

HEROES PROGRAM TECHNICAL ASSISTANCE WEBINAR

OUTCOMES BASED CONTRACTING FOR HEALTH ACCELERATORS

July 2024



AGENDA FOR TODAY

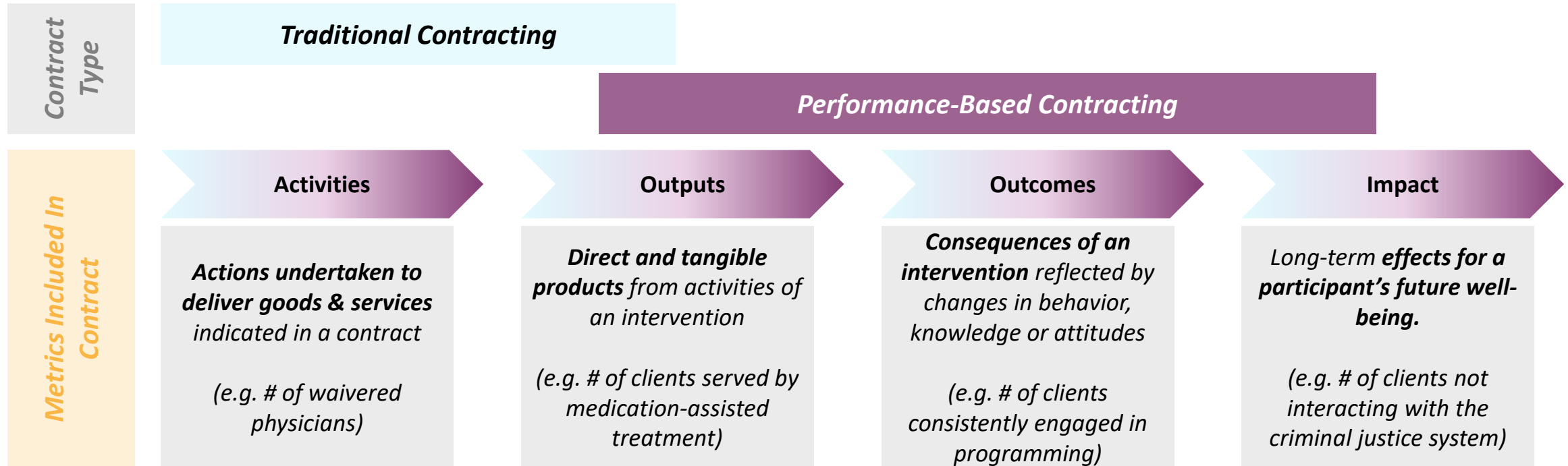
1. Introduction to Contracting for Outcomes-Based Partnerships
2. Examples of Outcome-Based Contract Structures and Agreements
3. Next Steps



Contracting conversations take time – we recommend starting these discussions as early as possible

WHAT IS PERFORMANCE-BASED CONTRACTING?

Contracting is an important step when setting up outcomes-based partnerships that involves documenting agreed upon expectations, some of which are incremental to traditional contracting, and collaborating with key stakeholders



Key Stakeholders



Program Staff



Information Technology



Finance & Budgeting



Service Providers



Leadership



Legal & Purchasing

WHAT IS INVOLVED IN CONTRACTING?

Two components that are supportive of contracting with outcomes-based partners are the partnership's legal structure and its governance structure. We'll cover governance in another webinar.



Legal Structure

- Identifies the different stakeholders involved, their contractual relationship to one another, and how funds and data will flow between them
- Document structures through agreements that enable funders to pay for outcomes
- Agreements will contain contingency plans for certain scenarios

Focus for today



Governance Structure

- Identifies decision makers and approval rights that may require contract amendments
- Ensures partners are meeting regularly to discuss performance
- Sets up processes to support handling of situations that aren't explicitly covered in legal agreements

Covered in another webinar

WHAT KINDS OF AGREEMENTS MIGHT A PROJECT NEED?

Health Accelerators will enter into an agreement with ARPA-H, as well as agreements with other partners that ARPA-H will not be party to

Agreement with ARPA-H

ARPA-H will only be party to one agreement – the Other Transaction Agreement. A template agreement document will be shared by ARPA-H prior to proposal submission.

