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REQUEST FOR PROPOSALS: Social impact investment transactions

Proposals must be submitted on
<https://tenders.nsw.gov.au/>

by 9:00am AEST on 15 February 2016

*Office of Social
Impact Investment*



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Contact officer details

Proponents should refer requests for information or advice regarding this RFP to:

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Any information given to a proponent to clarify any aspect of this RFP will also be given to all other proponents if, in the opinion of the Office of Social Impact Investment, it would be unfair not to do so.

1. BACKGROUND

The NSW Government believes social impact investment has the capacity to deliver better services and results, better partnerships between the government and non-government sectors, and better value for taxpayers. The government seeks suitably skilled and experienced partners to design and deliver better social and financial outcomes for individuals and communities in NSW through social impact investment transactions.

1.1 Policy context

NSW Social Impact Investment Policy was launched in February 2015

On 4 February 2015, the NSW Government launched its [Social Impact Investment Policy](#)¹ ('the policy'). The policy builds on the success of NSW's social benefit bonds and sets out the government's intent to support a broader social impact investment market in NSW. A key action in the policy is to aim to deliver two social impact investment transactions to the market each year.

2015 Statement of Opportunities identified four priority areas for future transactions

To help interested parties prepare for formal Request for Proposals (RFP) processes this year, the Office of Social Impact Investment ('the OSII') released a [2015 Statement of Opportunities](#)² with the policy. The statement identifies four priority areas in which the government believes there are strong opportunities to achieve better outcomes for individuals and communities through social impact investment:

- managing chronic health conditions
- supporting offenders on parole to reduce their levels of re-offending
- managing mental health hospitalisations
- preventing or reducing homelessness among young people.

In February and March, the OSII held market sounding sessions for each of the priority areas, plus a fifth session for those interested in other potential policy issues. These sessions were well attended by representatives of service providers, intermediaries, financiers and other interested organisations. Further market sounding sessions, one on managing chronic health conditions and another on managing mental health hospitalisations, were held by the Ministry of Health in October. Feedback during market sounding activities was largely positive, suggesting there are indeed social impact investment opportunities in the focus policy areas.

Managing chronic health conditions and managing mental health hospitalisations are the preferred policy areas for this RFP

Market sounding sessions on chronic health and mental health were held in February and October this year. Feedback from the sessions indicated a considerable degree of interest and readiness by the market to submit proposals in these areas.

While the Statement and materials from the market sounding sessions outlined potential outcomes and target cohorts in the priority areas, proposals that suggest variations on these are also invited.


¹ Available at: http://www.dpc.nsw.gov.au/programs_and_services/social_impact_investment/nsw_policy

² *Ibid.*

Proposals in areas other than those identified in the statement and this RFP will also be considered, though these will be expected to meet the evaluation criteria (refer [Section 3](#)) to a very high standard. Such proposals must be evidence-based and align with current NSW Government priorities.

It is also important to note that proposals are not limited to social benefit bonds. The government is open to and encourages proposals for other investment models that involve risk sharing among participants and one or more of the following:

- payment by results contracts
- incentive payments
- layered investments
- pooled investments (refer to the policy for more detail).

 Refer to [Appendix A](#) and [Appendix B](#) for further information on the two preferred policy areas. This information and the data sources provided on the [Social Impact Investment Knowledge Hub](#) may be used for initial modelling.³

1.2 Purpose of this document

The purpose of this document is to:

- outline the background to the RFP
- define terms, conditions and processes for submitting a proposal
- explain the anticipated process and timeframe for evaluating proposals and selecting the preferred proponent(s)
- guide proponents on information they should include in their proposals
- provide information on the preferred policy areas to help prepare proposals.

1.3 Governance of the RFP process

The RFP process will be overseen by a steering committee of senior officers from the Department of Premier and Cabinet, NSW Treasury and other NSW Government agencies responsible for human services portfolios ('line agencies').

The steering committee will appoint an evaluation panel ('the panel') to assess all proposals received through the RFP process. The panel will assess proposals according to the evaluation criteria set out in this document (refer [Section 3](#)). During the assessment process, the panel may ask proponents to clarify aspects of their proposal or provide more information. The panel may also contact other government agencies if a proponent's capability needs to be verified (i.e. reference checks).

Following the assessment process, the panel will prepare an evaluation report to the steering committee, recommending one or more proposals received through this RFP that should proceed to the joint development phase (JDP). The steering committee may then endorse that recommendation to the NSW Government to enter into a JDP agreement with one or more proponents.

³ Available at: http://www.dpc.nsw.gov.au/data/assets/pdf_file/0011/174908/Health_Data_Sources.pdf

2. CONDITIONS OF SUBMITTING A PROPOSAL

2.1 Eligibility to respond

Proposals must be submitted by a legal entity (or entities in the case of a joint proposal) with the capacity to contract. Where there is a joint proposal, references to a proponent or preferred proponent includes all parties to the proposal.

The NSW Government will only enter into an agreement with an entity that has an Australian Business Number (ABN) and is registered for GST. Proponents must state their ABN and GST status in their proposals.

A proponent may submit more than one proposal. Each proposal will be considered independently of other proposals submitted by the one proponent. Similarly, intermediaries and other consultants are permitted to be party to more than one proposal, provided there are adequate processes in place to manage conflicts of interest.

2.2 Process to develop and implement a transaction

The process for developing and implementing a social impact investment transaction with the NSW Government includes:

Request for proposal (RFP)

This RFP seeks innovative proposals for social impact investment transactions to deliver better services and/or infrastructure, and improved social and financial outcomes for individuals and communities in NSW. All proposals will be assessed against evaluation criteria (refer [Section 3](#)) by an evaluation panel. The panel will identify the strongest and most compelling proposal, or proposals, which meet the evaluation criteria to a standard that indicates a successful transaction that represents good value is likely. The panel may recommend one or more such proposals to the steering committee. The steering committee may then endorse that recommendation to the NSW Government to enter into a JDP agreement with one or more proponents. Proponents will be notified in writing of the outcome of their proposals by May 2016.

Joint development phase (JDP)

The preferred proponent will be invited to enter into a JDP with the NSW Government. As the contracting entity, the relevant line agency is likely to lead the JDP, with support from the OSII.

The purpose of the JDP is to develop proposals to a level suitable for contracting. This stage features a high degree of collaboration and negotiation to develop a transaction structure that satisfies all parties. Matters expected to be negotiated during this JDP are set out below (see below, [Contract negotiations with the preferred proponent](#)).

A JDP agreement between the preferred proponent and the NSW Government will be finalised and entered into prior to the start of the JDP. The JDP agreement will govern the terms of the relationship between the preferred proponent and the NSW Government, and will address matters

including:

- ownership of any intellectual property generated during the JDP
- the process for negotiating and reaching agreement on the Implementation Agreement (see below, [Contract negotiations with the preferred proponent](#))
- the dispute resolution process
- termination and the sharing of information between the preferred proponent and NSW Government.

