



Social Impact Investment

Market Sounding:

Managing chronic health conditions

23 February 2015



Agenda

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|----------------------|---|
| 10:45 – 11:00 | Welcome and overview of the Social Impact Investment Policy
Danny Graham |
| 11:00 – 11:25 | Managing chronic health conditions
Elizabeth Koff, NSW Ministry of Health |
| 11:25 – 11:45 | Proposals, process and timeframes
Kirrin Winning and Jeremy Harris, Office of Social Impact Investment |
| 11:45 – 12:15 | Morning tea and networking |
| 12:15 – 1:00 | Questions and discussion
Danny Graham |

Purpose of this session

- Provide information to the market on chronic disease management to help preparations for a formal Request for Proposals (RFP) in April.
- Brief the market on the requirements, process and timeframes of the RFP.
- Receive constructive feedback and suggestions to understand how we can support the market to respond.

Useful reading:



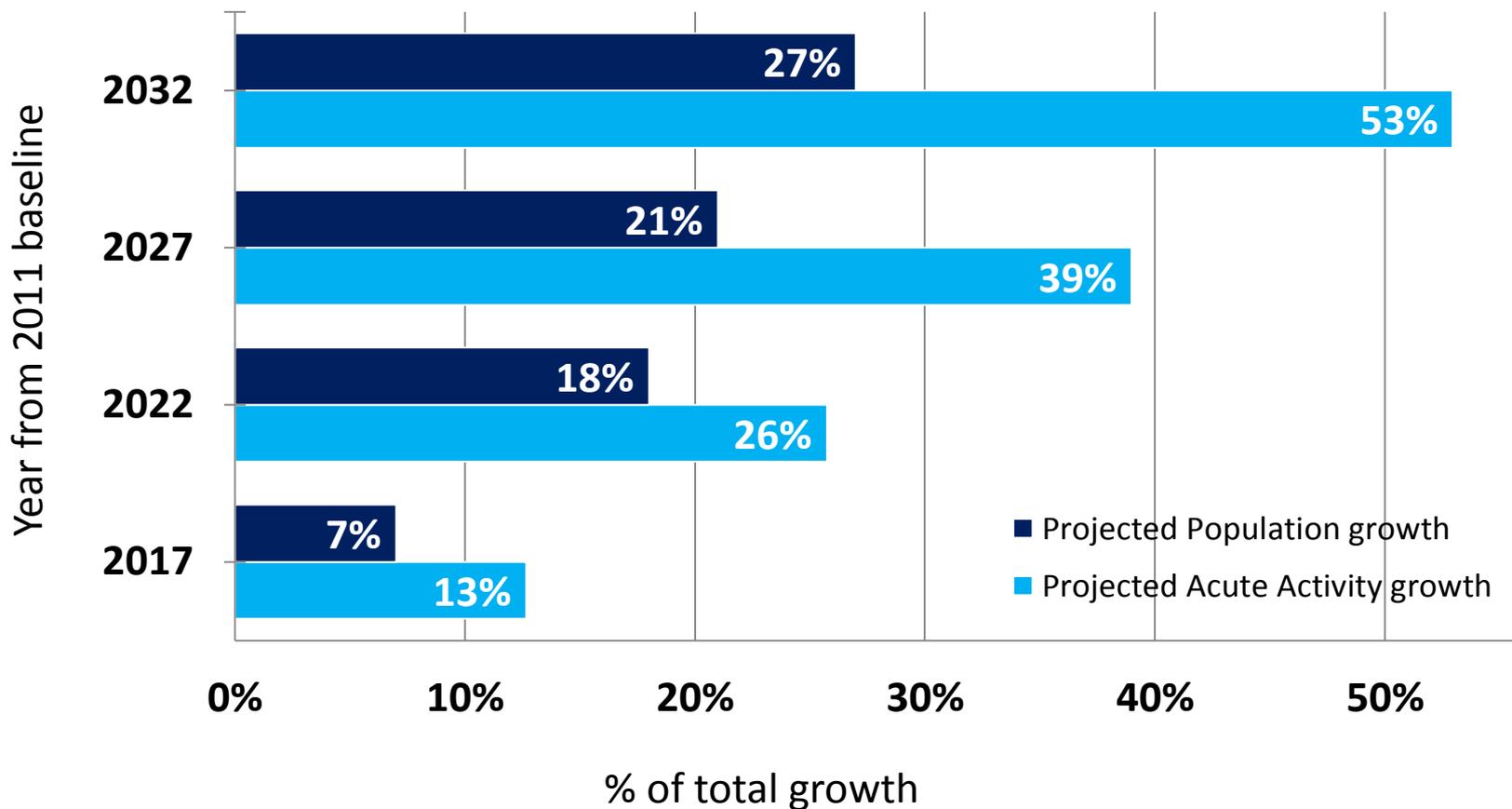
Managing chronic health conditions

Managing chronic health conditions

People with chronic and complex conditions are often **high users of acute health services** and benefit from greater coordination of care.

NSW Health is looking to partner with suitable organisations to develop and implement an integrated care model that improves outcomes for patients with chronic conditions.

Forecast growth in population and activity



Potential patient cohort

There are currently more than **34,000 individuals across NSW over 45 years of age** who are at high risk of ongoing poor health outcomes due to underlying chronic and complex health conditions.

During the period from 1 April 2012 to 31 March 2014, these patients presented to emergency an average of **7.2** times and averaged **6.6** hospital admissions.

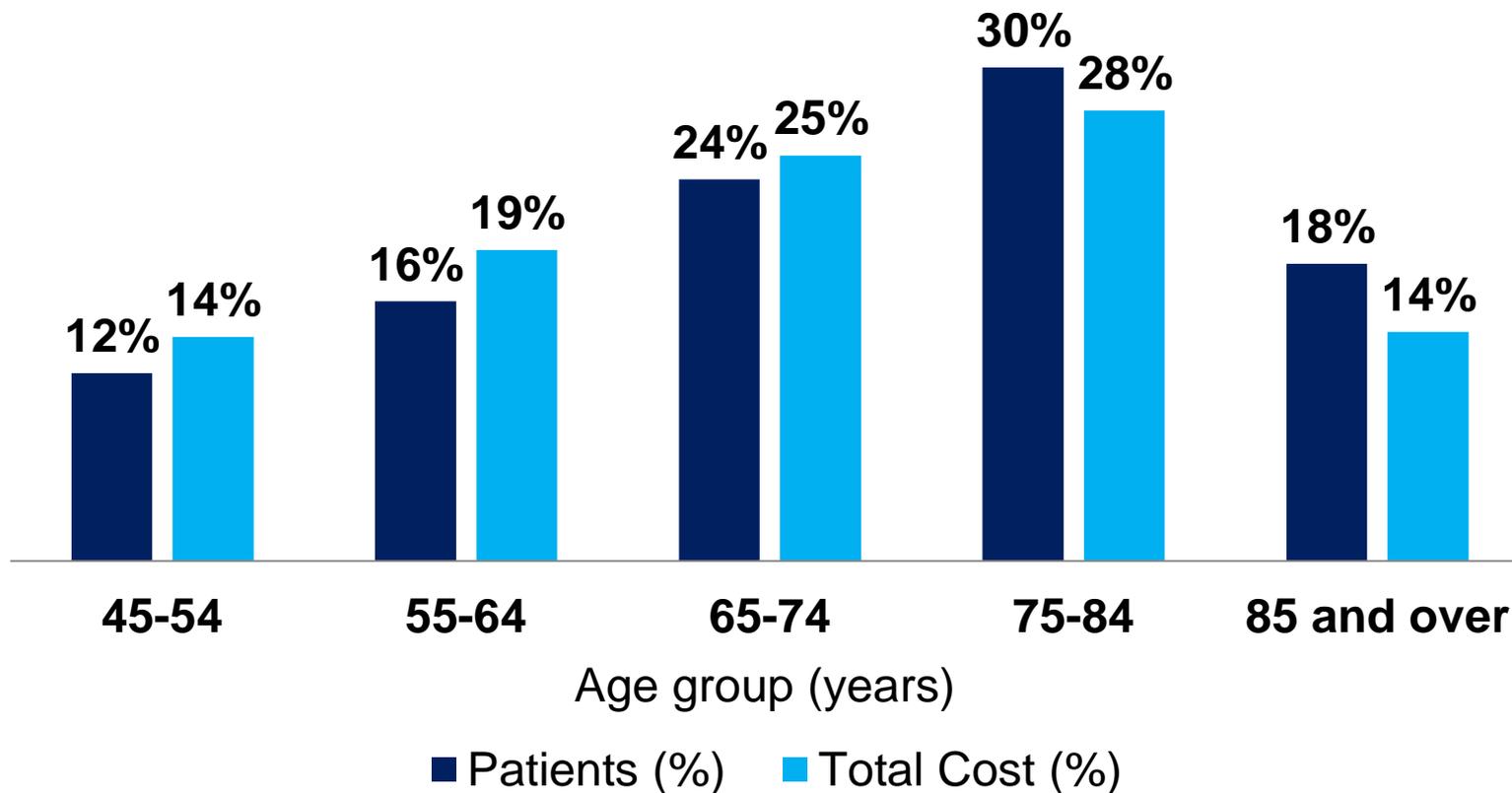
Potential patient cohort – Major chronic diseases