Other Transaction Agreement

Stipulates terms of ARPA-H's fixed payments (\$2 million), outcome-contingent payments (\$13 million), and milestone-driven payments (\$0.6 million)

Agreements with Other Partners

ARPA-H is leaving agreements with other outcome buyers, upfront investors, and Health Accelerator partners up to Health Accelerators to design and execute.

Outcome Buyer Agreement(s)

- Stipulates terms of additional outcomes-based payments
- Should include other standard provisions (e.g., termination rights)

Intervention Agreement(s)

- Outlines the scope of services to be delivered and partner responsibilities
- Stipulates payment terms, including the share of any outcome payments each partner is entitled to receive

Financing / Grant Agreement(s)

- If engaging at-risk investors, these agreements stipulate terms of that financing
- Most investors will require Outcome Buyer Agreements be executed first

Data Sharing Agreement(s)

- Outlines policies for sharing data across project partners
- Can be incorporated into above agreements or exist as a stand-alone agreement depending on what data is being shared and between whom

WHAT IS INCLUDED IN AN OUTCOMES BUYER AGREEMENT?

The Outcome Buyer Agreement will specify how outcomes are evaluated and distributed

Outcome Buyer Agreement Elements

- Articulation of details related to **outcomes that will drive payment**, including detail metric definition(s), evaluation methodology, timing of payments, maximum payments, and calculation of payment amounts. (See illustrative outcome schedule below)

Outcome Target	% of Target Achieved	x	Maximum Payment	=	Actual Payment
Target 1	X%		\$XM		\$XM
Target 2	X%		\$XM		\$XM
Target 3...	X%		\$XM		\$XM

- Outline of the **mechanism by which outcomes funds are set aside** and released by the outcome funder.
- Documentation of **other key considerations** including - term of the contract, obligations and responsibilities of the parties, modifications and other contingencies, and conditions for termination.

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WHAT RISKS CAN CONTRACTING HELP TO MITIGATE?

Below are some examples of common risks that have come up in outcomes-based partnerships and how to approach mitigating these risks through contracting

Risk	Example Mitigation Strategies
 <p>Performance risk (e.g., actions that result in outcomes being lower than expected)</p>	<ul style="list-style-type: none">• Tie partner payment to outcomes to align interests.• Require additional data collection and reporting to track program progress towards payment outcomes. This information can be used to make adjustments and course corrections.• Set minimum thresholds for performance and outline processes for restructuring or winding down the program if performance is not met.
 <p>Appropriations risk (e.g., situations where funding is dependent on annual approvals)</p>	<ul style="list-style-type: none">• Outline each parties' responsibilities to wind down the program in potential "termination scenarios". For example, if an outcomes buyer or investor fails to fund the project.
 <p>Force majeure risk (e.g., events that fundamentally shift the project)</p>	