The JDP is intended to begin once the preferred proponent is approved, advised in writing, and returns a signed JDP agreement to the government. The government estimates the JDP will take approximately six months.

At the end of the JDP, the government negotiating team (likely to comprise the relevant line agency and the OSII) will review and reassess the final proposal against the evaluation criteria of this RFP and recommend to the steering committee whether to proceed with implementation. The committee will then decide whether to endorse the recommendation to the NSW Government for approval to enter into an Implementation Agreement with the preferred proponent.

If a proposal is subsequently shown to be unviable through the JDP, another proposal from the RFP process may be brought forward and a further JDP agreement negotiated with the relevant proponent. However, the government may instead decide to open the next RFP. In this case, proposals from previous RFP rounds may be resubmitted.

Any costs, losses or expenses incurred by proponents during the RFP and JDP processes must be met by the proponent themselves. Such costs include, but are not limited to, expenses incurred by the proponent in preparing and submitting its proposal(s), attending meetings and providing any further information, or engaging advisors.

 Refer to the [Social Impact Investment Knowledge Hub](#) for a sample JDP Agreement and Implementation Agreement.

Note: Selection as a preferred proponent through the RFP process and entering into a JDP agreement with the NSW Government is not a guarantee of proceeding to an Implementation Agreement.

The likely social impact and relative value for money of proposed transactions will be crucial in determining whether to proceed with implementation. Proposals must represent an effective use of public funds, relative to other non-social impact investment funding options available to the NSW Government for the same improvement in outcomes.

Contract negotiations with preferred proponent

An Implementation Agreement will be negotiated with the preferred proponent as part of the JDP. The Implementation Agreement is expected to include:

- details of the target cohort, including location and referral arrangements
- contract duration and any extension provisions
- ownership of intellectual property from the transaction
- details of baselines, comparison groups and other measurement arrangements
- payment triggers

- a payment schedule covering all performance scenarios (below baseline, baseline, good performance and over-performance)
- allocation of risk between parties to the transaction
- dispute resolution provisions including a mechanism for resolution of client issues
- break clauses for all parties
- any options for recontracting at the conclusion of the transaction term
- details of any evaluation.


The relevant government agency will enter into an Implementation Agreement with the preferred proponent following approval by the NSW Government. A sample JDP Agreement and Implementation Agreement, along with other sample documents that may be needed for social impact investment transactions with the NSW Government, are available on the [Social Impact Investment Knowledge Hub](#).⁴ These documents have been developed based on the NSW Government's experience with social benefit bonds.

ARCHIVE

⁴ Available at:
http://www.dpc.nsw.gov.au/programs_and_services/social_impact_investment/social_benefit_bonds#tools_and_resources

3. EVALUATION

Proposals will be assessed against the evaluation criteria listed below. Proposals will need to address all criteria to a high standard to be considered suitable for a social impact investment transaction. The first criterion is particularly important.

 Refer to the [Principles for Social Impact Investment Proposals to the NSW Government](#)⁵ for more information on the criteria, including examples from the social benefit bonds.

Evaluation criteria

1. Demonstrates social impact (PASS / FAIL)
 - Measurable individual or community social benefits will be delivered

2. Robust measurement
 - Clear and reliable outcome measures
 - Well defined client group
 - Addresses an unmet need
 - Robust methods for determining performance

3. Value for money
 - Composition of benefits
 - Who receives the benefit
 - Proportion of benefits achieved during the contract
 - Where the program falls on the service spectrum (i.e. prevention, early intervention, acute)
 - Benefit-cost ratio

4. Likely to achieve outcomes
 - Evidence of program effectiveness
 - Program logic
 - Evidence of proponent achieving stated outcomes
 - Degree of change required / time to reach full service delivery
 - Demonstrates capacity to deliver, including IT systems, financial management, capability, geographic spread
 - Demonstrates innovation compared to business as usual

5. Sharing of financial risk and return
 - Appropriate composition of financial risk sharing in various performance scenarios

⁵ http://www.dpc.nsw.gov.au/programs_and_services/social_impact_investment/nsw_policy

3.1 Delivery of social impact

Proposals will be subject to a pass or fail assessment of whether they demonstrate social impact that is achievable and can be measured in terms of individual or community social and financial benefits. Proposals should clearly describe the service to be delivered, including an explanation of the issue or unmet demand the proposal intends to address and how the service delivery model will operate. The proposal must also clearly identify the social and financial benefits it aims to deliver.⁶

For example, a proposal to improve records management and reduce administrative burden may deliver cash savings and efficiencies to a government agency, but will not result in social benefits to individuals. Such a proposal will fail the social impact assessment and will not proceed further.

Alternatively, a proposal to improve road quality and safety, leading to reduced accidents and use of public health services, will deliver financial benefits to the government *and* social benefits to individuals and communities. This type of proposal is likely to pass the social impact assessment and then be assessed against remaining criteria.

3.2 Robust measurement

Social impact investment proposals should have a measurement framework that satisfies investors, the government and the proponent that outcomes and associated payments can be accurately quantified and, if appropriate, independently verified. The capacity to measure outcomes will be an important indicator of the proposed investment model's viability.

The measurement framework should outline:

- **Clear and reliable outcome measures.** Outcome measures are the basis for making payments to service providers and/or investors. Proponents should include measures that are closely linked to the social and financial benefits the proposal aims to deliver. If client outcomes have not been captured for a satisfactory historical period, proponents can consider reliable proxy measures. Proponents should demonstrate how the chosen proxy measures are linked to the expected social and financial benefits of the proposal. Binary measures may maximize reliability and reduce the risk of dispute, but graduated measures are also possible and will be considered. Proponents should consider the availability of reliable data in the proposed area, the costs and practical steps of collecting that data, and whether data can be accessed by or shared with existing government IT systems.
- **A well-defined client group.** Proposals should outline clear and objective eligibility criteria for the proposed client group ('intervention group'). Be specific about the characteristics of the proposed intervention group, including age, location, and demographics (e.g. juvenile offenders, people with a disability, Aboriginal people). Proposals should suggest an efficient and objective referral process and outline how outcomes will be measured for all clients who are referred, including those who refuse to participate. The intervention group should be able to be identified through existing government IT systems or with limited changes to existing IT systems. Proponents should also specify if their proposal **addresses an unmet need** or targets

⁶ In this instance, 'social benefits' refer to the positive effect on a client or client group that can be reasonably attributed to their involvement with a service or program. 'Financial benefits' could include immediate cash savings to the government, or avoided costs or productivity gains. More detail on the nature, timing and recipients of benefits of proposals is outlined in [section 3.3](#) (below).

those not currently accessing services. Proposals that replace an existing service(s) will be considered as long as they do not disadvantage clients of current services (e.g. by applying more stringent eligibility criteria and reducing the number of clients that can access the service), improve on the efficiency and effectiveness of current services, and can be sufficiently scaled.

