

Understanding payment by results

Supplementary material from the open ideas
market sounding session

11 March 2015

Select a target group and establish a robust measurement framework

STEP 1

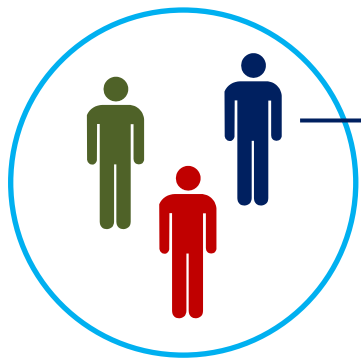
Know what outcomes you are aiming for. Select a target cohort from the population.

STEP 2

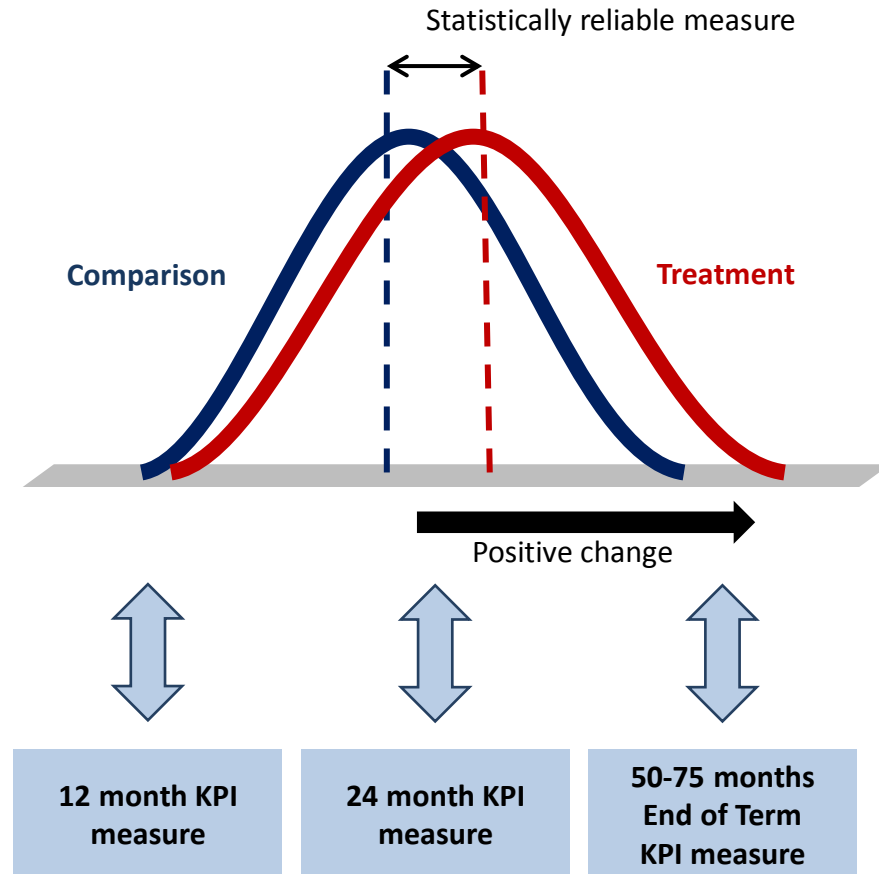
Consider the form of comparator you will use. Establish comparison and treatment groups.

STEP 3

Measure the program's performance by comparing outcomes in the comparison and treatment groups over time.



