



PAY FOR SUCCESS: WHAT STATES NEED TO KNOW

OCTOBER 5, 2018

10 Milk Street, Suite 1010, Boston, MA 02108

▶ WHO IS SOCIAL FINANCE



Dedicated to mobilizing capital to drive social progress

Our History

- **Founded in January 2011** by David Blood, Sir Ronald Cohen, and Tracy Palandjian
- One of the **first dedicated Pay for Success intermediaries in the country**

Our Global Network

- Social Finance UK, was founded in 2007 and launched **the world's first Social Impact Bond** in 2010
- We partner with Social Finance UK, Israel, and India in the world's only **Global Pay for Success Network**

Our Team

- **Team of 45+** includes experienced professionals from the public, private, and nonprofit sectors
- Offices in **Boston, MA, Austin, TX, and San Francisco, CA**; presence in **Salt Lake City, UT, Washington DC**

Children & Families



Workforce



Sustainability & Resiliency



Criminal Justice



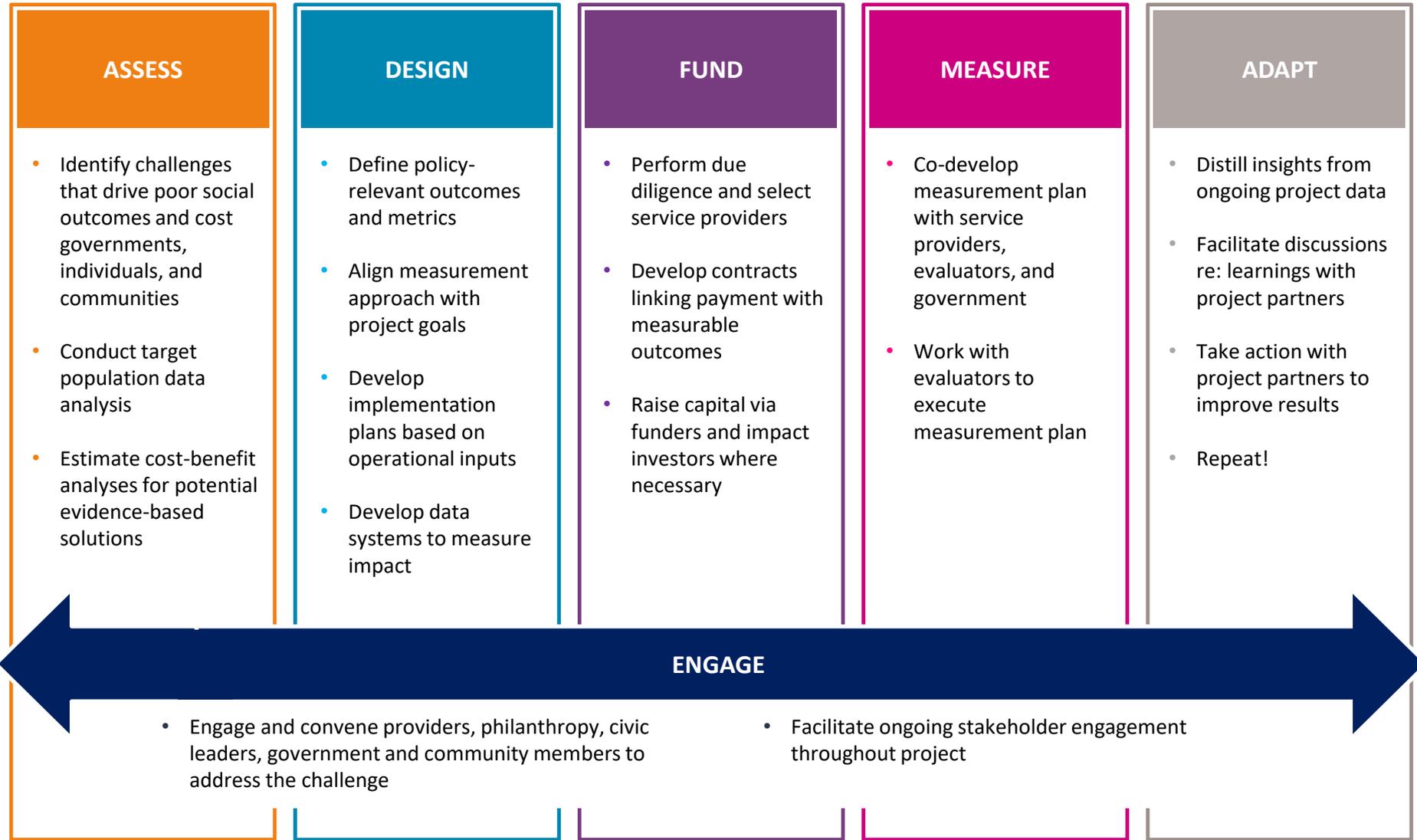
Education



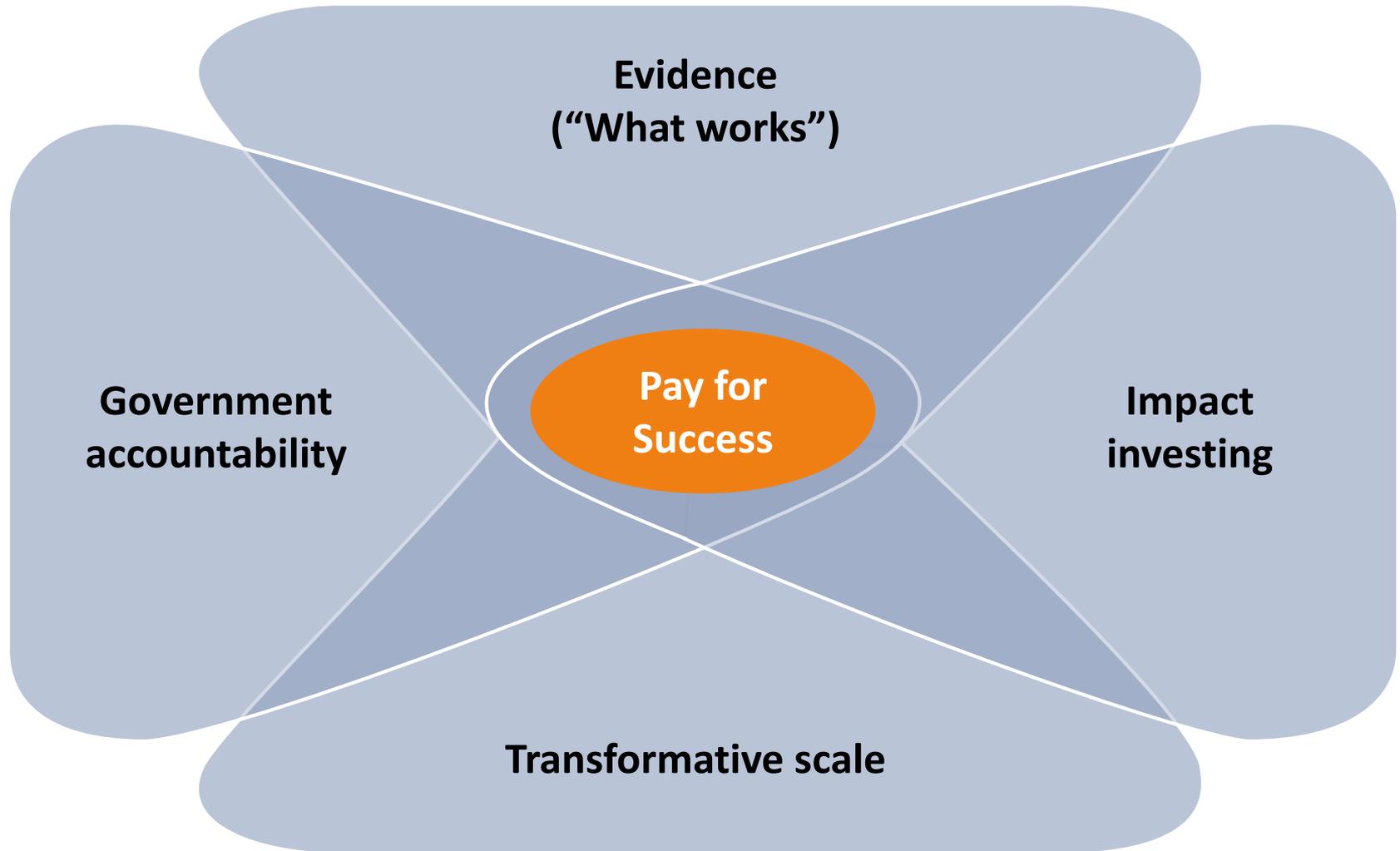
Health



▶ SOCIAL FINANCE SPECTRUM OF SERVICES

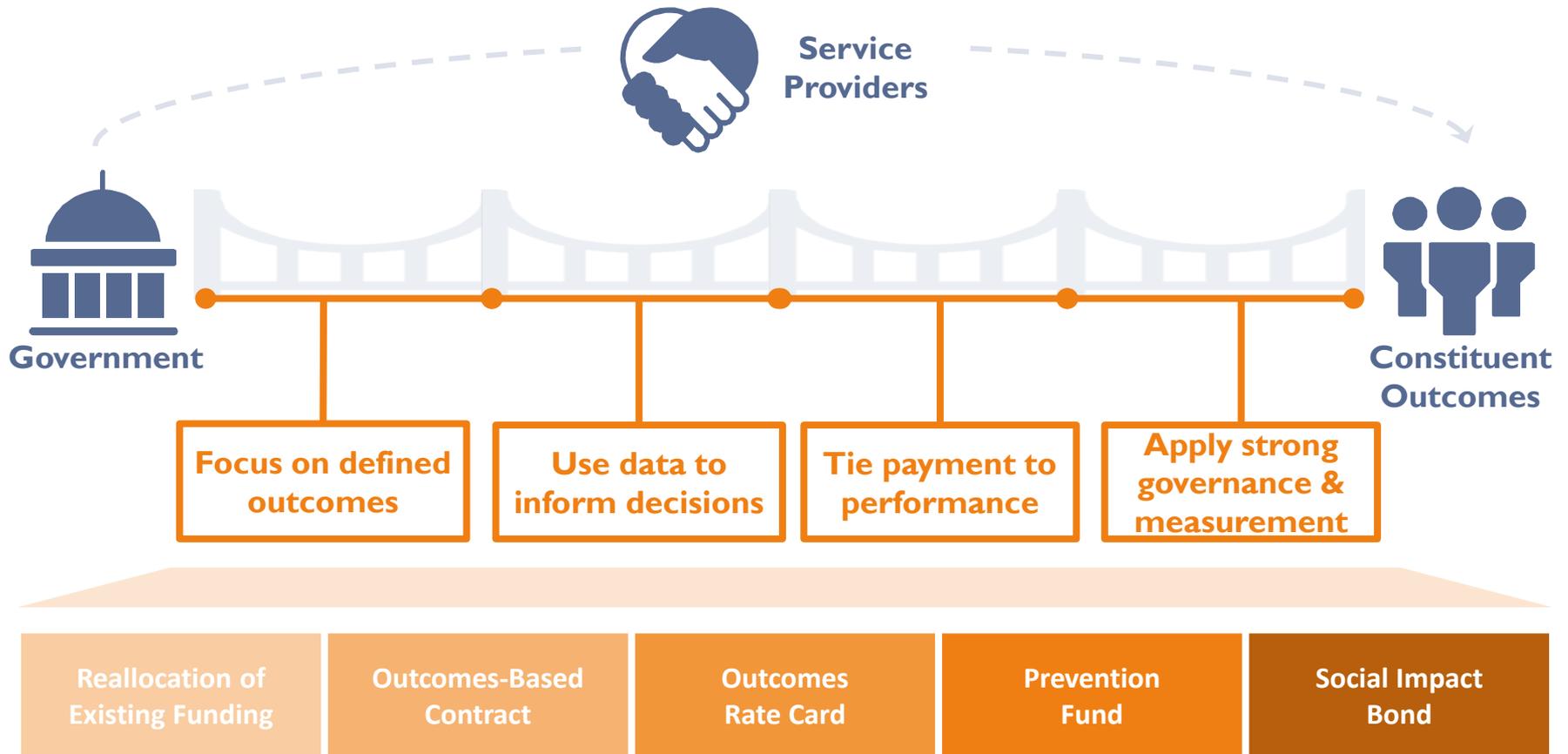


▶ PAY FOR SUCCESS SITS AT THE INTERSECTION OF FOUR POWERFUL MOVEMENTS

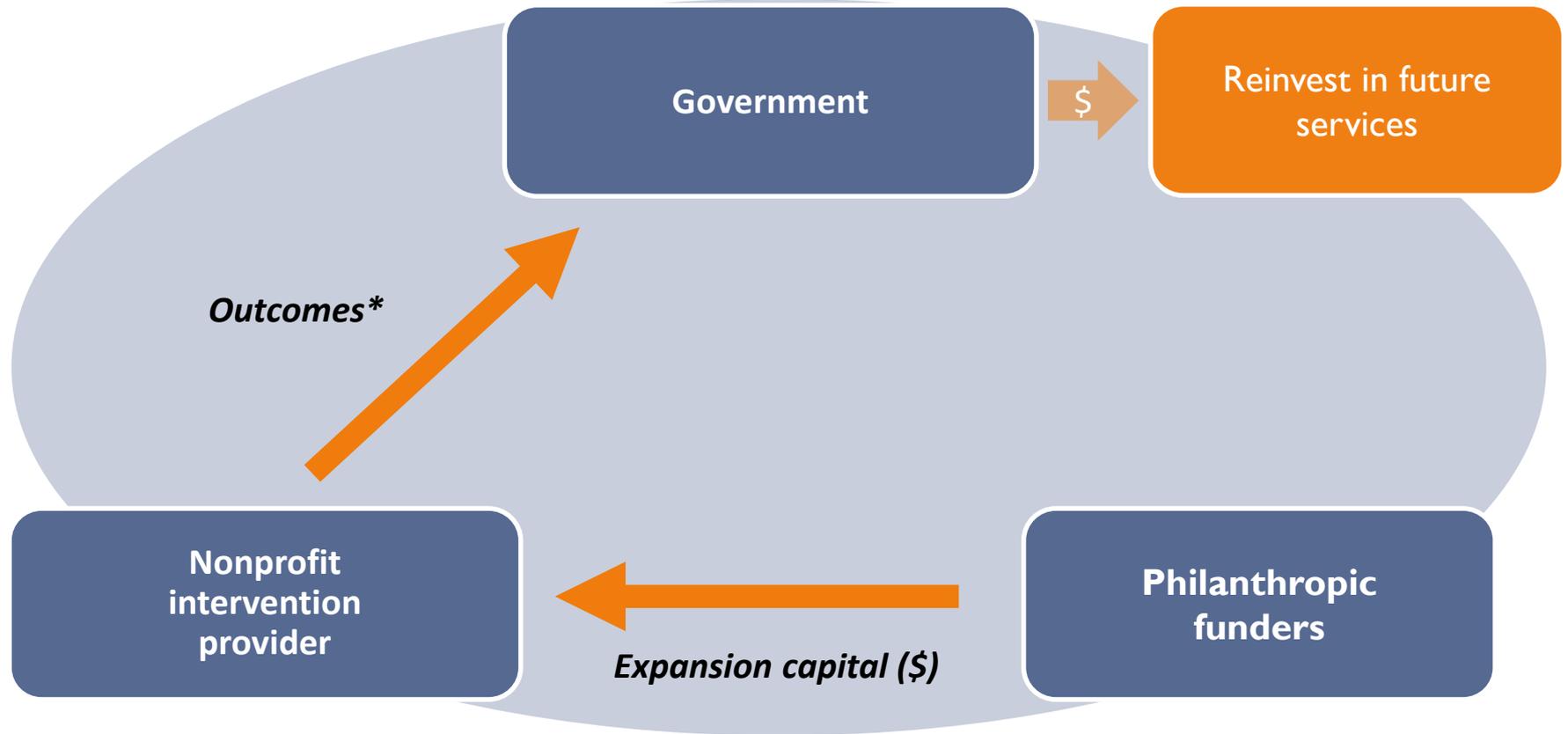


▶ WHAT IS PAY FOR SUCCESS?

