

Examples of Possible Pay for Success Projects (Social Impact Partnerships)¹ that Could Generate Savings and/or Value for Federal Programs

Topic: Child Welfare/Foster Care

Federal Program Where Savings Could Accrue: Social Security Act Title IVE, Foster Care and Adoption Assistance

Today in America, over 400,000 children are being raised in foster care, at a cost to taxpayers of more than \$9 billion annually.² Young people who spend long periods in foster care are disproportionately likely to experience homelessness, health problems, unemployment, incarceration, and other poor outcomes that impose still higher costs on these individuals and society at large. A Pay for Success project could offer a broader range of services to address the unique and individual needs of each child and family while achieving measureable outcomes such as increased exits to permanency, reduced re-entry into care at one or two years post-discharge, reduced care day utilization (days in care), and a positive change in a child's developmental well-being.

Project Example: Housing instability often brings families to the attention of the child welfare system and serves as a barrier to family reunification when a child has been placed into foster care. A Pay for Success project could be developed to address the increasing number of children entering foster care due to housing and other family-based needs. Using family-based interventions coupled with housing and other individualized support services, this type of project could decrease the number of children entering and languishing in foster care along with positively impacting child and family specific outcomes such as academic achievement, job stability, and health care needs. One local community is already advancing a similar idea and seeing significant impact by allocating public funding to family-driven interventions that are home and community based.³

Topic: Veterans

Federal Program Where Savings Could Accrue: Department of Veterans Affairs, Veterans Health Administration; Department of Defense, TRICARE; Department of Defense, UCX (Unemployment Compensation for Ex-Service Members)

While most veterans make the transition to civilian life with minimal disruption, a subset of the 22 million veterans in the United States face unique challenges transitioning to civilian life, including: obstacles to obtaining full-time employment, accessing healthcare to manage their multiple chronic diseases, and securing adequate and stable housing. The cost to government of caring for this population is projected to be substantial and enduring, especially as 3.6 million of these veterans live with service-related disabilities.

Project Example: The average unemployment rate for veterans of the Iraq and Afghanistan wars in 2013 was 9.0%. Veterans between the ages of 18 and 34 experience unemployment rates higher than the civilian population of the same age range. Finding jobs for transitioning veterans is especially important because persistent unemployment is often linked to negative health conditions, which exacerbate pre-existing mental health conditions. A Pay for Success project that combines employment services with

¹ Pay for Success projects, also known as Social Impact Partnerships, may or may not include mission-driven investors providing upfront funds to finance the intervention. These projects are instead defined by the government paying only if certain outcomes are achieved at pre-set target levels, as determined by an independent evaluator using a rigorous evaluation design.

² <http://www.acf.hhs.gov/sites/default/files/cb/afcarsreport21.pdf>; <http://www.brookings.edu/research/reports/2011/05/adoption-foster-care-zill>

² <http://baml.bankofamerica.com/email/doc/Veterans-Impact-Study-final.pdf>

³ <http://www.youthvillages.org/Portals/0/PDFs/TN-YV-Common-Knowledge-Case-Study.pdf>

wellness services such as mental health support could positively impact the trajectory of the lives of veterans while potentially generating government savings through higher lifetime earnings and tax revenue, lower healthcare utilization, and lower unemployment benefit utilization. The Individualized Placement and Support (IPS) intervention, for example, has been shown to have a return on investment of more than 4.0 over five years, resulting in 76% competitive employment rates for veterans with a mental health diagnosis versus 27% in the control group.

Topic: Health Care

Federal Program Where Savings Could Accrue: Social Security Act Title XX (Medicaid)

One of the most difficult financial challenges for the U.S. is the rising cost of healthcare, and a significant portion of that cost is spent on high-cost treatments for preventable illnesses. Pay for Success is well suited to scale health care interventions that prevent conditions before they become more burdensome for patients and taxpayers because it allows payment to be made after savings accrue.

Project Example: High quality Maternal, Infant, and Early Childhood home visiting services have demonstrated a range of outcomes that impact Medicaid, including: reduction in pre-term birth, reduction in ER visits for avoidable injuries, and improved healthy birth spacing.⁴ Pay for Success was recently deployed in South Carolina to expand a high-quality home visiting program, Nurse Family Partnership, in that state.⁵ A similarly structured Pay for Success approach could be used elsewhere as well, for Nurse Family Partnership or other services, providing significant long-term value to Medicaid.