Chronic diseases:

- Arthritis
- **Asthma**
- **Chronic kidney disease**
- **Chronic obstructive pulmonary disease (COPD)**
- Cancer (colorectal and lung)
- Depression
- **Ischaemic heart disease (coronary heart disease)**
- Oral disease
- Osteoporosis
- Stroke
- **Type 2 diabetes**

Potential patient cohort – Age and cost

NSW patients with chronic and complex health conditions by age and cost as a proportion of the total identified cohort (2012/13)

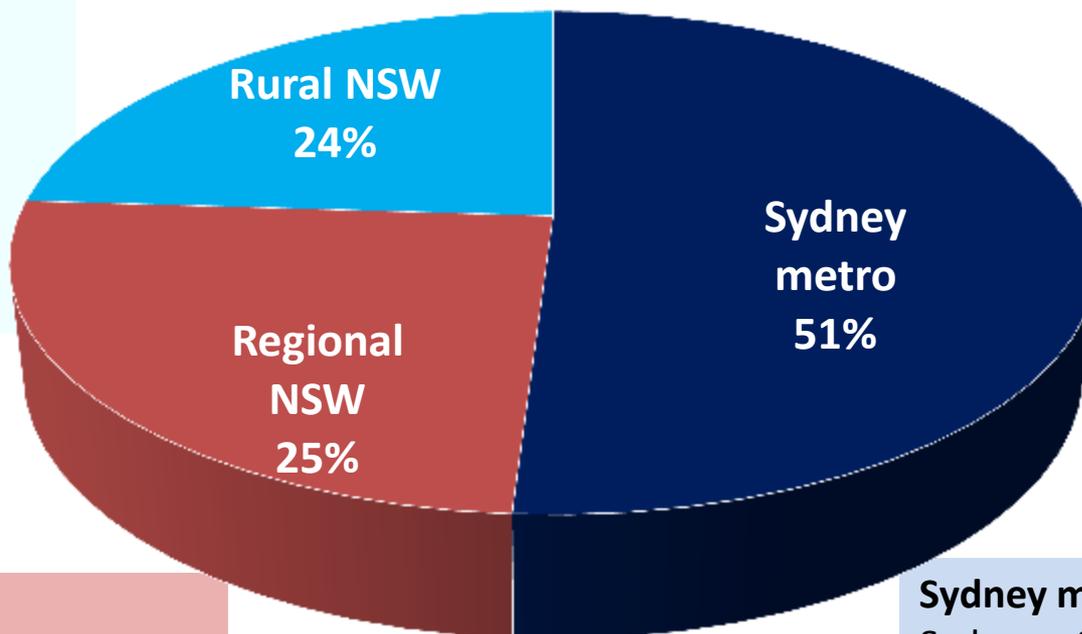


Potential patient cohort – Distribution

Distribution of chronic disease patients by Local Health District

Rural NSW

Southern NSW - 3%
Murrumbidgee - 5%
Western NSW - 6%
Far West - 0%
Northern NSW - 5%
Mid North Coast - 5%