Pay for Success is a collection of principles, or tools, that governments can use to effectively contract with providers and bridge the service delivery gap



▶ FUNDING STRUCTURE: PREVENTION FUND



In lieu of repayment, the Payor agrees to fund future services as outcomes meet pre-agreed targets

*Outcomes are measured per a pre-agreed method ranging from very simple (count positive outcomes in administrative data) to complex (random assignment study)

▶ SOUTH CAROLINA NURSE-FAMILY PARTNERSHIP PFS PROJECT

Overview

The nation's first Pay for Success initiative focused on improving health outcomes for mothers and children living in poverty, the project expands Nurse-Family Partnership's services to an additional 3,200 first-time, low-income mothers across the state.

THE CHALLENGE



More than 280,000 children in South Carolina — or 27 percent — live in poverty. And more than half of babies in the state are born to low-income mothers who qualify for Medicaid.



Mothers struggling with poverty are at higher risk for poor birth outcomes such as delivering premature babies or those who weigh too little.



Growing up in poverty can be harmful to a child's cognitive development, health, school performance, and social and emotional well-being. Research on brain development has shown that giving children a strong start in life begins before they are born, during a mother's pregnancy.

THE OPPORTUNITY



The South Carolina Nurse-Family Partnership Pay for Success Project mobilizes **\$30M** to expand Nurse-Family Partnership to **3200 low-income, first-time mothers and their babies.**



Nurse-Family Partnership **pairs vulnerable first-time parents with specially trained nurses**, who support them to have healthy pregnancies and become knowledgeable and responsible parents.



Since launching services in 2016, the project is working to **improve child health and early childhood development outcomes** across the state.

Outcomes Measured

Low-income Zip Code Penetration

65% of project enrollees must come from zip codes deemed "low-income"

Healthy Birth Spacing

Decrease in the number of mothers giving birth within 24 months of the first birth