- **Robust methods for determining performance.** Proposals should build into the methodology a matched or randomised comparison group (who do not receive the service), which is subject to the same eligibility criteria as the intervention group. This is so outcomes can be attributed to the proposal and minimise the influence of other environmental factors. Options for assessing performance, in order of robustness (and preference), include:
 - (i) random selection of the comparison and intervention group from the same population
 - (ii) a 'real time' or live comparison group with similar characteristics
 - (iii) a comparison group created using a one to one matching process at the time of referral
 - (iv) a rolling average performance baseline
 - (v) a historic or static performance baseline.

Proposals should include intervention and comparison groups that are large enough to be statistically reliable and correctly detect an effect. They should also specify the period during which outcomes will be measured.

The measurement framework is open to further discussion, clarification and negotiation during the JDP. Proposals need not include 'gold standard' frameworks but must show evidence of considering the above elements.

3.3 Value for money

Just as for infrastructure and commercial investments, social impact investment proposals should only proceed when expected benefits outweigh costs. All measurable benefits – financial, economic and social – can be used to support a business case for a proposal. Proposals should outline:

- **The composition of benefits.** Proposals must identify the intended benefits and how and when they will be achieved. Where possible, benefits should be quantified in dollar terms as this will help calculate the cost benefit ratio (see below), and show how financial returns and other payments will be funded. For example, immediate cash savings to government are among the most straightforward ways of funding these costs. *Ideally, cash savings should be sufficient to cover the set-up and delivery costs of the service, transaction costs, and returns to government and investors* (if relevant). Proposals should also identify indirect benefits and how they contribute to value for money relative to direct government service provision.
- **Who receives the benefits.** Proposals should identify who receives the economic and social benefits, including government agencies (local, state and Commonwealth), communities and individuals. Where possible, proposals should indicate to which agencies or levels of government specific benefits will accrue as a result of the intervention. *However, only financial benefits that accrue to NSW government agencies can be used to offset payments to investors or service providers.*
- **Proportion of benefits achieved during the contract period.** Proposals should clearly state the total benefits, both social and financial, that are expected to result from the service and

transaction both during and after the transaction period. Benefits achieved by preventative and early intervention proposals may not be visible for some time. In this case, proposals must show what is expected to be achieved during the proposed contract period. Where possible, proposals should demonstrate that benefits deliver a positive net present value (NPV) during the term of the contract. Over time, maximum benefits will come from scaling transactions to cover the billions in base social service expenditure rather than just incremental new pilots. Proposals should demonstrate the ability to achieve scale through the proposed service or over time should the proposed transaction prove successful.

- **Where the intervention falls on the service spectrum.** Proposals should identify the type of service or intervention that will be delivered (i.e. prevention, early intervention, secondary prevention or acute). Proposals likely to deliver the greatest social benefits and savings to the NSW Government are anticipated to be those that prevent or reduce the need for acute, high cost services in the future.
- **Benefit-cost ratio.** The NSW Government prefers social impact investment transactions that deliver financial benefits that are greater than the total costs of the transaction. While the financial outcomes of the transaction will not be agreed until the JDP, proposals that include sufficient financial modelling to demonstrate *a likely cost benefit ratio greater than 1:1* will be well regarded. Please note that proposals should provide the inputs required for calculating a benefit-cost ratio in addition to an estimated ratio.

3.4 Likely to achieve outcomes

Proposals should clearly describe the service to be delivered, including an explanation of the unmet demand or service delivery gap the proposal intends to address and how the service delivery model will operate. Proposals should also demonstrate the effectiveness of both the service and the proponent in delivering the stated outcomes. This should include:

- **Evidence of program effectiveness or program logic.** Proposals should outline evidence of achieving outcomes through multiple, independent evaluations of the service or program. If the service is new or untested, sound program logic should be provided. In all cases, proposals should demonstrate how the service or program incorporates internationally accepted principles for successful interventions in the policy area (refer to [Appendix A and B](#) for examples of intervention principles in the preferred priority areas). Robust evidence of the likelihood of achieving outcomes will reduce risk and make the proposal more attractive to the government and investors (if relevant).
- **Evidence of proponent achieving stated outcomes.** Proposals should demonstrate the proponent's ability to successfully implement the program at a scale required to achieve the intended outcomes. This could include providing supporting evidence of delivering similar programs and achieving agreed outcomes, and effectively managing partnerships with government, investors and other partners.
- **Degree of changes required / time to reach full service delivery.** Proposals should demonstrate that full implementation is achievable in an appropriate timeframe and with minimal change to existing systems and processes for the government and proponent.
- **Demonstrates capacity to deliver.** Proposals should clearly demonstrate capacity and capability to administer all aspects of the proposed transaction from service delivery, managing

partnerships and data collection. Proponents should consider IT systems, financial management, staff capability, and geographic spread. This is particularly important where the service or program is new and untested and/or where the proposal involves a recently negotiated partnership.

- **Demonstrates innovation compared to business as usual.** While an evidence base is important to demonstrate the likelihood of achieving stated outcomes, innovation is also a desirable element of proposals. In this instance, innovation can be untested and catalytic or incremental. Proponents should also demonstrate their ability to continually assess and adapt services to achieve the best results. If the program is untested, or the proponent's ability to deliver is unproven, the risk-return profile for participants will need to be carefully considered (see below).

3.5 Sharing of financial risk and return

Overall, the proposal should demonstrate that the sharing of risk and return is appropriately balanced between investors (where appropriate), the proponent and the government. Proposals should outline:

- **Appropriate composition of financial risk sharing in various performance scenarios.** Proposals must outline the intended risk-return profile for each participant in the transaction, considering the risk appetite of all parties and potential returns. The government prefers that the majority of risk is taken by investors and/or proponents, with limited financial risk borne by the government. Where private investors are involved, proposals should outline how the transaction intends to deliver returns for target investors in the expected performance scenario. Scenarios in which performance is above or below that expected should also be outlined (see below for more information).
- **Proposed payment mechanisms and return structure.** Proposals should demonstrate a structure where government payments are made depending on the outcomes achieved. Proposals should also suggest clear mechanisms to independently assess the payments due. Where investors are involved, returns will ideally reflect the length of time for which investment capital is committed, and the regularity and size of payments. The size of the principal in transactions involving investors should also be considered and specified. Given the costs of raising capital, a transaction with a *principal of less than \$5 million may not be attractive for private investors*. Proposals must outline the suggested payment schedule and amounts for all possible performance scenarios:
 - (i) below baseline
 - (ii) baseline
 - (iii) good performance
 - (iv) over-performance.

These features will be further negotiated during the JDP, but the financial risk in the case of below-baseline performance should reside mostly with investors and/or proponents.