Regional

Hunter New England - 15%
Central Coast - 5%
Illawarra Shoalhaven - 7%

Sydney metro

Sydney - 8%
South Western Sydney - 12%
South Eastern Sydney - 10%
Western Sydney - 8%
Nepean Blue Mountains - 4%
Northern Sydney - 7%

Current NSW Health context

The NSW State Health Plan: Towards 2021 highlights **integrated care** as:

“The provision of seamless, effective and efficient care that reflects the whole of a person’s health needs, from prevention through to end of life, across physical and mental health, in partnership with the individual, their carers and family.”

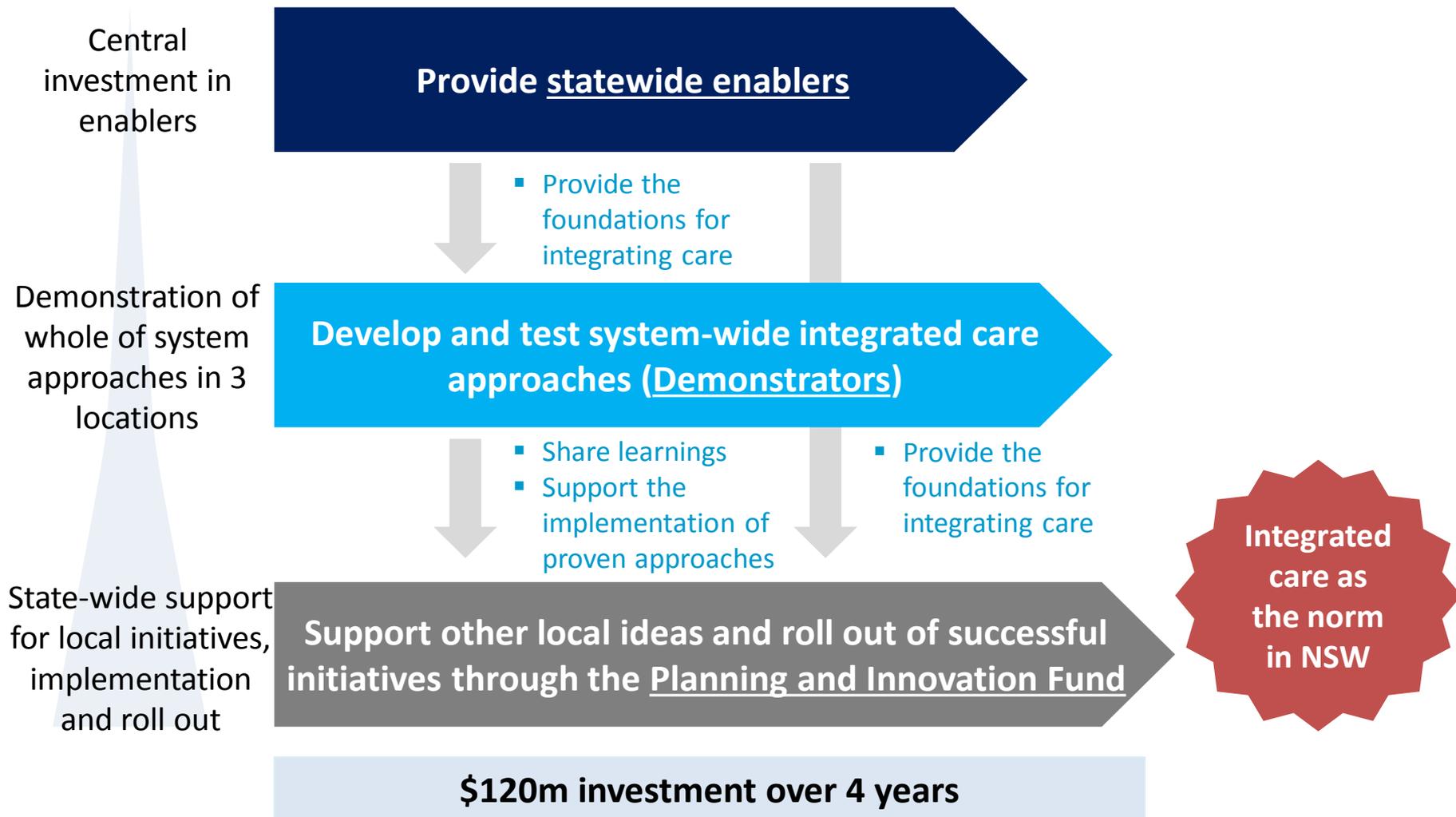
NSW has prioritised the delivery of integrated care, transforming the health system into one in which hospitals work in partnership with the primary care sector and community based services.