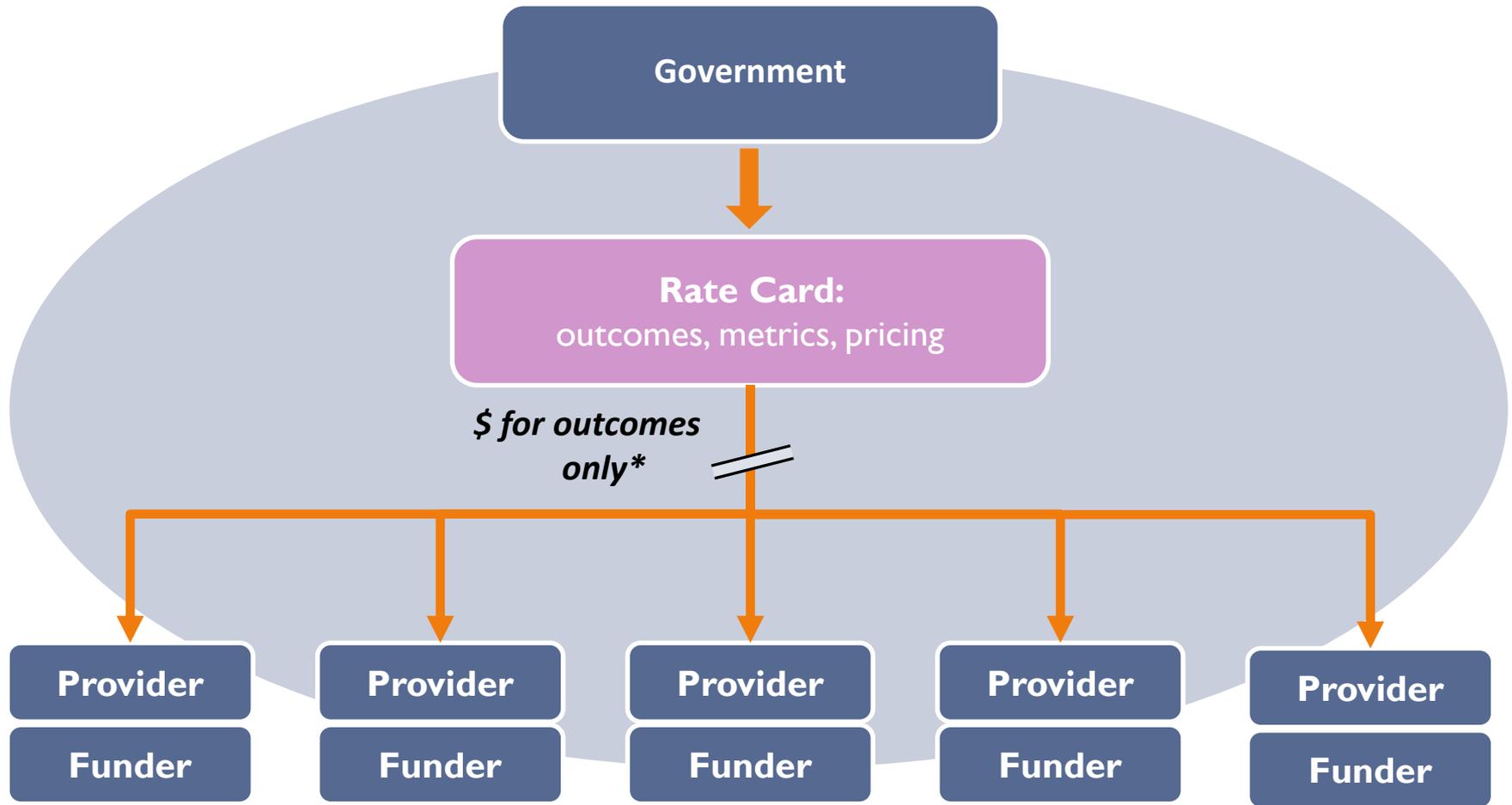
Child Injury Rates

Decrease in ER visits or hospitalizations within 24 months of birth

Preterm births

Decrease in births where the estimated gestation period is less than 37 weeks

▶ FUNDING STRUCTURE: OUTCOMES RATE CARD



Multiple providers apply jointly with funders (for working capital)

*Outcomes are measured per a pre-agreed method ranging from very simple (count positive outcomes in administrative data) to complex (random assignment study)