- **Ability to finance the transaction.** Proposals must identify a funding source to support the costs of the transaction (including financial returns to investors, where relevant). This might include one or a combination of the following:

- (i) savings to government from successful prevention services
- (ii) revenue from other government or philanthropic payments
- (iii) sales of goods or services
- (iv) other returns from assets (e.g. rental income).

Where relevant, proposals should demonstrate sufficient investor interest and a market-based risk/return profile, with the capacity to market the product effectively to the target investors.

Ideally, financial modelling should show that the government and the proponent at least break even at base case performance levels. Indirect benefits, such as productivity gains, are generally unable to directly fund transaction costs. However, they are still important and while more complex than other benefits, may be used to support proposals with significant social benefits.

Proponents could consider working with an intermediary to structure the transaction. As with the measurement framework, the breakdown of risk and return will be further discussed and negotiated during the JDP.

Government standing charges

With many international bond models, all risk is transferred to investors. This has not been the case with social benefit bonds in NSW. Recognising the early stages of the social impact investment market, the NSW Government provided a 'standing charge' or payment to improve the risk profile for investors in the Newpin and Benevolent Society bonds. The standing charge in the bonds is approximately 50 per cent of the service delivery costs. As the market develops and investor interest grows, a lower level of financial support from the government will likely be provided in future.

The standing charge is not a government guarantee to investors but an early payment that is deducted from the amount due from the government when outcomes are known. It may be structured as a one-off payment or as a regular payment throughout the life of the contract. It enables an appropriate risk-return profile for the investors sought in the particular proposal. It is important that standing charge arrangements give the government an appropriate risk profile in the context of the risk allocated to investors and the proponent.

4. SUBMISSION REQUIREMENTS

Managing chronic health conditions and managing mental health hospitalisations are the preferred policy areas for this RFP. However, proposals are not limited to these policy areas and the others in the 2015 Statement of Opportunities. Proposals in other areas must demonstrate how they meet evaluation criteria to a high standard (refer [Section 3](#)).

4.1 Basic conditions

In addition to meeting the social impact criterion, proposals must also meet the basic conditions set out below to be eligible for assessment:

- Proponents must provide contact details for at least two independent referees so the panel can verify the information in proposals. If possible, referees should have experience of previous work done by the organisation(s) involved in the proposal. The panel may contact referees at its discretion. If deemed necessary and justified, the panel may also seek additional referees.
- Proponents are required to disclose any existing contracts (with the NSW Government or other entities) in areas that may be relevant to the proposal.
- If selected as a preferred proponent through this RFP process, proponents must be willing to participate in the JDP according to the terms of the JDP agreement.

The panel may, at its absolute discretion, exclude proposals that fail to meet these basic conditions from this RFP process without further consideration.

4.2 Format of submissions

Proposals should be no longer than **30 pages in length**, including appendices or additional documentation (e.g. financial modelling). Where proposals exceed 30 pages the panel may not consider the information contained in the additional pages. Font size is to be a minimum of 11 point and all pages must be A4. All references to money, prices and/or payments must be in Australian dollars. A suggested structure for proposals is set out below. This is only a guide – the structure and length of sections should be tailored to the content.

a) Background information

- Details of proponents, including contact person
- Statement against basic conditions (section 4.1)

b) Summary of the proposed transaction

- Comprehensive description of cohort and proposed intervention
- Preferred structure and contractual relationships

c) Detailed statement against the evaluation criteria

d) Other information

- Details of independent referees
- Appendices

a) Background information

The following requested information is mandatory. Proposals must outline the organisation (or organisations) involved in the proposal, as well as key personnel who will be involved in the JDP if the proposal is successful through this RFP. Contact details must also include:

- Trading name and ABN for each organisation involved in the proposal.
- Type of legal entity for each organisation involved in the proposal.
- GST status for each organisation involved in the proposal.
- Business address for each organisation involved in the proposal.
- Details of nominated contact person for the proposal. This should be one person for each proposal who is authorised on behalf of all participating organisations to be the contact person for the proposal.
- The contact details for any advisors to the proposal and their role/responsibilities in developing the proposal.

The panel's nominated contact officer (or delegate) may contact proponents during the assessment process to clarify elements of proposals and/or seek further information. The proponent's nominated person will be contacted in the first instance for all such communication.

b) Summary of the proposed transaction

Description of the cohort and proposed intervention

A business case is a critical part of the proposal and should cover:

- a detailed description of the proposed service or program, including the proposed intervention group
- details of capital asset requirements (if appropriate)
- high level implementation plan.

This section should also discuss:

- if and how the proposed service or program interacts with other government (including NSW, the Commonwealth and local governments) or non-government programs
- its scalability and adaptability over time
- length and intensity of services
- privacy considerations (e.g. for data collection) and any ancillary requirements such as the need to obtain ethics approval.

Preferred structure and contractual relationships

Proposals should outline a preferred structure for implementing the transaction. The structure should identify the legal entities proposed to participate in the transaction, show the suggested contractual relationships between those entities and identify the financing and payment structures. The structure will be different for each transaction, but should account for the service provider(s), the government, and special purpose entities and investors (if relevant).

For example, two different contractual structures were used for the social benefit bonds (see the Principles for Social Impact Investment Proposals to the NSW Government, p. 12). In one bond,

the NSW Government contracted directly with a service provider through an outcomes-based contract. In the other, the agreement is between the government and a special purpose entity, which minimised risks to the service provider.

However, transactions are not limited to social benefit bonds and variations on these example structures are possible. Less complex structures will aid in streamlining negotiations. The structure and contractual relationships will depend on the proposed transaction and will be further negotiated during the JDP.

c) Statement against the evaluation criteria

Proposals will be assessed against evaluation criteria outlined in [Section 3](#). Proponents are advised to respond to all evaluation criteria listed in this RFP. Proposals that do not include a full and complete response to permit a proper assessment against these criteria and the requirements of this RFP may be excluded from the evaluation process without further consideration at the panel's discretion.

d) Other information

Proposals must include the details of at least two independent referees, as specified in [Section 4.1](#).

Appendices should be included as separate attachments and should be as succinct as possible as they are included in the 30 page limit. Large attachments containing key proposal information may be disregarded at the panel's absolute discretion.

4.3 Lodgement of proposals

Proposals (including all supporting information, if any) must be fully received by 9:00am AEST on 15 February 2016, as specified on the front page on this RFP.

Late proposals will not be considered except where the panel is satisfied that the integrity and competitiveness of this RFP process has not been compromised. The panel will not penalise any proponents whose proposal is received late if the delay is due solely to mishandling by the NSW Government.

Notification of intent

All parties considering submitting a proposal should register their interest at <https://tenders.nsw.gov.au> as early as possible, including the details of a contact person for the proposal. All correspondence and any additional information distributed during the RFP period will be sent to the nominated contact person.

Electronic proposals

All proposals must be submitted electronically on <https://tenders.nsw.gov.au> and will be treated in accordance with the *Electronic Transactions Act 2000* (NSW).