Current NSW Health context

In 2014, NSW Health launched the [Integrated Care in NSW Strategy](#) to boost integrated care by:

- funding three Local Health District demonstrator projects
- establishing a Planning and Innovation Fund to provide seed funding for innovative integrated care initiatives at the local level
- supporting statewide enablers, including the state's electronic health record system.

NSW Health Integrated Care Strategy



Expected benefits



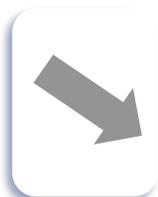
Better patient experience

- Reduced waiting times
- Increased satisfaction with care



Improved health outcomes

- Better quality of life
- Improved long term health outcomes



Less waste

- Fewer avoidable hospital admissions
- Less duplication of services/tests

Effective and innovative interventions

NSW Health recognises social impact investment may enable greater innovation and flexibility in tackling policy issues, furthering the development of integrated care models.

An **evidence base** or clear **program logic** will be essential in proposals for interventions so that NSW Health and investors can assess the likelihood of achieving stated outcomes, as well as understand and price risk.

Guiding principles

NSW Health uses guiding principles that work to improve the outcomes of those with chronic and complex health needs. These include:

- A person-centred approach, which emphasises self-management and individual responsibility.
- Care options as close to the community as possible, with a strong emphasis on early intervention and prevention and support to coordinate and navigate the health system when needed.
- Sound information technology infrastructure to support a comprehensive patient health record and data sharing.
- Common goals, joint vision and ways of working across different health care providers.

Expected outcomes

Social impact investment can help to provide a more effective and efficient model of care for chronic and complex disease management that improves:

- the health outcomes of patients
- the effectiveness of expenditure on health services
- the evidence base of what works in preventing and managing chronic and complex conditions.

Expected patient outcomes

Patient outcomes measures could include:

- improved health outcomes, for example identified by a GP chronic disease management plan and an annual review
- positive patient experience
- increased capacity for patients to self-manage their condition (i.e. behaviour change)
- improved results in functional assessments.

Expected system outcomes

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

- reduced hospital admissions for people with chronic or complex conditions where clinically appropriate
- reduced length of stay when a patient is hospitalised
- reduced emergency department presentations through enhanced care provision in out of-hospital settings.

Proposals, process and timeframes

Principles for social impact investment proposals

Proposals will have the greatest chance of success when they demonstrate:

1. Robust measurement
2. Value for money
3. A service likely to achieve social outcomes
4. Appropriate sharing on risks and returns
5. A focus on high priority social problems

We're seeking feedback on the **Principles for Social Impact Investment Proposals to the NSW Government**. Send your comments to socialimpactinvestment@dpc.nsw.gov.au by 29 March 2015.



1. Robust measurement

Methods for selecting clients and measuring outcomes are rigorous, supported by reliable data, and designed to minimise adverse outcomes.

Essential elements of measurement framework:

- clear and reliable outcome measures
- a well-defined client group
- a robust methodology for determining performance.

