



What is Pay-for-Success?

The Pay-for-Success program fund was created by passage of [House Bill 2670](#) in 2019 to encourage innovation opportunities and more private-public partnerships. These partnerships take form in pay-for-success contracts, which a state agency (or agencies) may enter into with a private entity (or entities) in order to receive up-front capital to fund a service or program.

If you are a private entity interested in a Pay-for-Success contract with a state agency, here is how the Pay-for-Success process works:

Pay-for-Success process



STEP 1: VENDOR TO SECURE FUNDING

The first step is for the vendor (private entity providing a service or program to a state agency partner) to secure up-front capital from private funding sources. This includes foundations, financial institutions, businesses or individuals to cover the operational costs of the program or service itself without consideration of reimbursement. Before an entity can be eligible to enter into a Pay-for-Success contract, it must prove it is able to operate the program or service without receiving state reimbursement.

Once Step 1 is completed, continue to Step 2.

STEP 2: CONTACT AGENCY NEEDING PROGRAM OR SERVICE

After operational funding is secured and the service or program is proven sustainable without state reimbursement, the entity will need to contact the state agency that would utilize the service or program. The agency will identify the service or program needed and inquire with OMES on availability of state Pay-for-Success funds.

If the agency identifies the needed service or program and there are available Pay-for-Success funds, continue to Step 3.

STEP 3: IDENTIFY PERFORMANCE METRICS

Once Steps 1 and 2 are completed, the agency and vendor partner need to identify performance metrics against which success can be measured to determine whether the service or program has achieved quantifiable public benefits or monetary savings.

Once the agency and vendor agree on the performance metrics to be implemented, continue to Step 4.

STEP 4: AGENCY TO AWARD CONTRACT

After completing Steps 1-3, the agency and vendor can enter into a Pay-for-Success contract. The contract should include specifics about the program or service, performance metrics, designation of third-party evaluator, and timing of evaluations for reimbursement claims. All parties must identify and agree on the calculation or algorithm for determining the amount and timing of reimbursable success payments to the private entity.

After contract details are organized and agreed upon, continue to Step 5.

STEP 5: THIRD-PARTY EVALUATION

The contract must specify an independent third-party evaluator to review and issue reports annually or at specific times during the contract term specifying the degree to which the service or program has met the identified performance targets and outcome measures specified in the contract.

After completion, continue to Step 6.

STEP 6: MONITORING AND PAYOUT

The independent third-party evaluator provides a report to the agency or agencies on an agreed time period/schedule. The evaluation will include data deemed relevant by the agency or agencies. The amount of funds to be reimbursed to the private entity is contingent upon the degree to which the service or program has met the performance targets and outcome measures as evaluated by the independent third-party evaluator.

Additional information

Responsibilities of Pay-for-Success contracting partners

The responsibilities of the agency and vendor are as follows:

PROGRAM OR SERVICE

Vendor must provide documentation to agency of funds received to cover cost of the program, and must identify a third-party evaluator for validation of performance metrics by program or service.

REPORTING

Third-party evaluator shall provide a report to the vendor and agency; schedule of evaluation and report is based on the terms of the Pay-for-Success contract.

No later than April 1 annually, the agency or agencies shall provide a report that contains the evaluation from the independent third-party evaluator to legislative appropriations committees chairs.

PAYMENTS

Payments to private entities for the delivery of performance targets and outcome measures as authorized in this section shall be made only in accordance with the terms of the Pay-for-Success contract. Payments may be made utilizing the Pay-for-Success Innovation Fund as funds are available or utilizing other appropriated agency funds in accordance with Oklahoma law.

Interested in participating in a Pay-for-Success program?

Vendors interested in participating in a Pay-for-Success contract should contact the partner agency so that agency can confirm availability of funds with OMES. Knowing if/how much funding is available allows vendors to secure the appropriate amount of up-front capital from private sources and continue in the Pay-for-Success process.

Funding for contracts at this time is on a first-come-first-serve basis. The passage of [House Bill 4154](#) in 2020 reserves 75% of the funds for equal distribution among municipalities with populations of 350,000 or more.

The process of a vendor contacting the partner agency so it can confirm availability of funds with OMES and the Pay-for-Success process are not mutually exclusive.

Pay-for-Success fund inquiry process

