



Senate Finance Hearing: Can Evidence Based Practices Improve Outcomes for Vulnerable Individuals and Families?

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Organization: America Forward

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Chairman Orrin Hatch
Senate Finance Committee
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Ranking Member Ron Wyden
Senate Finance Committee
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Dear Chairman Hatch and Ranking Member Wyden,

Thank you for the opportunity to submit a Statement for the Record in follow up to the Committee's May 10th hearing entitled *Can Evidence Based Practices Improve Outcomes for Vulnerable Individuals and Families?*

America Forward is the nonpartisan policy initiative of New Profit, a pioneering national venture philanthropy fund that seeks to break down barriers between all people and opportunity in America. To date, New Profit has invested over \$150 million in scaling innovative organizations' impact. America Forward's mission is to unite social innovators with policymakers and advance a public policy agenda that fosters innovation, rewards results, catalyzes cross-sector partnerships, and translates local impact into national change.

The America Forward Coalition is comprised of more than 70 social innovation organizations that champion innovative, effective, and efficient solutions to our country's most pressing social problems. Our Coalition members are achieving measurable outcomes in more than 14,500 communities nationwide, touching the lives of 8 million Americans each year, and driving progress in education, workforce development, early learning, poverty alleviation, public health, Pay for Success, social innovation, national service, and criminal justice reform. Together, we have leveraged \$1.5 billion for social innovation and have driven millions of federal resources toward programs that are achieving measurable results for those who need them most. America Forward believes that our nation's social innovators can lead the way to unlocking America's potential -- and help move all of America forward.

What we believe

At America Forward, we value innovation as an essential mechanism for improving our nation's efficiency and effectiveness in addressing social challenges. We view innovation as a cycle in which a pattern-changing idea is developed, assessed, tested, evaluated, and then refined (if it successfully achieves greater value) or abandoned (if it does not). For this cycle to work in the social policy arena, there must be clarity regarding the **outcomes** sought, **flexibility** to try new



approaches and providers, a **measurement system** to determine if the approach is effective, and **resources that follow positive results**. Unfortunately, it is the rare government program that adopts and supports this cycle. Too often, outcomes are not clearly specified or focused on at all, approaches are too narrowly dictated and do not focus on prevention, the ability to measure results are severely limited, and resources are locked into specific providers or programs, even if others would yield greater value. As a result, the federal government may fund the same ineffective programs for decades without combatting the root cause of the targeted problem, costing taxpayers billions of dollars and undermining the potential of the people who the programs are intended to help.

During the Senate Finance Committee hearing, the value of outcomes, flexibility, measurement, and paying for what works were all touched on both by the witnesses and members of the Committee. In addition, the current reality of federal government policies and programs, and their misalignment with these elements of an innovative approach to our social services system, was also lifted up. America Forward believes there are key policies that could be advanced to address this disconnect and our Coalition members are proof points of how these ideas could translate into real impact for individuals in communities across our country.

Data, Outcomes, and Measurement

A key element of an innovative and evidence-based social services sector is the development of data, the use of data to determine outcomes, and access to measurement tools that can analyze data to appropriately assess impact. Though the development of data and data points across agencies and programs is not an issue for the Federal Government, right now, and for a variety of reasons, the use of and access to that data to determine outcomes and assess impact are areas where there is a lack of clear policy and needed resources. America Forward has concrete ideas as to how to address these problems and believes the Committee should consider these policy changes in order to advance the effort to an evidence-based social services sector.

- 1) Subject to privacy protections, the Federal Government should amend laws and regulations to permit relevant federal, state, and local agencies, nonprofit organizations, social enterprises, and other institutions to have access to federal databases such as the National Directory of New Hires and to the Unemployment Insurance Wage Records in order to better assess impact of federal programs using administrative datasets such as these to drive down the cost of evaluations.
- 2) For key outcomes that are of interest to the Federal Government, Congress, in consultation with relevant agencies, should establish uniform outcome definitions and an accurate methodology for analyzing these outcomes in order to ensure consistent and accurate illustrations of the impact (or lack thereof) of providers and programs funded by federal funding.
- 3) The Federal Government also has the opportunity to encourage the use of low-cost Randomized Controlled Trials (RCTs) that are seen as the most rigorous evaluation design format. The government can also encourage the use of quasi-experimental designs, which do not require random assignment, thereby ensuring that services are not denied to those who need them, but maintain control and experimental group rigor.
- 4) Recently, the *Evidence-Based Policymaking Commission Act* (H.R. 1831 and S. 991) was enacted into law establishing a Commission on Evidence-Based Policymaking. This



Commission is tasked with studying how best to expand the use of data to evaluate the effectiveness of federal programs and tax expenditures. The development of this commission should be supported and the findings of their work should be swiftly integrated into the work of this Committee and Congress.