2. Value for money

Achieving the social outcome will deliver measurable benefits, which are sufficient to support payments to investors. Where benefits cannot directly fund investor payments, the proposal must clearly demonstrate value for money relative to public delivery of services.

The nature of the benefit	cash savings	avoided costs	productivity gains	other
The beneficiaries	a single govt agency	multiple govt agencies	other govts	individuals & communities
The timing of benefits	immediately	months	years	decades

Increasing complexity of transaction



3. A service likely to achieve social outcomes

Evidence or analysis indicates that the proposed service is highly likely to achieve social outcomes. The service provider has the capabilities to implement and, if necessary, adapt the service.

Proposals should demonstrate:

- evidence of service performance, locally or abroad
or
- if unproven, the link between the activities and the outcomes of the service (i.e. program logic)
- ability to deliver and adapt the service.

OUTCOMES VS OUTPUTS

“Not how many worms the bird feeds its young, but how well the fledgling flies.”

United Way of America, 1999



4. Appropriate sharing of risks and returns

The balance of sharing risks and returns between investors, service providers and government is sufficient to attract investors, as well as ensure value for money to the public.

Proposals should outline:

- the risk-return profile for each participant
- the level of return to investors under different performance scenarios
- how the proposed risk-return profile compares to similar products in the market

The higher the risk, the higher the potential return is a good rule of thumb for private investors.

The government will consider providing a standing charge to create a more attractive risk profile for investors – up to 50% of the service delivery costs.

5. A focus on high priority social problems

The service delivery area is one in which the government is seeking to address a major problem and is likely to be supported by investors.

Things to consider:

- prevention and early intervention services
- addressing unmet needs or targeting those not accessing government services
- opportunities for scale or growth over time
- periodic Statements of Opportunity that identify the government's policy priorities for social impact investment.

Capabilities and capacities needed

- Legal structure for the proposed transaction
- Business case development
- Financial modelling, including cash flows
- Identify costs & benefits
- Service design (key features)

Prepare proposal

- Contract negotiation
- Project management
- Relationship management
- Risk management
- Data modelling & analysis
- Decision making approval

