



Outcomes-based contracting

Identifying a target cohort

Outcomes-based contracting enables commissioners to focus on clearly defined groups within a population. This can ensure that services are directed towards people with the greatest need or those who are underserved, whilst building evidence about what works to address disadvantage.

A well-defined target cohort ensures that:

- People who are directly impacted by the identified social problem are captured
- There is no ambiguity around who the service is for (and who it is not for)
- There is a clear process for identifying potential service users
- Outcomes can be measured fairly and consistently
- Commissioners can link improvements for the cohort to the funding that is provided
- Outcomes are priced fairly and sustainably.

Target cohorts

The target cohort refers to everyone that is eligible for, and can access, a service funded by an outcomes-based contract.

A target cohort is defined using eligibility criteria. Some examples include:

Demographic factors

- Age
- Gender
- Cultural background

Life stage or situation

- Leaving out of home care
- Exiting prison
- Experiencing homelessness

Service use

- Hospital admissions
- School attendance
- Welfare payments

Time since an event

- Received welfare payments for 13+ fortnights in the year immediately prior to enrolment

Assessed risk factors

- Assessed as at risk of homelessness
- Risk of school disengagement
- Reoffending likelihood

Able to meet program requirements

- Able to attend weekly program sessions
- Willing to participate

Defining eligibility criteria

How the eligibility criteria of a service are defined has implications for commissioners, service providers and service users. There are benefits and drawbacks with different approaches. Commissioners should consider the implications and define the criteria to suit the context and purpose of the service.

Breadth of eligibility criteria

The breadth of eligibility criteria refers to how wide or narrow your criteria are.

Criteria	Description	Implications	Example
Broad criteria	More people are potentially eligible for a service	More outcomes can be measured giving confidence that measured outcomes reflect true impact of service. The cohort will have a wide spectrum of complexity. Some people may require high support needs, and other may require minimal support. This can make it harder to measure and understand the true costs and benefits of the service. Incentives may arise to support those with lower needs and not support more 'complex' individuals where outcomes may require more effort and resources (i.e. cherry-picking).	Individuals aged 16-24 who received Youth Allowance
Narrow criteria	Fewer people are potentially eligible for a service	Enables focus on individuals with greatest need. It can be easier to estimate the cost of achieving an outcome (and the benefits arising from the outcome) as the cohort will be less variable. There is less risk of 'cherry-picking'. There may be effort and resources required to identify eligible people. Fewer outcomes can be measured which can reduce reliability and confidence in results. People may be excluded from a service who would benefit from support.	Individuals aged 16-24 who received Youth Allowance and presented to a homelessness service

Subjectivity of eligibility criteria

The subjectivity of eligibility criteria refers to how precise or generalised your criteria is.

Criteria	Description	Implications	Example
Subjective criteria	Relies on judgment or interpretation by service providers	Can capture emerging needs that are not reflected in datasets. Offers flexibility to include people whose needs align with the intent of the service. May be harder to verify eligibility and can increase risk of inconsistency or selection bias. Can be difficult to communicate to referral partners. May be unable to identify people in datasets so may be harder to evaluate or develop a counterfactual.	People underemployed or at risk of losing a job
Objective criteria	Fact-based and verifiable using data or documentation	Easy for referral partners and service providers to check and apply consistently. More likely to be identifiable in datasets that can be used for evaluations or developing a counterfactual. May exclude people in need from a service or reduce flexibility to support people in complex situations. May require access to additional datasets to determine eligibility.	People employed less than 10 hours per week

Referral pathways

It's important to consider how eligible people will be found and referred into a service, which may inform how you define eligibility criteria. You should ask yourself:

- Which organisations interact with the target cohort? For example, schools, hospitals, prisons, or non-government organisations may interact with the target cohort. You may need to consider additional strategies to find people if they do not regularly engage with other services.
- How will referring organisations identify eligible individuals? You will need to consider what information they will have access to confirm eligibility, and what guidance they will need to apply eligibility criteria consistently.

Case study: Foyer Central

Foyer Central provides young people who have been in out-of-home care in New South Wales with stable housing, support to develop their capacity to access education, training and employment, and make positive decisions.

Eligible young people are referred by the NSW Department of Communities and Justice and non-government organisations. Some young people also self-refer.

Individuals must meet the following criteria:

- aged 18 to 22 years;
- has been in out-of-home care and exited care aged between 14 to 18 years;
- is homeless or at risk of homelessness;
- is assessed as motivated, willing and able to commit to the program; and
- not meet any exclusion criteria (e.g. no recent history of violent behaviour)

The service provider, Uniting, undertakes a comprehensive assessment of each referred young person to ensure they are eligible. Uniting also considers a range of factors to ensure that there is an appropriate mixture of residents at Foyer Central. An assessment panel comprising representatives from a mixture of organisations makes the final decision about whether a young person is eligible for enrolment.

Learn more

- Understand the basics of outcomes-based contracting in **Introduction to outcomes-based contracting**
- Identify indicators of real-world changes that align with your policy objectives in **Defining Outcome Metrics**
- Develop an approach to assessing impact in **Understanding Outcome Measurement**
- Determine how much to pay for an outcome in **Pricing Outcomes**
- Self-assess your readiness for outcomes-based contracting in the **Readiness Checklist**