A proponent, by electronically lodging their proposal, is taken to have accepted the conditions shown in the conditions and rules on the Department of Finance, Services and Innovation (DFSI) tenders website at <https://tenders.nsw.gov.au/commerce>, and to have accepted the conditions set out in this RFP document.

Signatures are not required but the proponent must ensure that a proposal is authorised by the person or persons who may do so on behalf of the proponent, appropriately identify the person, and indicate the person's approval of the information communicated.

Electronically submitted proposals may be made corrupt or incomplete, for example, by computer viruses. The NSW Government may decline to consider for acceptance a proposal that cannot be effectively evaluated because it is incomplete or corrupt. Proponents must note that:

- To reduce the likelihood of viruses, proposals should not include any macros, applets, or executable code or files.
- Electronically submitted files should be free from viruses and should be checked using an up to date virus-checking program before submission.

The NSW Government will not be responsible in any way for any loss, damage or corruption of electronically submitted proposals.

If a proponent experiences any persistent difficulty with the DFSI tenders website in submitting a proposal or otherwise, they are encouraged to advise the OSII promptly by email to socialinvestment@dpc.nsw.gov.au.

Proponents may break down the lodgement of large proposals into smaller packages if clearly identified (e.g. Package 1 of 3) and must provide clear directions as to whether the lodgement is:

- supporting information
- a further part of the proposal that has previously been lodged.

Extension of closing date and closing time

The NSW Government may, in its absolute discretion, extend the closing date and closing time of this RFP.

If there is an extended defect or failure of the DFSI tenders website or e-Tendering system and the NSW Government is advised as indicated above, the closing date and closing time may be extended if the NSW Government is satisfied that the RFP process will not be compromised by such an extension.

Ownership of proposals

All proposals become the property of the NSW Government on submission. The NSW Government may make copies of the proposals for any purpose related to this RFP.

Confidentiality

Any information received by the proponent in connection with the RFP, in whatever form it is received, is confidential to the State of NSW. The proponent must not use or disclose to any person such information, in whole or in part, except to the minimum extent necessary for the purposes of preparing its proposal. The proponent may disclose such information to a bona fide independent consultant retained by the proponent for the purposes of preparing or submitting their proposal.

Without limitation, the proponent will not in any way publicise that they propose to submit or that they have submitted a proposal or the content of any proposed or submitted proposal in response to this RFP. The proponent and their personnel must not at any stage make any public statement

or in any way disclose information about the RFP process or any aspect of that process, including selection for entry into any JDP or Implementation Agreement under this RFP, to any person without the express written permission of the NSW Government.

The restrictions under the above paragraphs do not apply to the extent that:

- the information is generally available to the public (other than as a result of the wrongful disclosure by the proponent)
- the information is required to be disclosed by any law or under the lawful compulsion of any court, tribunal, authority or regulatory body.

Failure to comply with these confidentiality requirements may be taken into account by the NSW Government when considering the proponent's proposal and may result in the proposal being passed over.

Variations to proposals

At any time after the closing date and closing time and before the NSW Government accepts any proposal for entry to the JDP, a proponent may vary its proposal:

- by providing the NSW Government with further information by way of explanation or clarification but not by way of introducing new information, as noted below
- by correcting a mistake or anomaly
- by documenting agreed changes negotiated.

Such variation may be made either at the request of the NSW Government or with the consent of the NSW Government at the request of the proponent, but only if:

- in the case of a variation requested by the proponent to provide information by way of explanation or clarification or to correct a mistake or anomaly, it appears to the NSW Government reasonable in the circumstances to allow the proponent to provide the information or correct the mistake or anomaly
- in the case of a variation to document agreed changes negotiated, the NSW Government has confirmed that the draft documented changes reflect what has been agreed.

If a proposal is varied in accordance with the above provisions, the NSW Government will provide all other proponents whose proposals have similar characteristics with the opportunity to vary their proposals in a similar way.

A variation of a proposal will not be permitted if the NSW Government is satisfied that:

- it would substantially alter the original proposal
- in the case of a variation requested by the proponent to provide information by way of explanation or clarification or to correct a mistake or anomaly, it would result in the revising or expanding of a proposal in a way that would give the proponent an unfair advantage over the other proponents.

Non-complying proposals

A proposal that does not address the requirements of sections 4.1 and 4.2 above may be considered non-compliant. Before making any determination as to acceptance or rejections of a proposal, the OSII (in its role as compliance assessors) may, provided it is satisfied that the integrity and competitiveness of the RFP process has not been compromised, give a proponent of

a non-complying proposal the opportunity to rectify any non-compliance.

Acceptance or rejection of proposals

It is not intended by the NSW Government or the proponent that the issuing of this RFP or a submission of a proposal to it commits, obligates or otherwise creates a legal relationship in respect of entering into a contract with that party.

The NSW Government is not bound to select any proposal for participation in the JDP or for implementation. If the NSW Government rejects all proposals received, it may invite fresh proposals based on the same or different criteria.

Selection of a proposal for participation in the JDP will be subject to the issue of a letter of selection to the preferred proponent and entry into a JDP agreement. Entry into a JDP agreement must not be construed as an indication or representation to the proponent by the NSW Government that the proponent will be selected as the successful proponent and that an Implementation Agreement will be entered into with the proponent to give effect to the social impact investment transaction proposed.

The NSW Government will not, in any circumstances, be responsible for any costs incurred by a proponent arising out of or in connection with the RFP including without limitation:

- in preparing and submitting a proposal
- participating in the JDP
- not being selected as the successful proponent
- discontinuance of this RFP.

Communication / Clarification

The NSW Government acknowledges that information gaps may exist, and further information may be required by proponents to develop proposals in response to this RFP. The NSW Government may be able to provide additional information in response to queries about specific proposals. Any such queries should be directed to the OSII by email to socialimpactinvestment@dpc.nsw.gov.au. Requests for additional information must be received before 5pm AEST on 29 January 2016.

Information the OSII can and cannot provide is listed below:

| We can: | We can t: |
|--|---|
| <ul style="list-style-type: none"> ▪ provide general information about social impact investing | <ul style="list-style-type: none"> ▪ develop and implement proposals outside a formal RFP process |
| <ul style="list-style-type: none"> ▪ provide general information on NSW Government activity and priorities in social impact investing | <ul style="list-style-type: none"> ▪ give detailed advice or feedback on proposals prior to or during a formal RFP process |
| <ul style="list-style-type: none"> ▪ provide information on RFP processes, timing and requirements | <ul style="list-style-type: none"> ▪ advocate or promote potential proponents or their proposals to other government agencies and market participants. |
| <ul style="list-style-type: none"> ▪ facilitate contact with other government agencies and market participants | |
| <ul style="list-style-type: none"> ▪ consider and facilitate information and data requests. | |

Any additional information made available in response to a request will also be distributed to all persons who have registered an interest in the RFP and posted at www.dpc.nsw.gov.au/sii for access by all interested parties.