Flexibility

Many federal policies and funding streams have rigorous definitions associated with how programs should be structured and the inputs/outputs associated with the allocation of funding. This lack of flexibility results in a lack of innovation in our approach to government funded social services. Agency-wide waivers and Performance Partnership Pilots are just two examples of current federal policies that allow flexibility and the ability for states, localities, and providers to innovate on their approach to the delivery of social services programs.

Waivers and Performance Partnership Pilots allow demonstration of ways to more efficiently and effectively allocate federal mandatory and discretionary funding respectively to implement evidence-informed practices to improve outcomes for various populations. Broad utilization of waivers should be encouraged by states and ideas such as Performance Partnership Pilots should be resourced and applied to populations beyond opportunity youth. These demonstrations should also be continued and expanded to other federal programs serving populations in need, both for the knowledge they generate and to inform permanent policy approaches to the issues and populations addressed by these time-limited demonstrations.

Pay for Success

Pay for Success is a funding approach where government pays for services if a program gets results. Pay for Success drives government funding toward high-quality, effective programs that measurably improve lives. Specific interventions are not spelled out, allowing providers the flexibility to adopt whatever strategies they determine will be most effective in achieving outcomes for those in need. In some cases, private investment provides upfront financing, taking on the risk that the intervention will not succeed and recovering the investment if it does.

Contracts designed to “pay for success” and emphasize outcomes have several advantages: 1) incentives are created for cost-effective interventions and thus programs have the flexibility to focus on the most effective strategies and emphasize prevention over remediation; 2) investments are supported that have longer-term social and financial benefit than those currently supported within the typical one year government budget cycle; 3) fewer resources are wasted on bureaucracy so more funds can go to program delivery rather than to compliance with rules and regulations; and finally, 4) government, and therefore taxpayers, only end up paying for effective programs that work.

Pay for Success gives governments the ability to support high-impact service providers; drive resources to effective social programs; and track outcomes, not just outputs, for individuals and communities. This structure helps government to **effectively** and **efficiently** provide services to those in need.

In some cases, an intervention may prove to reduce public costs. Sometimes these reduced costs can be used to repay private investors who funded the cost-saving intervention up front. When these public savings accrue to a single agency – e.g. the prison system for example, the savings can be captured and repurposed to repay this kind of investment. In other cases,



these public savings may accrue to multiple agencies, making it more challenging to consolidate the funds and repurpose the savings to repay investors. And in still other instances, the public

savings may not occur for many years – e.g. investments in education for youth that result in savings later in life – and thus not produce funding that can be used in the short term to repay investors. It is also the case that some interventions may not directly reduce public costs but instead are budget neutral while increasing the number of individuals served. In these instances, there is not a specific dollar figure that can be repurposed or reinvested by government but a noted increased efficiency in the utilization of public dollars. The ultimate *efficiency* benefit of a Pay for Success arrangement is not reducing budgets or cutting funds, but rather the more efficient use of public dollars to achieve better outcomes and measurably improve people’s lives.

However, Pay for Success is also about *effectiveness* -- moving public funding to interventions that build and use evidence to deliver results -- this mechanism can be used to structure government contracting and funding in ways that incent these results, with or without private sector investment. For example, government can provide funding for the evaluation required to build the evidence base, and for performance management systems that enable organizations to use evidence in program implementation. Government can provide financial incentives – bonus payments and the like – when programs demonstrate better than average, measurable impact. Government can also incent the leveraging of private philanthropy to provide matching funds that cover these costs. Pay for Success has many important implications for retooling government’s approach to tracking the allocation of funds from one focused primarily on outputs and within individual agencies to one tying funds to results impacting multiple agencies.

Federal policymakers can advance Pay for Success by creating incentives for federal agencies or state and local governments to test such models, providing funding for and encouraging technical assistance advisors to explore the feasibility of and create pathways towards potential Pay for Success transactions, and addressing data systems and privacy issues related to the evaluation of programs in Pay for Success. Shifting resources from unproductive programs to Pay for Success models that pay based on the achievement of outcomes will ultimately make taxpayer dollars more productive and improve the lives of those whom these programs are designed to help.

