brings together health and children's centre services.

The Payment by Results system is still in development but is likely to include the achievement of parental goals as measured by the Outcomes Star. The following list of likely payment criteria is taken from the project summary document:-

- “% of families with very young children engaged in children's centres
- improved outcomes for very young vulnerable children – specific indicators to be designed but would include health child reviews and early learning
- % parental goals achieved using Outcomes Star and Family Engagement Plan
- % of long-term attrition with targeted services such as the Community Mothers Programme”

It is envisaged that each collaboration will complete a Self Evaluation Form and provide supporting evidence against the measures and targets. The LA will then undertake an annual meeting with the collaboration to interrogate the evidence. A decision will then be made as to whether the collaboration meets the criteria for a payment by results.

Family Action

Family Action is in the process of implementing the Family Star across all its services following a number of very successful pilots. They have found that the Family Star works very well for them at all levels of the organisation:-

- It helps motivate and engage service users
- It helps workers to take a holistic view and focus on outcomes

- It enables Regional Managers to get a quick snapshot of how things are working in the different services and highlights issues requiring attention
- It enables them to report outcomes to the board and to commissioners
- It provides a coherent framework for outcomes and a shared language which works right through the organisation from front-line service to Board level

As part of this research we spoke to Family Action in Lewisham who use the Family Star in their Building Bridges project which works with families with children who are at risk of going into care to keep the children within the Family. The contract will be moving to a PBR contract soon. In the words of the project leader

“The Star is great for making holistic assessments and support planning. It helps to highlight areas that are slipping and show us where we need to put more effort in and it helps us keep a holistic focus. It also works really well to demonstrate the trajectory of change to the commissioners – this is something that is very difficult for us to demonstrate in any other way”

If they win the new contract for this service when it is put out to tender on the new PBR basis they will continue to use the Family Star for internal monitoring and learning. However he would not recommend linking payments to results as measured by the Star because it is not a psychometrically tested tool and further evidence would be needed to back up the scores given on the Star if payment was going to be linked to them.

Family Action Lewisham has also bid to run a project as part of the Working Families Everywhere initiative. If they win this contract they will use the Work Star to assess service users and build a support plan for them. However payment will not be linked to progress measured through the Work Star. It will be linked to milestones such as the person attending job interview training and attending a job interview. Twenty percent of the contract value will be based on the number of people that successfully move into work.

Childrens Services in Oxfordshire

Children’s services in Oxfordshire are taking part in a PBR pilot being organised by the Department of Children, Schools and Families. The head of a Children’s Centre in Oxfordshire was interviewed. She had little information about how the scheme would work at the time of the interview but was hoping to persuade commissioners to use the Family Star within the scheme because they find the tool works very well in their work.

5. Key issues in the implementation of PBR

5.1 Knowing what outcomes to measure

The implementation of PBR is leading to a flurry of activity in developing national indicator sets so that there are consistent measures for linking payment to results. However some of the

interviewees were concerned that the indicators that were being chosen were not sufficiently robust or would not reflect the complexity of change in clients with multiple needs (see 4.2 above).

Whilst many interviewees felt that there could be dangers in linking payments to outcomes as measured by the Star, all did feel that the Star gave a more useful and nuanced picture of how clients were changing than simple indicator sets. Many of the organisations represented were in practice going to implement a dual system in which the specified outcomes were measured for contract purposes and the Star was used for clinical purposes and internal monitoring and learning. In some cases it was hoped that commissioners would use the Star data to get a fuller picture of what the service was and was not achieving.

It was felt by many that simply focusing on whether or not a target had been achieved would not support learning and service development for service provider or commissioner. One suggestion was to develop a set of 'hard' outcome indicators linked to the Star so as to have the benefit of both approaches.

5.2 Avoiding the distortion of service delivery

The most frequently cited concern, both in the literature and by interviewees was that PBR schemes would distort service delivery in unhelpful ways as providers focus on doing whatever will achieve the target, rather than the real needs of the service user. Indeed the evidence suggests that these concerns are well founded. According to qualitative research conducted by Maria Hudson and colleagues (2010)²

'a strong sense of what needed to be done for business survival and job security saw creaming (working intensively with some clients) viewed as appropriate behaviour in a target setting environment. Parking (giving other clients a bare minimum of service) was seen as appropriate practice, where there was clear management steer, for disengaged clients lacking in motivation and for clients who were seriously ill or awaiting treatment'.