Ethical conduct

Proponents must comply with the requirements of the NSW Department of Premier and Cabinet [Business Ethics Statement](#).⁷

A proponent's proposal may not receive further consideration if a proponent or any of its officers, employees, agents or subcontractors is found to have:

- offered an inducement or reward to any public servant or employee, agent or subcontractor of the NSW Government in connection with this RFP or the submitted proposal
- committed "corrupt conduct" within the meaning of the *Independent Commission Against Corruption Act 1998 (NSW)*
- a record or alleged record of unethical behaviour, or not complied with the requirements of the Business Ethics Statement referred to above.

The NSW Government may, but is not required to, invite a relevant proponent to provide written comments within a specified timeframe before the NSW Government excludes the proponent and its proposal on this basis.

Proponents must disclose any conflicts of interests in their proposal.

Probity

The Government has engaged a probity adviser for the duration of the evaluation process.

The probity adviser is not part of the evaluation panel, but is an independent observer of the evaluation process. The probity adviser will not be involved in the evaluation of any proposals.

Proponents who have any concerns about the conduct or probity of the RFP process should, notwithstanding any other restrictions contained in this document, promptly bring their concerns to the attention of the probity adviser.

The probity advisor's contact details are:

Michael Shatter
RSM Australia
Phone: 03 9286 8166
Mobile: 0409 808 639
Email: michael.shatter@rsmi.com.au

Exchange of information between government agencies

By lodging a proposal the proponent will authorise the NSW Government to make information available, on request, to any NSW Government agency. This includes information dealing with the proponent's performance on any prior contract that has been awarded. Such information may be used by the recipient NSW Government agency for assessment of the suitability of the proponent for pre-qualification, selective tender lists, expressions of interest or the award of a contract.

⁷ Available at http://www.dpc.nsw.gov.au/data/assets/pdf_file/0010/127477/DPC_Statement_of_Business_Ethics.pdf

The provision of the information by the OSII to any other NSW Government agency is agreed by the proponent to be a communication falling within section 30 of the *Defamation Act 2005 (NSW)*, and the proponent shall have no claim against the OSII and the State of New South Wales in respect of any matter arising out of the provision or receipt of such information, including any claim for loss to the proponent arising out of the communication.

Disclosure information

Following the NSW Government's decision, the proponent will be notified in writing of the outcome of their proposal. Details of this proposal and the outcome of the RFP process will be disclosed in accordance with the [Government Information \(Public Access\) Act 2009](#) and the [Premier's Memorandum 2007-01](#) which requires proactive disclosure of information, including information relating to procurement.

ARCHIVE

5. APPENDICES

- A. Managing chronic health conditions**
- B. Managing mental health hospitalisations**

ARCHIVE

A. Managing chronic health conditions

Keeping people healthy and out of hospital is a priority for the NSW Government. People with chronic and complex conditions often use acute health services extensively. Care delivered in the community that helps consumers to better manage their conditions and recognise the signs of deterioration can help keep people out of hospital. There is considerable research that shows empowered consumers and person-centred care can improve care quality, health outcomes, and consumer experience.¹

The NSW Health budget continues to increase and takes up a larger proportion of the overall State budget each year. Chronic diseases are the leading cause of illness, disability and death in Australia, accounting for 90 per cent of all deaths in 2011,¹ and have major impacts on health and welfare services.²

Examples of chronic diseases include:

- cardiovascular conditions (e.g. coronary heart disease and stroke)
- cancers (e.g. lung and colorectal cancer)
- many mental disorders (e.g. depression)
- diabetes
- many respiratory diseases (including asthma and chronic obstructive pulmonary disease)
- musculoskeletal diseases (arthritis and osteoporosis)
- chronic kidney disease
- oral diseases.

Many chronic diseases share common risk factors that are preventable such as smoking, physical inactivity, poor nutrition, and the harmful use of alcohol. Modifying these can reduce the risk of developing a chronic condition, leading to large health gains in the population through the reduction of illness and rates of death.

Chronic diseases are also known to affect some population groups more than others. For example, they occur more often and at a much younger age among Indigenous Australians.² Chronic diseases also occur more often and with greater severity among socioeconomically disadvantaged groups.

Older Australians are the age group most affected by chronic disease. In 2007-08, around 78 per cent of people aged 65 years or over reported having asthma, type 2 diabetes, coronary heart disease, cerebrovascular disease, arthritis, osteoporosis, chronic obstructive pulmonary disease, depression or high blood pressure. Around half of the population aged 65 to 74 years had to cope with five or more chronic diseases, increasing to 70 per cent of those aged 85 years and over.³

Having multiple chronic conditions is associated with worse health outcomes, more complex disease management and increased health costs.⁴

¹ ABS 2013. Australian Health Survey: updated results, 2011–12. ABS cat. no. 4364.0.55.003. Canberra: ABS.

² AIHW 2010. Contribution of chronic disease to the gap in adult mortality between Aboriginal and Torres Strait Islander and other Australians. Cat. no. IHW 48. Canberra: AIHW.

³ AIHW 2011. Australia's welfare. Cat. no. AUS 142. Canberra: AIHW.

⁴ AIHW 2011. Key indicators of progress for chronic disease and associated determinants: data report. Cat. no. PHE 142. Canberra: AIHW.

NSW Health has invested in a number of strategies to help prevent and manage chronic disease. The NSW Government is now looking to partner with suitable organisations to develop and implement a new coordinated and integrated approach to chronic disease and complement existing care and support services.

NSW Health's new coordinated and integrated approach to chronic disease will be person-centred and ensure that the right care is provided in the right place at the right time. An integrated approach will facilitate collaboration across the healthcare system, and include public and private healthcare systems and non-government organisations.

Potential cohorts

Chronic disease is, by definition, long-term. Risk stratification (patient identification and selection) is essential to target a cohort at the right stage of the chronic conditions pathway and disease course. Proposals may focus on any or all of the following cohorts, depending on the nature of the intervention.

- **Those at risk:** focus is on identifying and managing risk factors.
- **Those with a diagnosis:** focus is enabling people to manage their condition and prevent complications (that will eventually impact on function).
- **Those with a diagnosis and complications:** focus is on managing complications and preventing functional impairment.
- **Those with multiple health and social needs:** focus is regaining or maintaining function.

Further information on identifying cohorts at highest risk of health deterioration and a range of appropriate evidence-based strategies for them can be found at the NSW Agency for Clinical Innovation [website](#).⁵

Outcomes sought

Investing in a new approach to chronic and complex disease management will help NSW Health provide a more effective and efficient model of care that:

- improves the health outcomes of patients, helping them lead more productive lives
- improves consumers' experience of the health system and the care they receive
- frees up resources to better meet the future healthcare needs of a growing and ageing population.