Topic: Workforce Development

Federal Program Where Savings Could Accrue / Value Could Be Created: Multiple Public Benefit Programs

Almost 6 million young people, aged 16 – 24, are neither in school nor working. Over the lifetimes of the young people left behind in 2011 alone, taxpayers will assume as much as a \$1.6 trillion burden to meet their increased needs and compensate for lost tax revenue, and the economic impact on society will reach \$4.7 trillion.⁶ Pay for Success projects targeted to address the particular needs of this population as well as the millions of hard-to-employ and chronically unemployed individuals would have impacts not only on workforce related outcomes (wages and tax revenue collection) but also to the public benefit (TANF, SNAP, and UI).

Project Example: YouthBuild, a program intended to prepare hard-to-employ individuals for jobs, is funded by the Department of Labor and provided by a network of providers including such organizations as Latin American Youth Center and Sasha Bruce. With a current success rate of 60% in placing opportunity youth in livable wage jobs, and through its existing network of local providers, many YouthBuild providers can easily expand services to additional youth using a Pay for Success approach. Funds could be awarded to providers for each student it places into a livable wage job and for retention of that job for a specific period of time.

⁴ www.instituteforchildsuccess.org/mydocuments/pay_for_success_financing_for_early_childhood_programs.pdf

⁵ http://pfs.instituteforchildsuccess.org/wp-content/uploads/2016/06/summary_of_pay_for_success_social_impact_bonds_South_Carolina.pdf

⁶ <http://opportunitynation.org/disconnected-youth/>; http://www.justicepolicy.org/uploads/justicepolicy/documents/sticker_shock_final_v2.pdf

Topic: Two Generation Public Benefit Utilization**Federal Programs Where Value Could Be Created: TANF and WIOA Adult Employment and Training**

Programs that help TANF-enrolled children start earlier to build language, vocabulary, pre-literacy, numeracy and key social/emotional skills, research shows improved school readiness (thus avoiding later remediation, special education, dependency, out-of-wedlock pregnancies, and dropping out of school).⁷ A Pay for Success project could be used in a preschool facility, preferably located in or near a Low Income Housing Tax Credit-financed housing development complex, thus aligning and helping to maximize the benefits of various federal investments. By situating the preschool close to where families live, this type of project could increase the likelihood that parents with children under six could participate successfully in job training and then gainful employment because they have safe, predictable, publicly funded, high quality preschool/ after school care for their children.

Project Example: States could use PFS to expand high quality early childhood care and education services, combined with adult training and job placement/retention services, with the aim of decreasing dependency on Federal benefit programs like TANF and WIOA. A project could deploy a two generation strategy: one part prevention using evidence-based preschool successes to prevent at-risk TANF children from the consequences of poverty's pathologies; the second part leveraging quality preschool as an anchor program to increase the efficacy of job training and family supports. Each of these interventions would have individual population related impacts while the combination would reduce dependency on TANF and related federal programs. PFS could be used to expand the quality preschool models for a community, with outcome payments based on a combination of the outcomes for children and the employment-related outcomes for families.

Topic: Higher Education**Federal Program Where Savings Could Accrue / Value Could Be Created: Federal Pell Grant Program, Title IV Student Loans**

Each year, Congress invests billions of dollars in higher education, with a particular focus on lower-income students and families. However, these investments are largely based on enrollment metrics, with relatively little attention to educational or career outcomes. In short, we know how much we invest, but have very little idea of the return on that investment, even to the extent of short-term outcomes like degree completion.

Project Example: Institutions of Higher Education across the country are working to improve degree completion rates, particularly for lower-income students who receive governmental support (in the form of Pell Grants and other government-backed student grants/loans) to enroll in post-secondary programs. One program, for example, out of the City University of New York – the ASAP program – provides a range of relatively intensive supports including additional tutoring, transportation assistance, and free text books to support students persistence and success in higher education programs. Though the program is expensive per semester, a randomized control trial showed that it significantly reduced the cost *per degree*, without reducing academic requirements in any way.⁸ Using a Pay for Success approach to expand this type of program to students who also borrow federally guaranteed loans, degree completion outcomes could translate to a reduced student loan default rate, which is much higher for non-graduates than for graduates. Because the federal government guarantees federal student loans, and absorbs the costs when students default, reducing those defaults would provide additional value to the Federal Government.

⁷ For example: http://iff.org/resources/content/5/0/0/documents/SIB-CPC_Fact_Sheet_and_Report_042016_final1.pdf

⁸ www.mdrc.org/publication/doubling-graduation-rates