Outcomes-Based Structure Examples

EXAMPLE 1 – CONTRACTING FACILITATED BY LEAD APPLICANT

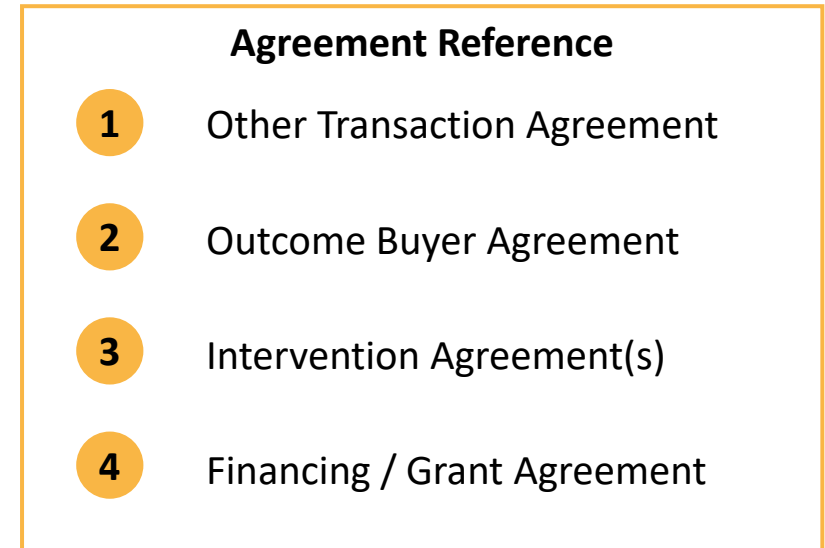
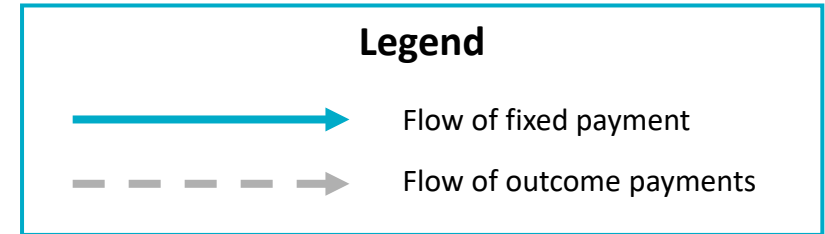
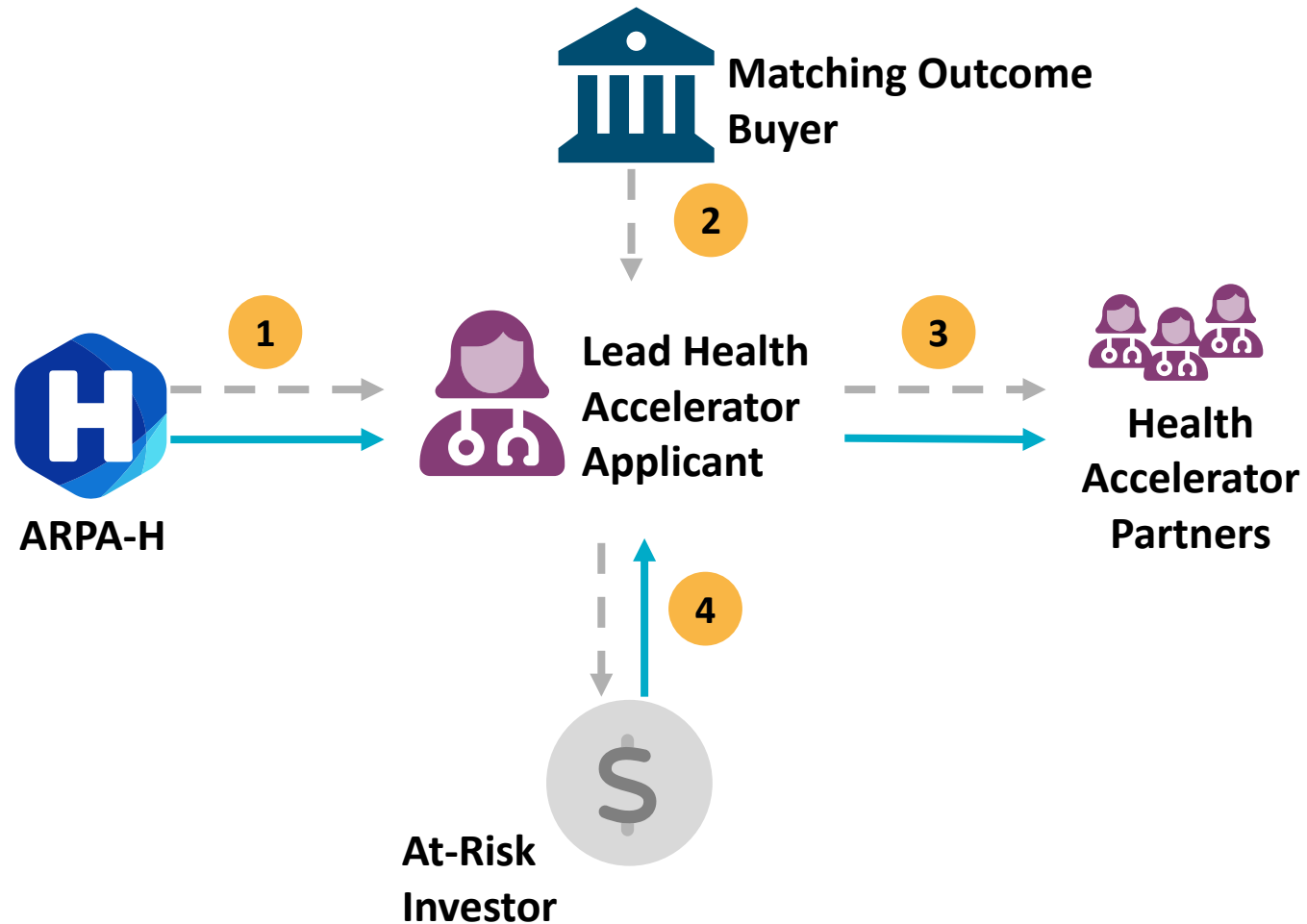
Below we outline an example of dynamics that may be at play within an outcomes-based partnership before translating the situation into a structuring diagram in the next slide