CONNECTICUT MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING OUTCOMES RATE CARD PILOT

Home visiting

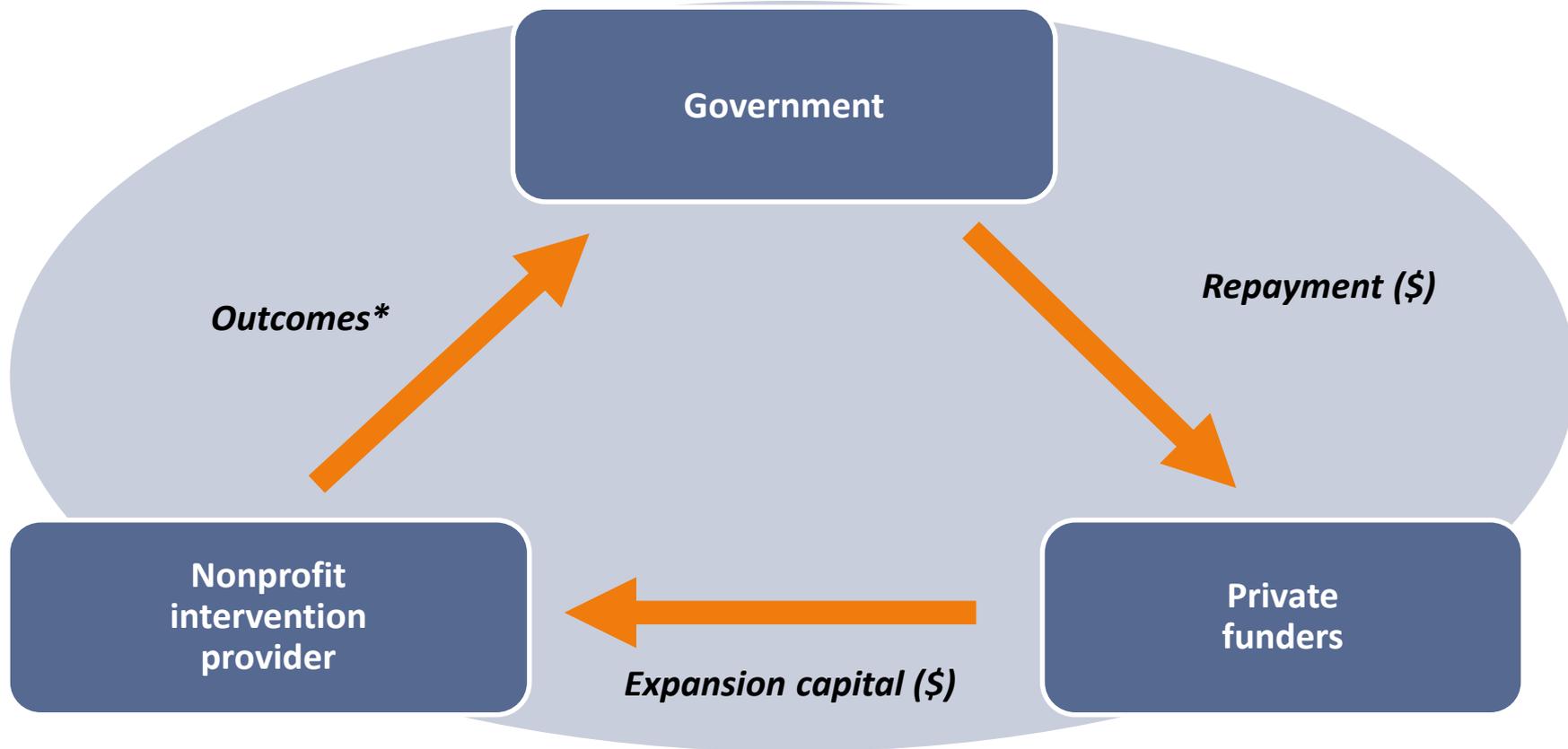
- **Goal:** Shift toward performance-based payment for outcomes that generate value to families and society, support two-generation impacts, and are linked to administrative data
- **Structure:** Bonus payment structure, providers earn up to 3% bonus based on outcomes
- **Status:** Services active with 22 providers, first payments made August 2018