Social impact investment can help deliver these longer-term outcomes by:

- improving the effectiveness of expenditure on health services
- harnessing the innovative capacity of both investors and service providers
- contributing to the evidence base of what works in preventing and managing chronic and complex conditions.

Outcome measures

Depending on the nature of the intervention and data availability, outcome measures could include:

⁵ Available at: <http://www.aci.health.nsw.gov.au/resources/integrated-care/aci/integrated-care/risk-stratification-program>.

Patient experience:

- improved Patient Reported Outcome Measures (PROMs)
- improved real-time patient feedback facilitated by Patient Reported Experience Measures (PREMs)

Clinical or patient reported outcomes:

- delay in expected hospitalisations
- reduced reliance on prescription drugs
- better quality of life
- improved QALYs/DALYs
- reduced length of stay when a patient is hospitalised
- reduced emergency department presentations through enhanced care provision in out-of-hospital settings
- improved health outcomes identified by a GP chronic disease management plan and an annual review (e.g. change in biomedical indicators HbA1c, cholesterol, weight)
- increased capacity for patients to self-manage their condition (i.e. behaviour change)
- increased independence
- improved results in functional assessments.

Selected outcome measures will be the basis for making payments to service providers and/or investors. Proponents should consider the availability of reliable data, costs and practical steps of collecting the data, and whether data can be accessed.

Measuring outcomes will require comparison against a control cohort to prove attribution of the outcomes to the intervention proposed.

Outcome measures and payment indicators will be further developed during the JDP.

Data

Historical data is available on the interactions that individuals have with acute care components of the public health system. Data collection has become more detailed in conjunction with the implementation of Activity Based Funding (ABF) and will support the identification of outcome measures.

Publicly available data and data held by proponents can be referenced. A list of useful data sources is available on the [Social Impact Investment Knowledge Hub](#).⁶

Further data will be made available during the JDP.

Examples of areas of need

Some examples are provided as a guide to demonstrate potentially successful social impact investment programs. They are examples of proposals which have potential to meet the social impact investment criteria.

⁶ Available at: http://www.dpc.nsw.gov.au/data/assets/pdf_file/0011/174908/Health_Data_Sources.pdf

| Program | Target population | Priority area |
|---|--|--------------------|
| Asthma management | Children and adolescents with asthma | Chronic conditions |
| Chronic disease self-management | People with specified chronic illness identified as rising/high risk of hospitalisation (includes Aboriginal people) | Chronic conditions |
| Fracture prevention | People (often women aged over 50) with minimal trauma fracture identified in Emergency | Chronic conditions |
| Home tele-monitoring | Patients with chronic heart failure living at home | Chronic conditions |
| Step-down mental health service with accommodation and wrap-around supports | Adults with severe and persistent mental illness requiring 24/7 care and support in short to medium term. May be inpatients or in forensic facilities transitioning to community | Mental health |
| Post-hospital rehabilitation (eg. cardiac, pulmonary) | Aboriginal people with chronic disease | Chronic conditions |

Principles of effective interventions

Part of the value that social impact investment brings is that it enables greater innovation and flexibility in tackling policy issues. However, an evidence base and clear program logic is essential so that the Government and investors can assess the likelihood that a proposal will achieve stated outcomes, and understand and price risk.

Another key element is preventing perverse incentives associated with payment by outcomes. A strong governance structure and payment triggers based on health outcomes rather than outputs will be important.

Essential activities and components to the effectiveness of integrated complex care management programs (for those with a severe condition) include:⁷

- mechanisms for identifying and engaging patients who are at high risk for poor outcomes and unnecessary use of health services
- comprehensive health assessments to identify problems that, if addressed through effective interventions, will improve care and reduce the need for expensive services
- working closely with patients and their caregivers as well as primary care and social service providers
- assisting individuals to play an active part in determining their own care and support needs through personalised care planning
- engaging each individual in a single, holistic care planning process with a single care plan irrespective of how many long-term conditions they have
- collaborative relationships between patients and professionals, shared decision-making and self-management support

⁷ CS Hong, AL Siegel & TG Ferris, *Caring for High-Need, High-Cost Patients: What makes for a successful care management program*, Issue Brief, The Commonwealth Fund, August 2014

- rapidly responding to changes in patients' conditions to appropriately avoid emergency department visits or hospitalisations
- the aggregation of individual needs and choices to inform and support planning by local health districts
- provision of self-management support by community and self-help groups alongside core services.

Design considerations

- The nature of the proposed intervention
- Evidence base for effectiveness
- Program logic
- A clear cohort and methods for selecting clients and measuring outcomes must be rigorous, supported by reliable data, and designed to minimise adverse outcomes
- Proof of success will require a control/comparator group and a robust study design to monitor and evaluate success
- Valid outcome measures and indication of data requirements
- Modelling of costs and benefits
- Innovative solutions
- Risk sharing between Government and investors
- Infrastructure, including ICT.

Other design considerations include:

- Alignment with key NSW Health strategies and drivers
- Strategies to avoid perverse incentives
- The role of Local Health Districts and other health organisations, if relevant.

B. Managing mental health hospitalisations

In October 2014, the Mental Health Commission of New South Wales published *Living Well– Putting People at the Centre of Mental Health Reform in NSW: A Report*. This report highlighted that:

- one in five Australians experience mental illness in one year
- 2.7 million work days are lost each year due to mental illness in Australia
- 54 per cent of the NSW mental health budget is spent on inpatient care.^{1, 2}

In 2012/13, there were over 28,600 in-patient episodes in an acute or sub-acute public hospital setting for people with a mental illness. This amounted to more than 405,000 bed nights at a cost of more than \$497 million.

In *Living Well: A Strategic Plan for Mental Health in NSW* the Government committed to enhance services in the community that complement in-patient acute mental health services. The Plan provides a roadmap for Government action focused on five key areas:

- strengthening prevention and early intervention
- greater focus on community based care
- developing a more responsive system
- working together to deliver person-centred care
- building a better system.

Potential cohort

The target population is people with severe mental illness aged 16 years and over (until mental/cognitive ability is affected by old age). This population experiences disability or impairment that impacts on their daily functioning, with the disability or impairment primarily stemming from their mental health diagnosis.