- 1 ARPA-H enters into an “Other Transaction Agreement” with the lead Health Accelerator applicant
 - Note: ARPA-H will only enter into a contract with the lead Health Accelerator so this step will be consistent across all examples
- 2 Matching Outcome Buyer enters into an “Outcome Buyer Agreement” with the lead Health Accelerator applicant
- 3 Lead Health Accelerator applicant enters into an “Intervention Agreement” with each of its Health Accelerator partners to facilitate the distribution of payments from ARPA-H and the Matching Outcome Buyer and upfront funding from At Risk Investors. Health Accelerator partners may further enter subcontracting agreements with additional intervention providers in certain circumstances.
- 4 Lead Health Accelerator applicant enters into a “Financing / Grant Agreement” with an upfront At Risk Investor to receive operations funding and return outcome-based payments from ARPA-H and the Matching Outcome Buyer¹
 - Note: Stakeholders may want visibility into other agreements, even if they are not direct parties to those agreements

1. Note: A Grant Agreement may not require a return of funds.

EXAMPLE 1 - LEGAL STRUCTURE & FLOW OF FUNDS

Example agreements under the HEROES program



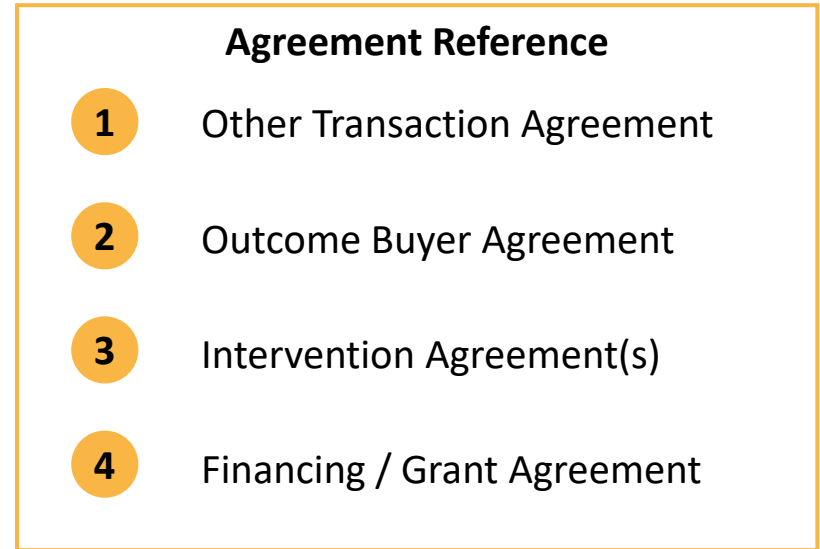
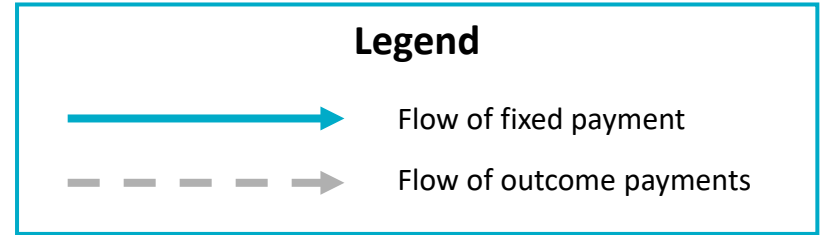
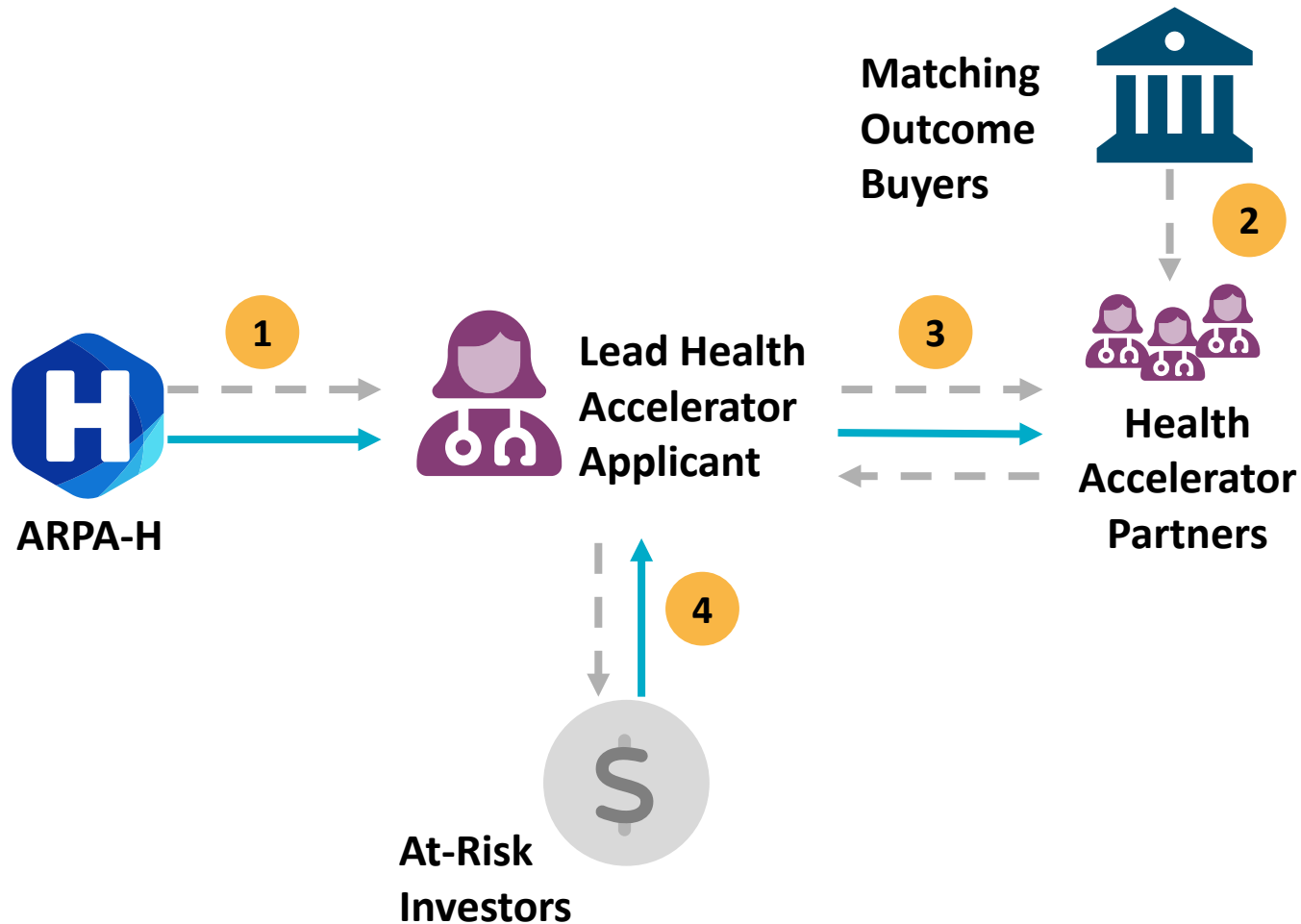
EXAMPLE 2 – CONTRACTING WITH HEALTH ACCELERATOR (HA) PARTNERS

Below we outline an example of dynamics that may be at play within an outcomes-based partnership before translating the situation into a structuring diagram in the next slide