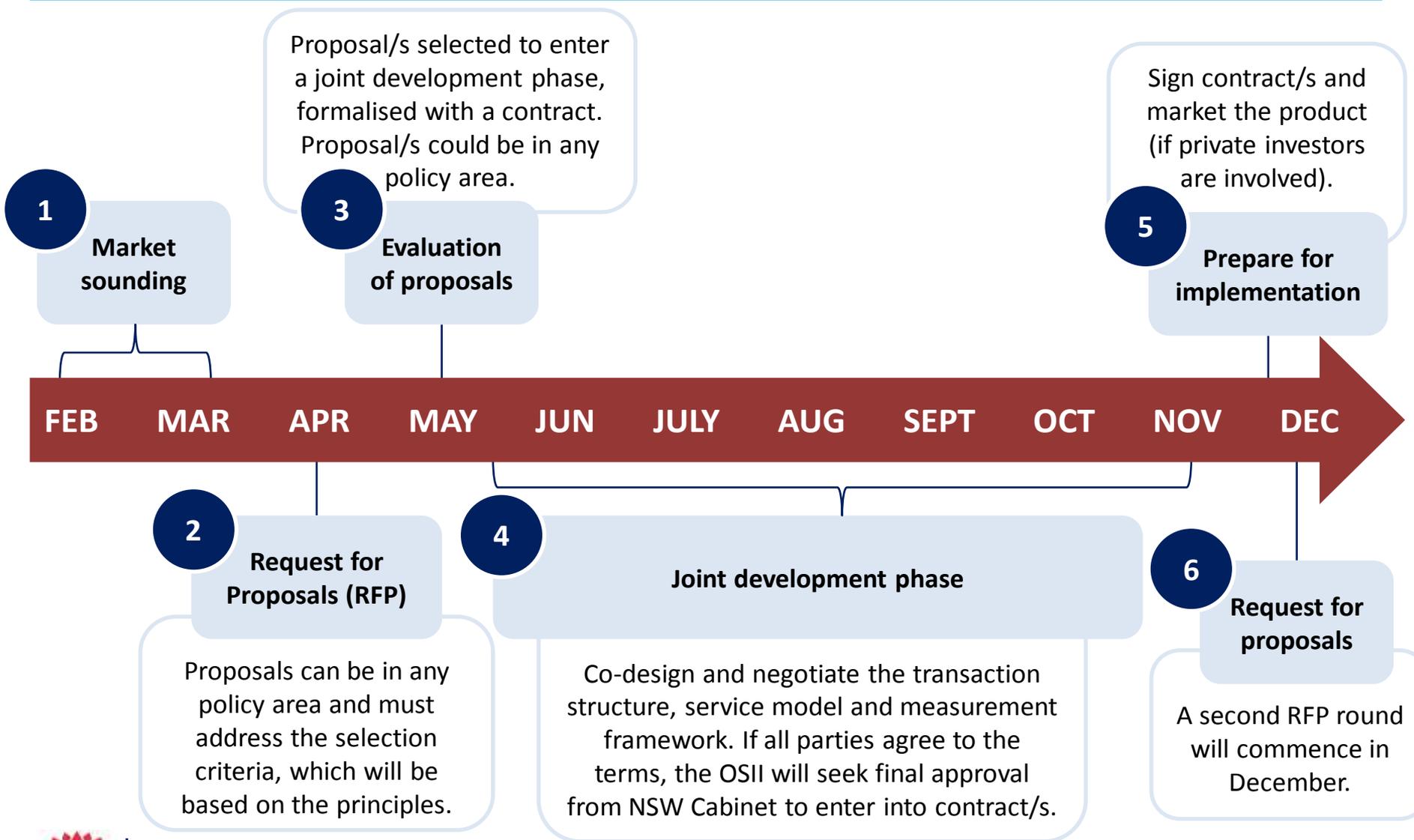
Develop transaction

Deliver the service

- Frontline service delivery
- Contract management
- Relationship management
- Data collection
- Continuous improvement
- Appropriate operating systems and governance

Partnerships with other providers or specialist organisations can help fill skill gaps.

Process and timeframes for 2015



Implementation considerations

Choosing a product

- Proposals for social benefit bonds will need to adhere to the principles to a high standard.
- Other models include payment-by-results, and joint or layered investments.
- Advice from an intermediary may be helpful.

Terms & payments

- The contract is with the NSW Health cluster.
- Terms must be agreed between the proponent, the government and investors (if any).
- Investor returns should reflect the length of the investment, and the regularity and size of payments.

Attracting investors

- Consider engaging an intermediary to help market the product.
- There are resources to help address concerns of different investors.

Collaboration

- Good governance structures are critical, particularly if partnering with others.
- Operational processes will need to be established and outlined in an operations manual.
- Systems to collect and report on data will be needed.

Services are expected to begin in early 2016.



OSII Assist

We can:

- provide general information about social impact investing
- provide general information on NSW Government activity and priorities in social impact investing
- provide information on RFP processes, timing and requirements
- facilitate contact with other government agencies and market participants
- consider and facilitate information and data requests

We can't:

- develop and implement proposals for transactions outside a formal RFP process
- give detailed advice or feedback on proposals prior to or during a formal RFP process
- advocate or promote potential proponents or their proposals to other government agencies and market participants

Contact the OSII for all social impact investment enquiries:

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- ✉ socialimpactinvestment@dpc.nsw.gov.au
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- t @NSWOSII



BREAK

Questions and discussion

How can we help?

Will any principles for proposals be challenging to meet? What kind of support is needed to overcome those challenges?

Are the likely selection criteria for proposals appropriate?

What barriers might prevent you from submitting a proposal? In what areas should we focus on building capacity?

Is there appetite for the Office to facilitate connections and partnerships?

What questions do you have for us?



Social Impact Investment Policy



Leading the way in delivering better
outcomes for the people of NSW.



Office of
Social Impact Investment

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