America Forward is encouraging the creation of an incentive fund at the federal level to expand the piloting and use of Pay for Success. America Forward has been working closely with the current Administration and key champions in Congress on a bipartisan, bicameral approach to create such a fund that could be used to structure Pay for Success projects and contracts, fund feasibility work, evaluation, and contribute to success payments. This legislation, known in the Senate as the *Social Impact Partnership Act* (S. 1089), was introduced in both the 113th and 114th Congresses by Committee Chairman Hatch and Senator Bennett. This legislation would provide funding to promote a variety of Pay for Success approaches and also test social innovation financing of Pay for Success strategies. In times of tighter budgets and greater demand for social services, we must work together to direct government resources to the most efficient programs that measurably improve people’s lives. Pay for Success has the potential to incentivize more efficient use of government resources to reward what works, linking government dollars to positive outcomes, and leveraging those dollars to attract private capital into the social services sector.



The results from the first Pay for Success project in the U.S. at Riker’s Island were much anticipated and particularly important not only for the young men being served by the

intervention but to the overall Pay for Success movement. Last year, when the results from the project to that point were released, there was initial disappointment for those who are Pay for Success champions and who hoped for a better result for the young men in Riker’s. Though the intervention lacked evaluative impact, and thus was discontinued and the Pay for Success project ended, the messaging around the results was helpful in articulating that ‘success’ in Pay for Success means many things. Specifically, not only did the project end but the government did not pay out any money for the project given the lack of evaluative impact. The ‘success’ here then is that the approach—to pay only if a successful outcome is achieved—is possible and can be effectively executed.

The announcement that followed from the second Pay for Success project in the U.S., the Utah High Quality Preschool Program, was very different from the announcement made regarding the Riker’s project but no less significant. The headline of the United Way of Salt Lake press release perfectly sums up the results: *Social Impact Bond for Early Childhood Education Shows Success*. It was determined that 109 out of 110 at-risk Utah students avoided special education services following access to high-quality preschool. This is a 99 percent success rate, which is incredibly impressive. These results are also incredibly high and may be called into question as a result. As those stakeholders in the Riker’s Island Project did, the Utah Pay for Success community has been open to criticism and transparent about the evaluation design, process, and analysis of their effort. With each milestone in these projects, there is an opportunity for education and development of a deeper understanding of Pay for Success and those engaged in these projects need to support transparency from their development and resource the ability to share lessons learned.

At America Forward, we believe that Pay for Success has the potential to bridge the divide between the “business as usual” system —where we continue to provide the same services, in the same way, to address the same problems but with little to no accountability for achieving the desired results – to the future we want, where we are able to provide high-quality prevention services to ameliorate future remedial services such as special education, increase employment opportunities for those seeking second chances, and provide the opportunity for families to stay together and thrive without the need for government intervention or support. It is only by testing the approach to ‘paying for success’ that we can determine how to really bridge this divide.

As the Committee considers legislation supporting Pay for Success, we urge that you consider the following principles:

- Enable providers to participate even if they have not previously been a major recipient of public funding. If opportunities are limited to existing providers, innovative organizations that offer better outcomes will be excluded.
- Be careful to identify a range of appropriate benchmarks rather than a single long-term outcome. Such benchmarks enable organizations to track their results and make adjustments as necessary.



- Ensure that consideration is given not only to the potential for cost savings or increased tax revenue through these arrangements but also to greater efficiency in the utilization of public dollars resulting in more individuals served using the same allocations, and to the potential for long-term impact across multiple government agencies.
- Include resources for a partnership with a credible technical assistance advisor. It is difficult for governments to work alone to support the education, feasibility analysis, and the financial modeling necessary to launch these initiatives. The technical assistance advisor should have a track record of exploring the feasibility of Pay for Success in different localities and in launching Pay for Success transactions.
- Develop systems that prevent providers from choosing only those clients who are easiest to serve, while also retaining flexibility for providers to serve multiple at-risk populations.
- Include a partnership with a credible research organization to conduct evaluations that most feasibly and appropriately measure the reform's impact on government spending and on participants' well-being (and any other key program goals).
- Create opportunities and funding for government agencies to learn from others' experiences and build the capacity of providers, technical assistance advisors, and intermediaries to participate in Pay for Success programs.
- All final Pay for Success documents are encouraged to be in an "open source" format and should be posted on the internet/web platform.

Thank you for the opportunity to submit a Statement for the Record. America Forward would be happy to provide clarification of any of the points raised or provide any additional information you request. Please do not hesitate to contact Nicole Truhe, Government Affairs Director of America Forward at Nicole_truhe@newprofit.org if you would like to discuss these comments further.

Sincerely,

A handwritten signature in black ink, appearing to read "Nicole Truhe", written in a cursive style.

Nicole Truhe
Government Affairs Director, America Forward