- 1 ARPA-H enters into an “Other Transaction Agreement” with the lead Health Accelerator applicant
- 2 Matching Outcome Buyer prefers to contract directly with a Health Accelerator partner rather than the lead applicant
 - Note: The lead Health Accelerator applicant must still demonstrate this commitment to ARPA-H (i.e., via a letter or copy of the Outcome Buyer Agreement) for it to count as match.
 - Note: The lead Health Accelerator applicant should review the terms of the Outcome Buyer Agreement to ensure alignment and that the agreement clearly states how matching outcome payments will be handled (e.g., how much of the payment will be kept by the Health Accelerator partner vs. how much will flow back to the Health Accelerator lead applicant for redistribution among partners and to pay back At Risk Investors)
- 3 Lead Health Accelerator applicant enters into an “Intervention Agreement” with each of its Health Accelerator partners to facilitate the distribution of payments from ARPA-H and upfront funding from At Risk Investors. Health Accelerator partners may further enter subcontracting agreements with additional intervention providers in certain circumstances.
 - Note: Consider including other agreements as exhibits to the Intervention Agreement.
- 4 Lead Health Accelerator applicant enters into a “Financing / Grant Agreement” with an upfront At Risk Investor to receive operations funding and return outcome-based payments from ARPA-H and the Matching Outcome Buyer

EXAMPLE 2 - LEGAL STRUCTURE & FLOW OF FUNDS

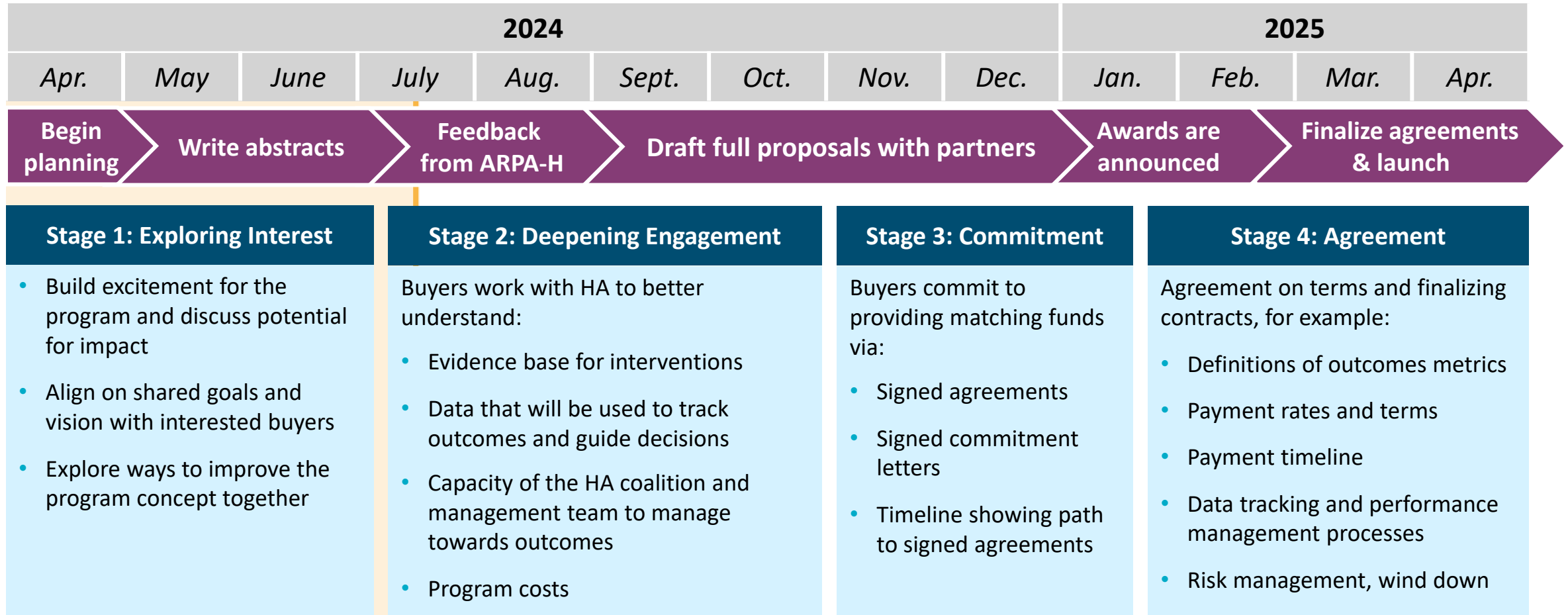
Alternative contracting arrangements can work but raise important considerations



Next Steps

OUTCOME-BASED PARTNERSHIP DEVELOPMENT PROGRESS

As you move out of the “Exploring Interest” stage, we encourage you to focus your discussions on aligning on the inputs to the agreements that you’ll be signing in advance of project launch in Q2 2025



PAYMENT ALLOCATION CONSIDERATIONS

To inform contracting with other Health Accelerator partners regarding the distribution of outcomes payments, consider the following dimensions to allocating payments

Who?