These factors were intensified when economic recession made finding jobs for job seekers more difficult. She concludes that the approach was not effective in incentivising engagement with clients with complex problems.

Commissioners designing PBR schemes face a choice between straight-forward schemes that link payment to a few clearly defined outcomes, and more complex schemes that add incentives to providers to take on clients with more complex needs and recognise changes in external circumstances. Two interviewees identified that linking payments to progress as measured on the Outcomes Star had the potential to avoid some of these difficulties because such a scheme rewards progress and therefore does not disadvantage those who are a long way from achieving the end outcome. It also provides incentives to the service provider to move-on clients who have reached a plateau. However some, particularly in the mental health field, felt that it was important that the tool was academically validated if it was to be used in this way.

² Maria Hudson et al (2010), 'The influence of outcome-based contracting on provider-led pathways to care', Research Report No 638, Department for Work and Pensions.

5.3 Attribution and incentivising cooperation

When a service user is in contact with a number of different services there are concerns that PBR might work against cooperation between services as each needs to hold onto the client in order to claim their outcome. In addition there can be difficulty deciding which service can take credit for the outcomes that are achieved.

A number of interviewees pointed out that when the Star was used by all services in an area this supported joined up working across those providers. Two interviewees had designed care pathways in which the Star was used at the initial assessment and then followed the service user as they moved down the pathway from one service to the next. This can help to address problems of attribution when services are provided in series (one after the other) as Star readings can be taken at entry and exit for each service. However attribution issues still remain when a number of service providers are working in parallel with the same client.

5.4 Managing risk

Many service providers are wary of PBR schemes because of the risk that they will not be able to cover the costs of their services if the results are not achieved. However, in practice the proportion of funding linked to results in most schemes at present is relatively small. Family Action in Lewisham chose to manage the risk by budgeting to cover the costs of the scheme with the 80% of the contract that was linked to activities so that the 20% for outcomes was a bonus. Family Action also regarded the Family Star as playing an important role for them in allowing them to monitor their progress towards achieving end outcomes for service users and identify areas in which they might be falling short.

Most interviewees were focused on PBR schemes in which providers bore the risk, because that was what they were in the process of implementing, however an interviewee who had reviewed the different approaches including Social Impact Bonds favoured this approach. This was partly because the risk was being taken by the investor, but also because he thought that the longer timescales were more appropriate. He also felt that having an outside investor would bring a useful new perspective into the mix and counteract the tendency of local commissioners to collect lots of data but not use it in a purposeful way.

6. Conclusions and recommendations

Payment by Results is very simple in concept but complex in implementation. Essentially PBR does two things:-

- 1) It focuses commissioners and service providers on the intended results of the work they are doing
- 2) It creates formulas which link payment to the achievement of certain targets

Whilst the former must always be a good thing, the latter is likely to work best in situations where there are clear and unambiguous outcomes which can be linked to certain interventions and which

can be achieved within the contract timescale. In his presentation to the UK Drug Policy Commission (UKDPC)'s expert seminar on 'Utilising payment by results in drug treatment and recovery services' held on the 15 September 2010, Professor Andrew Street, Professor of Health Economics at York University, explained that

"payment by results can work well when you have a comparatively straightforward problem that requires a single intervention for a single provider", adding that "it has therefore worked best in acute care, which is where it has been introduced by most countries around the world".

When outcomes are multidimensional and the link between intervention and outcome more complex it is more difficult to reduce judgements about effectiveness to a formula and thus in these circumstances the introduction of PBR is likely to be more difficult and the dangers of perverse incentives are more acute. However, the limited research carried out here provides some indications that in these more complex circumstances the Outcomes Star could play a useful role. The evidence further suggests that the Outcomes Star directly supports the ultimate goal of Payment by Results and other government initiatives to create more effective services which support service user independence and empowerment.