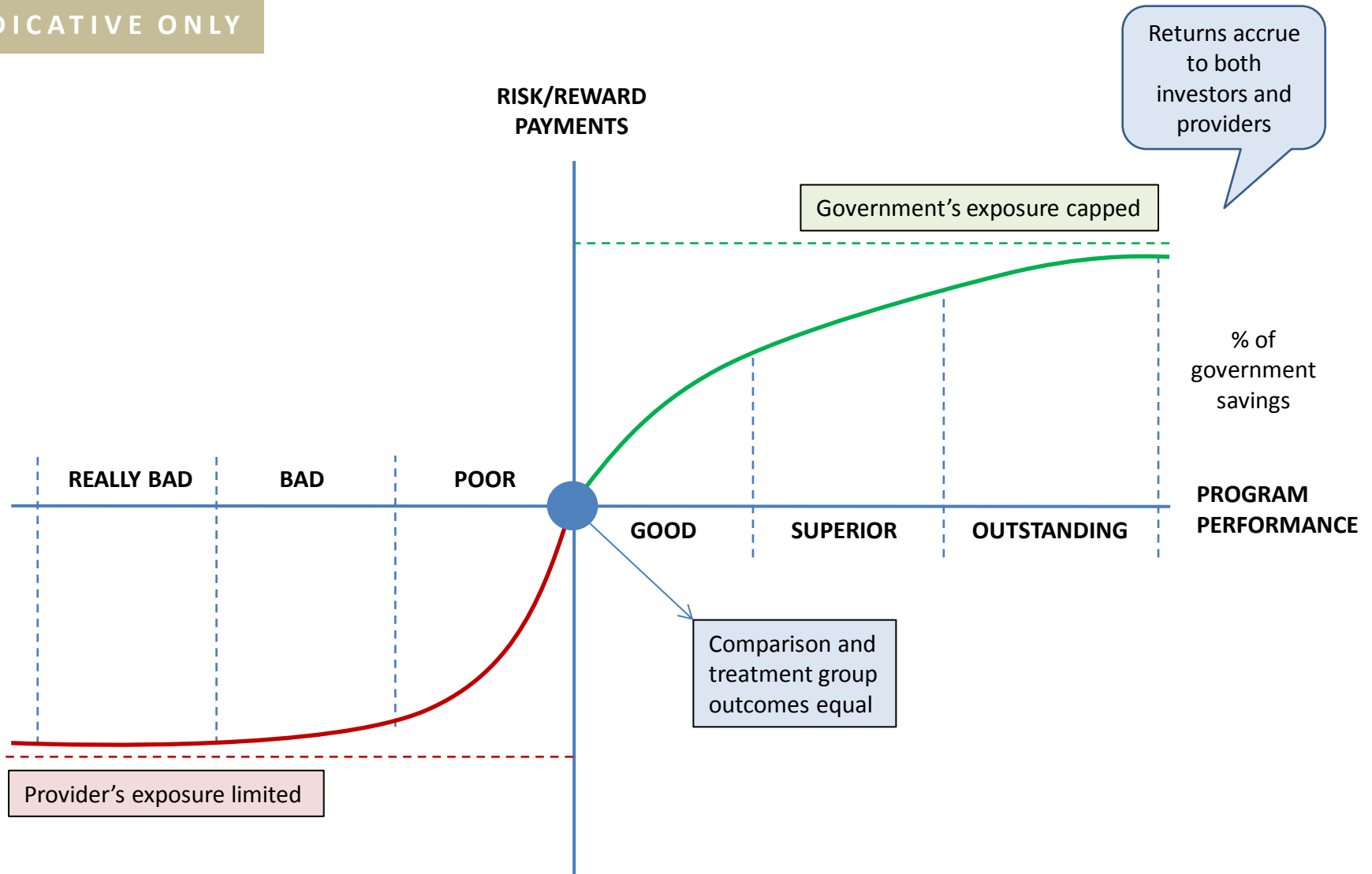
Treatment group needs to be large enough to be statistically reliable.



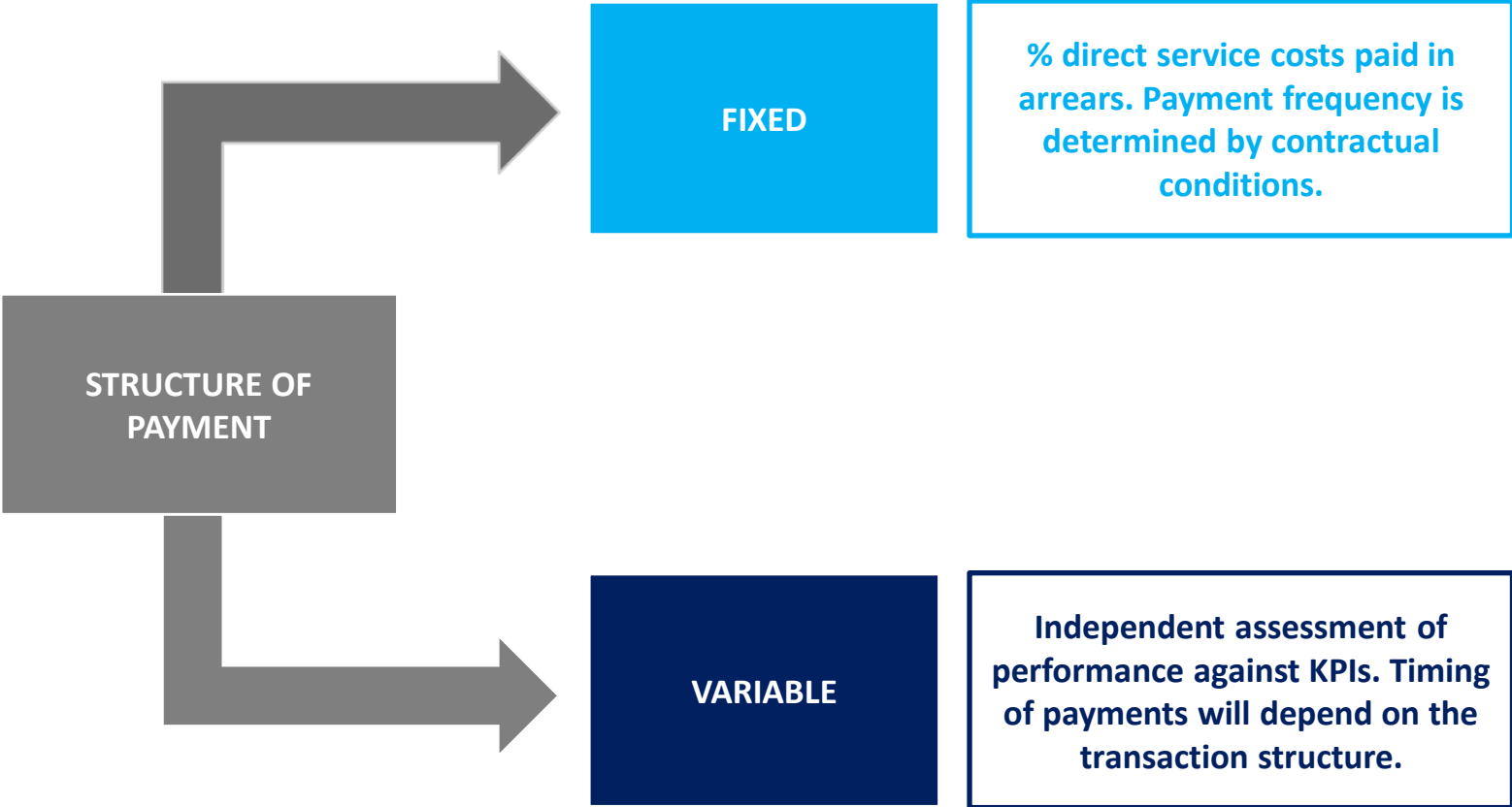
Performance payments linked to measurements of comparison and treatment cohorts