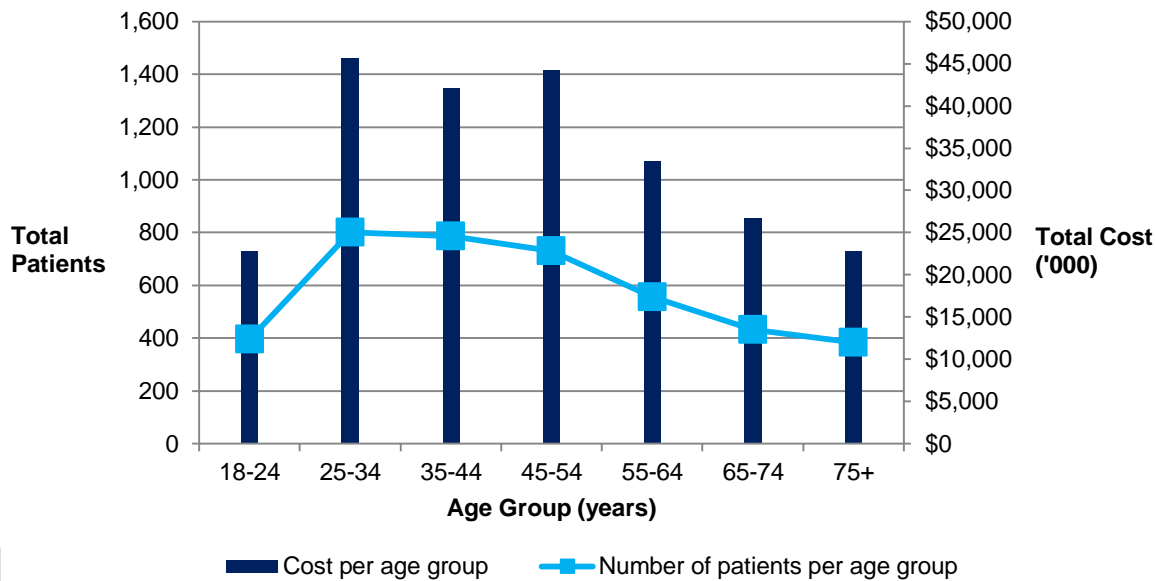
More than 4,000 patients (aged 18 years or older) receiving treatment in an acute or sub-acute setting for a mental health condition were admitted for 28 days or longer in one or more episode in 2012/13.³ The average length of stay for someone admitted for 28 days or longer was 53 days. The current costs of treating these patients range from \$11,026 to \$1,226,206 with an average annual cost per patient of just over \$58,000. These patients accounted for almost \$237 million or 48 per cent of the total mental health acute or sub-acute service cost. This cohort represents around 15 per cent of the total acute and sub-acute cohort who received in-patient treatment in 2012/13.

¹ Australian Bureau of Statistics, *National Survey of Mental, Health and Wellbeing 2007: Summary of results*, ABS Cat. No. 4326.0. Australian Bureau of Statistics: Canberra. 2008

² Mental Health Commission of NSW, *Living Well – Putting People at the Centre of Mental Health Reform in NSW: A Report*, 2014

³ ABF Portal, NSW Health

Target mental health cohort – Patients and costs per age group (2012/13)⁴



Outcomes sought

The outcomes sought in this priority area will contribute to the delivery of *Living Well: A Strategic Plan for Mental Health in NSW* through:

- reduced severity and frequency of illness episodes
- increased opportunities for those with a mental illness to have greater participation in their communities, education and employment
- greater stability in the lives of individuals with a mental illness, their families and friends
- contributions to the evidence base on what will improve the lives of people with a mental illness.

Outcome measures

Outcomes arising from service delivery models in this area should be measured on both a clinical and broader social level. Depending on the nature of the intervention and data availability, the outcome measures could include:

- reduced frequency of readmission to a mental health facility
- reduced presentations to emergency departments
- reduced length of in-patient stay when admissions occur
- increased stable and permanent housing in the community
- increased capacity to manage their condition (behaviour change)
- improved results in functional assessments
- reduced contact with the criminal justice system
- increased independence
- increased employment.

⁴ NSW Ministry of Health

Selected outcome measures will be the basis for making payments to service providers and/or investors. Proponents should consider the availability of reliable data, costs and practical steps of collecting the data, and whether data can be accessed.

Measuring these outcomes will require comparison against a control cohort to prove attribution of the outcomes to the intervention proposed.

Outcome measures and payment indicators will be further developed during the JDP.

Data

Publicly available data and data held by proponents can be referenced. A list of useful data sources is available on the [Social Impact Investment Knowledge Hub](#).⁵

Further data will be made available during the JDP.

Examples of areas of need

Around 1,300 people with severe mental illness currently receive day to day support to live in the community through various Housing and Accommodation Support Initiative (HASI) packages.

Support levels for these 1,300 clients range from very high (8 hours per day) to low (5 hours per week) and involve the provision of housing where necessary and available.

Around 60 people who have more intensive support needs (16-24 hours day) are currently being supported to live in the community with integrated clinical and psychosocial supports provided within NGO-managed accommodation.

Challenges include:

- The current HASI and HASI Plus programs do not meet demand for people with severe mental illness who could be better supported to live well in the community and avoid unnecessary and lengthy hospital admissions
- There are currently limited step-up and step-down models of care to ensure effective pathways from specialist inpatient hospital rehabilitation into broader community-based recovery support services.

Principles for effective interventions

Part of the value that social impact investment brings is that it enables greater innovation and flexibility in tackling policy issues. However, an evidence base and clear program logic is essential so that the Government and investors can assess the likelihood that a proposal will achieve stated outcomes, and understand and price risk.

Another key element is preventing perverse incentives associated with payment by outcomes. A strong governance structure and payment triggers based on health outcomes rather than outputs will be important.

There is international acceptance of community care models for people with mental illness.

People with enduring and severe mental illness experience better quality of life and improved social outcomes if they can maintain living in the community.

⁵ http://www.dpc.nsw.gov.au/_data/assets/pdf_file/0011/174908/Health_Data_Sources.pdf

Elements shown to be effective in a supportive mental health model in NSW include:

- providing people with mental illness ongoing clinical mental health services and rehabilitation within a recovery framework
- assisting people with mental illness to participate in community life and to improve their quality of life
- appropriate patient identification and selection.

Community-based care for mental health clients, based on the following principles, may be a useful focus for social impact investment:

- Everyone has the right to live in the community
- Patients will move into the community only when it is right for them
- Transition to community living depends on individual needs, tailored housing, clinical care and available psychosocial support.

A proposal that includes a supportive or affordable housing component would need to be consistent with the guidelines for affordable housing in NSW. Such a proposal would also need to consider the capital related expenses such as purchasing/construction costs, and recurrent costs such as maintenance and other fees. In addition there may be particular factors to be considered when providing purpose built housing such as proximity to services. A build-operate-maintain public private partnership may be appropriate for this opportunity.

Design considerations

- The nature of the proposed intervention
- Evidence base for effectiveness
- Program logic
- A clear cohort and methods for selecting clients and measuring outcomes must be rigorous, supported by reliable data, and designed to minimise adverse outcomes.
- Proof of success will require a control/comparator group and a robust study design to monitor and evaluate success
- Valid outcome measures and indication of data requirements
- Modelling of costs and benefits
- Innovative solutions
- Risk sharing between Government and investors
- Infrastructure, including ICT.

Other design considerations include:

- Alignment with key NSW Health strategies and drivers
- Strategies to avoid perverse incentives
- The role of Local Health Districts and other health organisations, where relevant.