In the light of these findings we would tentatively suggest that:-

Commissioners should consider basing payment on a mixture of measures including both the distance travelled tools such as the Outcomes Star and 'hard' or end outcomes. This particularly applies for more complex contexts and issues. This is the approach being taken in Cheshire and Cheshire West, and in the London Borough of Croydon.

Social Investors should explore the role of the Outcomes Star with in Social Impact Bonds as part of the management information used by providers and investors in monitoring progress towards end outcomes and as a means of ensuring maximum effectiveness of service delivery as the project progresses

Service providers should use the Outcomes Star or another distance travelled tool to:-

- chart their progress towards the end or hard outcomes on which they will be paid
- give an outcome focus to client work
- enable them to identify issues and problems which might affect achievement of outcomes and PBR payments at an early stage.

The move towards Payment by Results is likely to accelerate the development of outcomes related approaches exponentially across the social sector. Many pilots are beginning in April 2012 and in many sectors PBR will be fully implemented in April 2013 so this will be a period of rapid learning and change across different sectors as well as within them. As a tool which straddles many different sectors (there are currently versions published for 11 different client sectors including Work, Mental Health, Families, Older People and Alcohol Misuse) the Outcomes Star could play a useful role in supporting the sharing of learning between different sectors on the question of how to design schemes that support outcomes management, outcomes commissioning and payment by outcomes. In the light of this we propose that:

Policy makers should explore the potential of the Outcomes Star to support the PBR methodology by introducing it into PBR pilots over the next year.

Appendix

Interviewees

Andy Meakin, Supporting People Manager, Cheshire West and Chester Council

Ruby Newton, Phoenix Futures Ltd

Jenny Martin, Head of The Leys Children's Centre, Oxfordshire County Council

Nick Dixon, Mental Health Commissioner for Stockport Local Authority and author of position paper "Payment by Recovery" adopted by Association of Directors of Social Services as their position paper

Susan Harris, Lead Joint Commissioner (Mental Health) - Joint Commissioning Unit, Worcestershire County Council

Nick Waugh, Services Manager, Family Action Lewisham

Robyn Wilford, Organisation Development Manager, Family Action

Tris Lumley, Head of Development, New Philanthropy Capital

Dr Sarah Nothard, Clinical Psychologist, Wigan and Leigh Drug and Alcohol Recovery Team

Joanne Thomas, Head of Innovation, Homeless Link

Paula Hassall, Payment by Results Project Manager, Children, Families and Learning, London Borough of Croydon

David Fisher, Director of Services, Broadway

Meetings Attended

One day round table discussion hosted by NESTA and New Philanthropy Capital which brought together key leaders in the field of impact measurement to discuss key issues and sector wide approaches to improving impact measurement

Third Sector Conference 'Charity Impact Measurement and Analysis' – a major conference attended by over 300 delegates at which Matt Robinson, Deputy Director of the Cabinet Office Strategy Unit with responsibility for Social Investment, presented the Cabinet Office vision for supporting and enabling social investment

Documents reviewed

"The Rules of the Game" SITRA Bulletin, August 2011

"Payment by Results Pilots" SITRA Bulletin, June 2011

“Payment by Results and Supporting People” Presentation by DCLG to SITRA conference January 2011

“By their fruits... Applying payment by results to drugs recovery”

Dr Marcus Roberts, Director of Policy and Membership, DrugScope, published by UK Drug Policy Commission (UKDPC), February 2011.

“Lessons learned from the planning and early implementation of the Social Impact Bond at HMP Peterborough”, Emma Disley, Jennifer Rubin, Emily Scraggs, Nina Burrowes, Deirdre Culley
RAND Europe, Research Series 5/11, May 2011, Ministry of Justice

“Payment for Success” by Alan Downey, Paul Kirby and Neil Sherlock , Partners, KPMG LLP (UK), June 2010.

“Recovery and Payment by Results in Mental Health” proposed position paper for ADASS, Terry Dafter, Director Adult Social Care, Stockport MBC, Chair of ADASS National Mental Health Policy Network, August 2011