Who is eligible to receive an outcomes payment? 'Core' intervention partners only? What about referral partners? Patients?

When?

Will payments be distributed as they come in? (e.g., to provide cashflow for services) Or will they be held in an interest-bearing account until the end of the project? (i.e., once more complete outcomes data are available)

What?

Will there be restrictions on what outcome payments can be used for? (e.g., they must be reinvested in similar services) Or will partners have full discretion over their use? (e.g., to pay staff bonuses)

How?

How will payments be divided up between eligible entities? Based on individual budgets? % of total population served? Outcomes performance?

THANK YOU



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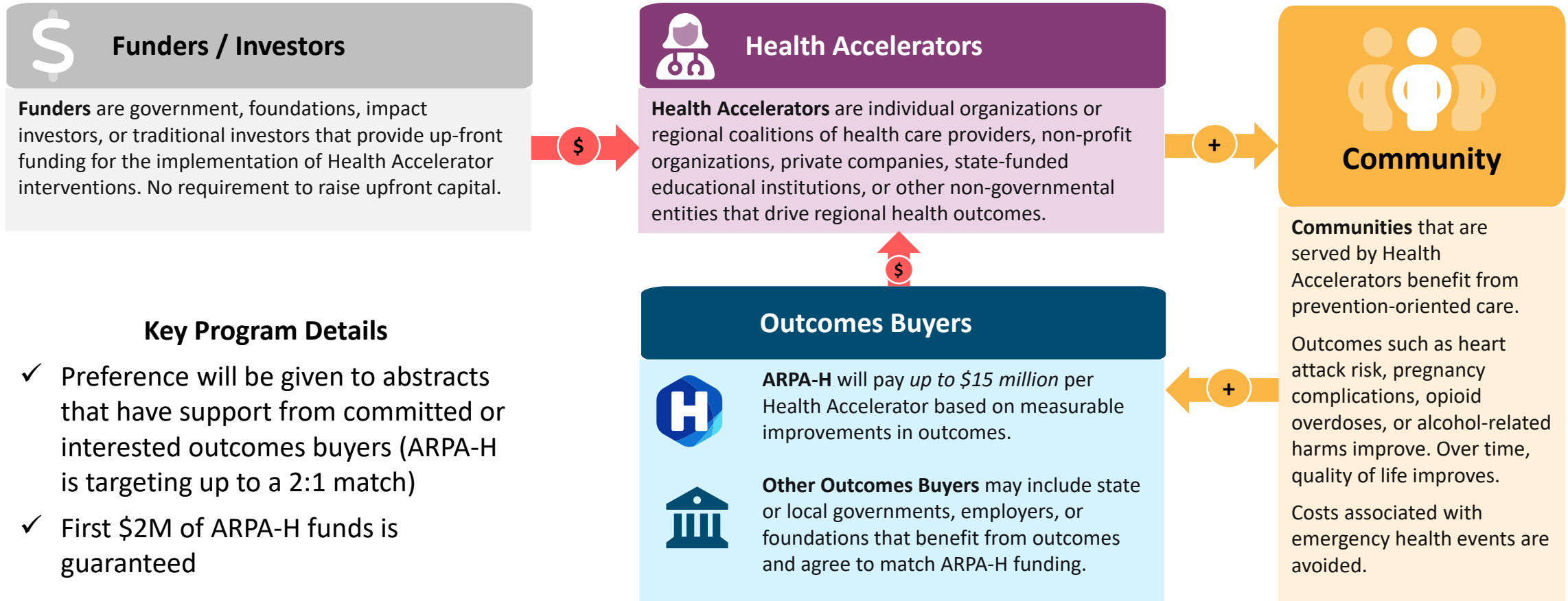
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Appendix – HEROES Program

OVERVIEW OF PROGRAM AND ROLES

The Advanced Research Projects Agency for Health (ARPA-H) created the Healthcare Rewards to Achieve Improved Outcomes (HEROES) program to award \$99 million over three years for achievement of critical preventative health outcomes.



