

Managing mental health hospitalisations:

Wrap-up of market sounding session

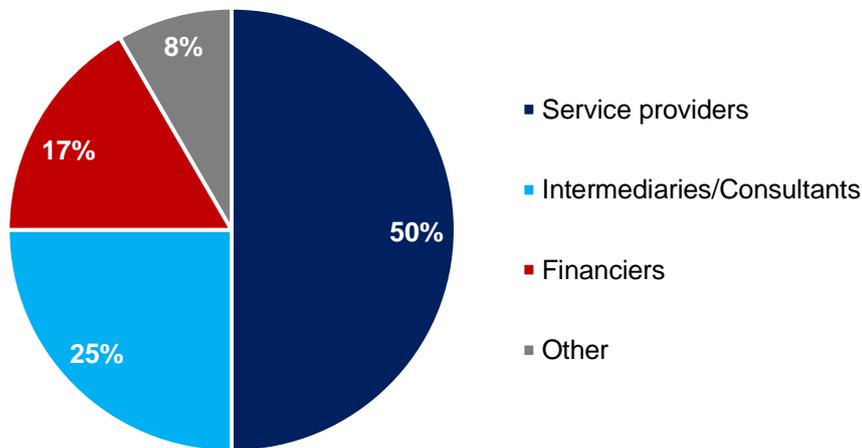
2:30pm to 5pm

27 February 2015

Eora Room, Level 21, 52 Martin Place Sydney

Key statistics

- Of 58 RSVPs, 36 stakeholders attended.



Questions and answers

- Will the first request for proposals (RFP; in April) and the second RFP (in December) be on the four areas highlighted in the Statement of Opportunities?**

The purpose of the market sounding sessions is to see if the market is ready to develop quality proposals in response to a RFP. The call for proposals may suggest one of these areas or all four, depending on the feedback we get during these sessions. It's important to remember that both RFPs will be open – that means proposals can be submitted in any policy or service area. However, the RFP may identify some areas where we think there is the most potential for social impact investment.

- Is the 'whole of government' progressing two bonds a year? So mental health might not be included?**

The RFP is being run by the Office of Social Impact Investment, as part of the *NSW Social Impact Investment Policy* that aims for two transactions a year. NSW government agencies may run their own RFPs, in addition to our process. The Office will evaluate proposals received



through our process (across all areas), with the relevant agencies represented on the evaluation panel. We think we can develop one transaction at a time, which is why we have indicated two RFPs a year. But if we receive two high quality proposals through the same process, we may progress them both at the same time.

Also, please remember that we're not just seeking proposals for social benefit bonds. The transaction can be anything along the social impact investment spectrum, from outcomes-based contracts to social benefit bonds and other equity or debt instruments.

3. Where does a social impact investment sit in the reform process under Living Well: A Strategic Plan for Mental Health?

There is enormous opportunity for innovation in mental health services over the next 10 years as the vision of the [Strategic Plan](#) is realised. The initial additional funding we are investing under the mental health strategic plan is focused on developing community care and helping long stay patients. So we think there is room in these areas to innovate.

We encourage you to talk to us about whether your ideas align with our strategic directions. You can find more information on these directions in [Strengthening Mental Health Care in NSW](#).

4. Thinking about the RFP, are you looking for one big program that will work across all six sites that were listed in the presentation? Or can you just do a bit of it?

The patient cohort is dispersed across NSW. Trying to reach them all would be extremely complex. Part of the discussion we want to have is about understanding the viability of the provider and how they are set up to deliver services on the ground. Ultimately, it's up to proponents to tell us how they want to work and we welcome their advice.

Something else to consider is partnering with other providers to deliver services. If this interests you, it may be worth talking to an intermediary to help establish a strong governance structure. You might also consider whether and how you can scale up over time to reach more patients.

5. Are you willing to consider a contract for outcomes without investors? Can providers use their balance sheet or a line of equity to reduce the complexity that comes with private investment?

Yes. A social benefit bond isn't the only model available to proponents and private investment isn't a requirement. However, organisations considering a model without external investment need to understand the different cash flows that arise from this – most payments are made when outcomes are achieved, so you will effectively be 'in arrears' for all or part of your costs until you can demonstrate outcomes. This is different to traditional funding arrangements with the government, where you receive upfront funding for inputs. This is a risk you take with social impact investment transactions.