	Metric <i>For project-eligible individual¹</i>	Definition	Low-risk family price	High-risk family price
1	Safe children	<i>At the time of measurement,² there are no substantiated cases of maltreatment (other than any reported by provider staff) and no incidents of injury- or ingestion-related visits to the emergency room.</i>	\$90	\$115
2	Caregiver education and employment	<i>At the time of measurement, the caregiver is employed, enrolled in education or training, or has recently graduated from an education or training program.</i>	\$180	\$225
3	Full-term birth	<i>For families enrolled prenatally before 28 weeks gestation, the child is born at 37 weeks gestation or later.</i>	\$135	\$170

¹ Pregnant women and new mothers and/or fathers who reside in high-risk MIECHV communities and are among the MIECHV priority target populations.

² The time of measurement for each outcome depends on the provider model, as defined in each service provider contract.

▶ FUNDING STRUCTURE: SOCIAL IMPACT BOND



*Outcomes are measured per a pre-agreed method ranging from very simple (count positive outcomes in administrative data) to complex (random assignment study)

Massachusetts Pathways to Economic Advancement Project

Improving earnings and facilitating transitions to employment and higher education



A collaboration of the Commonwealth of Massachusetts, Jewish Vocational Service (JVS), and Social Finance, this project increases access to programs that assist adult English-language learners in making successful transitions to employment, higher wage jobs, and higher education. It was made possible through investments provided by partners including Living Cities Blended Catalyst Fund, Prudential Financial, Inc., Maycomb Capital, Combined Jewish Philanthropies Donor Advised Funds, Bank of America Merrill Lynch clients, and others.

THE CHALLENGE



The Greater Boston area is home to approximately 230,000 adult, English-language learners. This population faces significant barriers to employment.



Studies estimate that limited-English speakers in Massachusetts earn roughly \$24,000 less annually than immigrants who speak English fluently.



Vocational training for adult English-language learners can help address the skills gap in the Massachusetts economy.

THE OPPORTUNITY



This \$12.43 million Pay for Success (PFS) project will provide approximately 2,000 individuals with vocational English classes, occupational-skills training, and college-transition programming.



JVS will offer four program tracks that draw on 20+ years experience integrating adult basic education, contextualized English, and preparation for job readiness or advancement.



The project will measure success based on three outcomes: 1) earnings, 2) successful transitions to higher education, and 3) program engagement.