Key Program Details

- ✓ Preference will be given to abstracts that have support from committed or interested outcomes buyers (ARPA-H is targeting up to a 2:1 match)
- ✓ First \$2M of ARPA-H funds is guaranteed

OVERVIEW OF ARPA-H OUTCOMES

Health Accelerators will work to improve four key population health outcomes, which will be tracked and evaluated by ARPA-H via an Outcomes Toolkit every six months over the three-year project term.



Maternal Health

- **Definition:** Rate of intrapartum and postpartum severe obstetric complications
- **Minimum population:** 5 million or entire state (if total pop. is less than 5 million)
- **Target impact:** 20% reduction



Heart Attack / Stroke Risk

- **Definition:** Aggregate 10-year heart attack and stroke risk in people aged 40 - 70
- **Minimum population:** 700,000
- **Target impact:** 1% point reduction



Opioid Overdose

- **Definition:** Reduction in number of emergency medical service calls for opioid overdoses
- **Minimum population:** 500,000
- **Target impact:** 10% reduction



Alcohol-Related Health Harms

- **Definition:** Reduction in number of emergency medical services calls for alcohol-related emergencies
- **Minimum population:** 500,000
- **Target impact:** 10% reduction

BENEFITS OF THE HEROES PROGRAM

Outcomes-based programs like HEROES are an opportunity invest new and additional funding into health-focused programs that have a track record of producing outcomes while tying funding to those outcomes.



Catalyze significant partnerships focused on population health by aligning stakeholders around critical, multi-year goals through outcome-based payments from ARPA-H and other outcomes buyers



Facilitate learning and innovation by tracking key outcomes on an ongoing basis and regularly convening partners across the health care system to make continuous service improvements



Provide opportunities to take risks on bold new programs addressing pressing health challenges by making outcome payments only to the extent positive outcomes are achieved



Encourage flexibility in program design, allowing health care accelerators to do whatever it takes to achieve outcomes and leverage the unique assets and partnerships in their communities

Appendix – Technical Assistance

OVERVIEW OF HEROES PROGRAM PARTNERS

The success of the HEROES program is supported by our collaborative efforts.



Issuer of the program solicitation and **evaluator of proposals**. In addition to their Outcome Buyer role, ARPA-H is also responsible for developing the Outcomes Toolkit to support proposers and awardees in measuring the impact of their programs.

solutions.arpa-h.gov/Ask-A-Question/

Direct your questions about the solicitation and timeline here



The **Investor Catalyst Hub** is managed by VentureWell. Responsibilities include collecting teaming requests, communicating technical assistance opportunities, and coordinating collaboration between ARPA-H and technical assistance partners.

arpa-h-ic-hub@venturewell.org

Submit your Teaming Profile using the form on the [HEROES Teaming Page](#)



Providers of support to potential applicants to develop strong abstracts and proposals by **sharing learnings and best practices from our experience with outcomes-based partnerships**.

Social Finance: Zoe Burhop
zburhop@socialfinance.org

Third Sector Capital Partners: Emma Goodman
elgoodman@thirdsectorcap.org

Direct your questions about engaging potential partners here

TECHNICAL ASSISTANCE PARTNERS

Social Finance and Third Sector are partnering with ARPA-H to provide technical assistance for potential applicants to build strong proposals for the HEROES program.



Jake Segal



Hanna Jamal



Dr. Doug Jutte



Caroline Whistler



John Grossman



Nicole Kristy



Matt Latimer



Zoe Burhop



Danielle Charpentier



Zachary Kamin



Emma Goodman

socialfinance.org

thirdsectorcap.org

TECHNICAL ASSISTANCE SESSIONS

Join us to talk about the topics we'll discuss today in greater depth during upcoming webinars or office hours.

Webinars



Sessions to review common topics related to outcomes-based partnerships and the HEROES program.

Office Hours



Weekly sessions with Social Finance or Third Sector to provide more personalized support and answers questions from potential proposers.

Other Resources



Additional resources such as an FAQ and Outcomes Toolkit can be found on the HEROES program website.

Webinar recordings, registration links for webinars and office hours, and responses to FAQs are available on the HEROES program page: arpa-h.gov/research-and-funding/programs/heroes.