6. How important is impact and scale in proposals?

We are interested in larger scale transactions, as the social benefit bonds were quite small. But we are open to how this might work – whether we start small and grow over time, or start big in the first place. It might be too ambitious to jump from \$10 million to \$100 million in one go, but we're willing to consider all ideas.

It will depend on the service provider and their ability to deliver services and take on financial risk. We know that \$10 million is a significant risk for some providers, so we will have to consider their ability to handle it. This is something potential investors will weigh up as well, as part of their due diligence process.

7. Much of the proposed cohort is in a hospital environment. So where will they live? Is that the NGO's responsibility or will the government be involved?

In the presentation, we identified long stay patients as a subset of the potential cohort to provide more detail on the people we're talking about. But not all of the broader cohort will need housing. De-institutionalisation is part of what we are testing with the market. We don't have any preconceived ideas about how to go about tackling the issue.

A small group of about 40 patients are housed in medium security inpatient facilities – these patients are the government's responsibility. We can explore opportunities to meet the needs of other patients, and this can include providing assets (like housing) as well as services.

8. We know that 'disadvantage has a postcode.' Would you consider a place-based proposal that combines elements of re-offending, mental health, and homelessness, rather than a proposal that addresses just a single issue? These are social issues that tend to overlap.

Yes, that idea certainly has merit. A proposal where savings accrue to multiple agencies has potential – so we are open to this approach. Accommodation, in particular, is an issue that cuts across at least three, and arguably all, of the priority areas.

9. Thinking about the legal agreement for the joint development phase, how tied in are you if you win the RFP?

For the bond pilot, we entered into agreements for the joint development phase. They were unique contracts and we want to develop a standardised version prior to the RFP so you can understand what is involved. This will be available on the Knowledge Hub.

During the joint development phase, there will be an early assessment of the model to see if we think it will work. This is essentially a 'stress test' and will involve a robust discussion – about the model, the cohort, the outcomes, risks, et cetera – to see how strong the proposal is and if it's likely to work.

10. How much detail is expected?

While the RFP is being run centrally, we know some service providers are talking directly to local health districts (LHDs). With integrated care, governance is critical. The joint development phase will provide opportunities for further discussion and development of ideas.

11. If we're not ready for the RFP, can proposals go through the unsolicited proposals process?

You are able to submit unsolicited proposals. However, the unsolicited proposals team has advised that since we're planning to regularly call for proposals, social impact investment proposals are unlikely to meet the criteria for unsolicited proposals. Remember that we're running two RFPs a year, so if you're not ready for one in April, plan for the one in December.

12. Have you set a minimum transaction amount? It's hard to conceptualise the level of innovation you can do without understanding the size of the transaction.

It depends on the proposal. If it's a contract for outcomes, it's much less complex and less costly than developing a social benefit bond. If you want to develop a bond, then they shouldn't be any smaller than our existing bonds. It really depends on the context of the proposal.

13. Proposals require a significant investment of resources. The more you can tell us about your priorities, and specify cohorts and outcomes, the better we can tailor our proposals.

We are not trying to specify everything, nor do we want to. That's why our presentations only refer to *potential* cohorts and *potential* outcomes. We're trying to change the way things are done – we want *you* to tell us where the gaps are, where the opportunities are, what needs aren't being met. Everything is open. This is a new way of doing things, where you tell us what you want to do, not the other way around.

Danny Graham, the facilitator for the session, asked attendees if the suggested RFP timeframe of three weeks is long enough. Responses from attendees included:

- Three weeks is too short to properly develop proposals. NGOs need more time to get together and discuss their options so they can get it right from the start.
- There is a trade-off between a quick turnaround for the RFP, which may result in single-idea, straightforward proposals, and giving more time for organisations to develop innovative, comprehensive ideas.
- It is a very short period of time, particularly for intermediaries. There are not a lot of us and it will be hard for us to work on more than one proposal at a time.
- It's likely that organisations will need more than three weeks to understand and capture the costs and benefits of their proposals, particularly if we're talking about developing more dwellings.

The Office of Social Impact Investment emphasised that attendees don't have to wait for the RFP to open before thinking about their approach. Now is the time to start having conversations with like-minded potential partners and working on proposals. The information provided in these sessions indicates what we're looking for.