Payable Milestones

Doing Business With ARPA-H Industry Day Breakout Session

November 13, 2024

ARPA H

Why You’re Here

- Understand the two types of payable milestone structures contemplated for Other Transactions (OTs)
  - Fixed milestones
  - Expenditure-based milestones

Payable Milestones Overview

Payment structure considerations…

Nature of the agreement

State or phase of the project/program

Risk or complexity involved

Established milestones

Performer’s accounting system

Consider the Performer’s current accounting system capabilities

Avoid imposing system requirement that cause the Performer to revise and/or add system(s)

Payable Milestones Overview (cont.)

Milestones must be clearly documented within each agreement.

- Payment system developed to be more commercial- and industry-friendly
- Adaptable and flexible (can be tailored to specifics of program or effort)
- Great as an administrative tool for encouraging and tracking effort progress
- May reduce administrative burden
- Attractive to industry – may assist performers with cash flow

Payable Milestones (cont.)

- **Milestones should typically reflect observable technical events or other key actions**
  - Generally quarterly events (i.e., kick-off, management reviews, technical reports, final report)
  - Some activity significant to the progress of the project/program
- **Each milestone has a value that is negotiated at the time of award**
  - Value typically based on a good faith estimate to reach the milestone
  - Milestones may have to be prospectively adjusted as project progresses
- **Payment is dependent on achieving the associated milestone**
  - Achievement of milestones does not necessarily mean the technology or event was successful
  - Establish exit criteria for each milestone
  - Focus on the necessary effort to reach the milestone and perform the event
  - Even if the event or technology is a failure, the Performer should still be paid if they put in the necessary effort to be fully prepared

Payable Milestones (cont.)

Fixed Milestones	Expenditure-based Milestones
• Each milestone amount is fixed at time of award • If the Performer achieves the milestone, it is paid the milestone amount (regardless of actual cost)	• Milestones have an estimated amount, but payment may be based on actual costs • If the Performer achieves the milestone, it is paid based on actual costs (actual payments may or may not match the milestone award amounts) • Milestone award amounts may not match actual expenditures at the time payment is made

Milestone Payment Plan – Example

- Milestone plans may look identical (whether fixed or expenditure-based), but terms and conditions within agreements – specifically reporting requirements – will differ
- Expenditure-based approaches usually require the Performer to submit monthly status report on planned vs. actual expenditures, variation details, and "get-well" plans for large variations
- Throughout performance, both parties will need to meet periodically to adjust milestones – only future milestones – to ensure the project is on task

Milestone	Task(s)	Due Date (**Months after award**)	Milestone Definition	ARPA-H Payment
1	10	1	**Kickoff and Program Management** *Exit Criteria:* • Attend kick off meeting • Complete hiring of all required personnel; subcontract negotiations underway *Deliverables:* • Kickoff slides/materials • Project Plan for all tasks deliverables across milestones. • Report on progress of subcontract awards **(DATA RIGHTS)**	$50K
Appropriation Data/Funding amount:				
2	4	3	**Commercialization Plan** *Exit Criteria:* • Meeting to develop commercialization strategy • Up to date on technical status reporting requirements *Deliverables:* • Report detailing initial commercialization & marketing plan **(DATA RIGHTS)**	$100K
Appropriation Data/Funding amount:				

Administration Questions: Fixed Milestones

Can scope be added?	YES
Can scope be deleted?	YES
Can the MS amounts be revised?	DEPENDS
Can the MS due dates be revised (to account for a period of performance extension)?	YES

Administration of Expenditure-Based Milestones

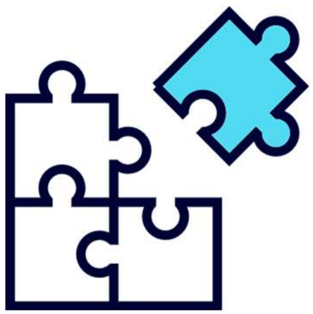
Milestone	Months After Award	Milestone Amount (Estimated at Award)	Planned Expenditures (Total)	Actual Expenditures (Total)	Amount Invoiced to Date
1	1	$100	$100	$90	$100
2	4	$500	$600	$550	$600
3	6	$400	$1,000	$1,200	$1,000
4	9	$500	$1,500	$1,600	$1,500
5	12	$500	$2,000		

Periodically, the government and performer should meet (regular and situational, if needed) to discuss payments and expenditures.

Find a way to ensure administration is not overly burdensome (for both the government and Performer). We recommend not adjusting milestone amounts at every milestone.

Session Takeaways

- There are key differences between fixed milestones and expenditure-based milestones
- Milestones should be tailored to the specific program or effort
- Milestones typically reflect observable technical events or other key actions (generally quarterly events like kick-off, management reviews, and technical reports)
- Milestone values are negotiated at time of award
- Payments are dependent on performers achieving milestones (focus is on the necessary effort to achieve the milestone)



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Q&A

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