Risk and reward: Payments are linked to program performance

INDICATIVE ONLY



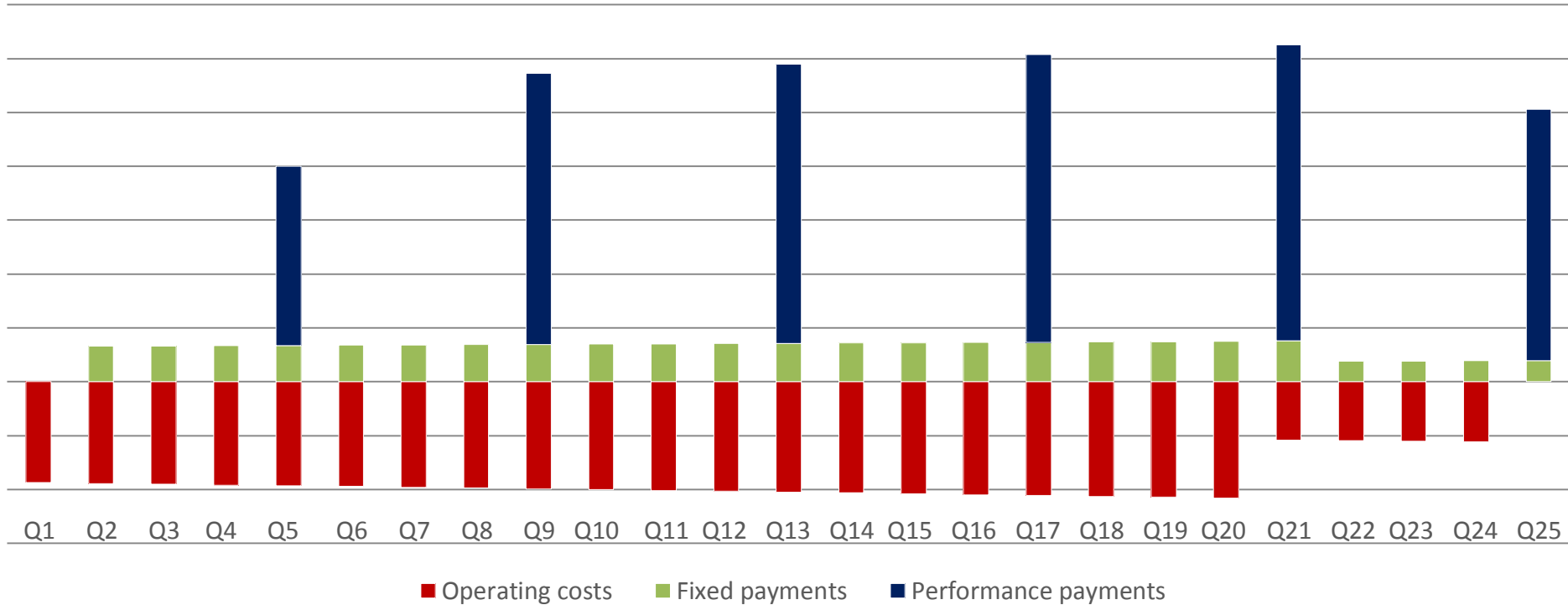
Structure of government payments



Proponent's cash flows

INDICATIVE ONLY. This model does not account for payments received from or made to private investors. The amount and timing of fixed and performance payments depend on the transaction model and contract conditions. Incomings and outgoings (and net position) may differ depending on the transaction model and program performance.

Cash flow



■ Operating costs ■ Fixed payments ■ Performance payments

What are my costs?

- Staffing – caseworkers, counsellors, etc.
- Overheads and on-costs

How do I get financing to cover the deficit?

- Bond
- Bank loan
- Bank overdraft
- Equity parent

How do I service this debt?

- Fixed and variable government payments