This project is the third PFS initiative launched in Massachusetts to date, and the first PFS project in the nation to focus exclusively on workforce development.

JVS Program Tracks

**Rapid
Employment**

**English for
Advancement**

**Occupational
Skills Training**

**Bridges to
College**

Employment-focused English language classes; skills development; and job search assistance:

College preparation and coaching:

to secure a first job immediately

to facilitate employment or job advancement

to facilitate employment in nursing or hospitality

to transition into higher education

▶ 20 PAY FOR SUCCESS DEALS HAVE REACHED THE MARKET TO DATE

...and more are on their way

Criminal Justice	Early Childhood Education	Homelessness & Family Stability	Health	Environment / Sustainability	Workforce Development
 <ul style="list-style-type: none"> 1 New York City 2 Massachusetts 3 New York State 4 Salt Lake Cty 5 Oklahoma 6 Alameda County 7 Ventura County 	 <ul style="list-style-type: none"> 8 Salt Lake Cty 9 Chicago 	 <ul style="list-style-type: none"> 10 Cuyahoga Cty 11 Massachusetts 12 Santa Clara Cty 13 Denver 14 Connecticut 15 Salt Lake Cty 16 LA County 	 <ul style="list-style-type: none"> 17 South Carolina 18 Michigan 	 <ul style="list-style-type: none"> 19 Washington, DC 	 <ul style="list-style-type: none"> 20 Massachusetts

Additional projects in development:

K-12 education

Veterans' affairs

Substance use

Foster care

▶ WHY SHOULD STATE BUDGET AND FINANCE OFFICERS CARE ABOUT PAY FOR SUCCESS?

Ongoing **data and feedback** on programs

Directs dollars to **high-quality services**

Optimizes **government resources** for results

▶ THE SOCIAL IMPACT PARTNERSHIPS TO PAY FOR RESULTS ACT

STATE AND LOCAL GOVERNMENTS CAN ACCESS \$100M TO SUPPORT PFS PROJECTS ACROSS A RANGE OF ISSUE AREAS

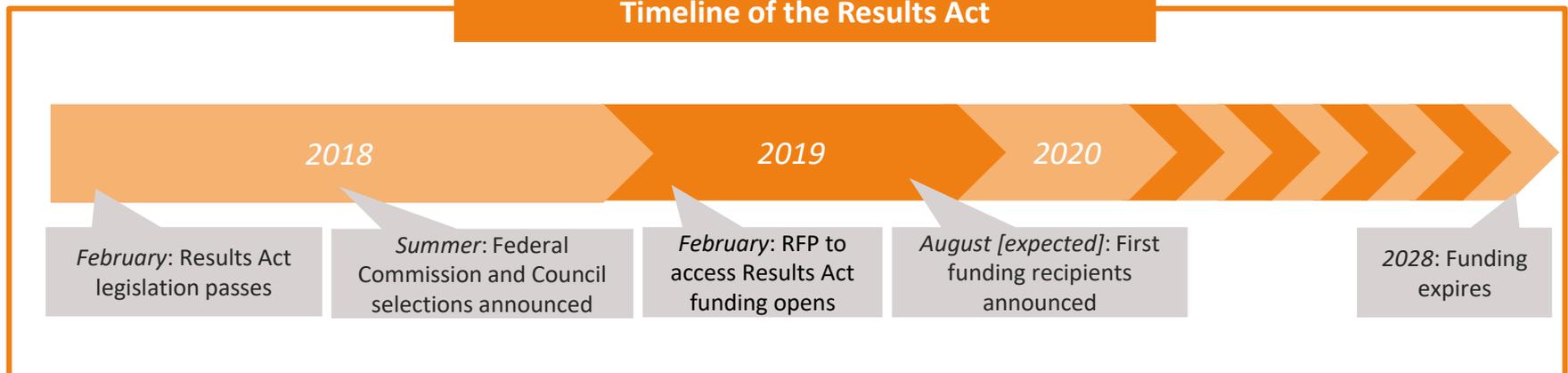
UPTO
\$75M¹
FOR MATCHING
OUTCOME PAYMENTS

UPTO
\$10M
FOR FEASIBILITY STUDIES

UPTO
\$15M
FOR EVALUATION COSTS

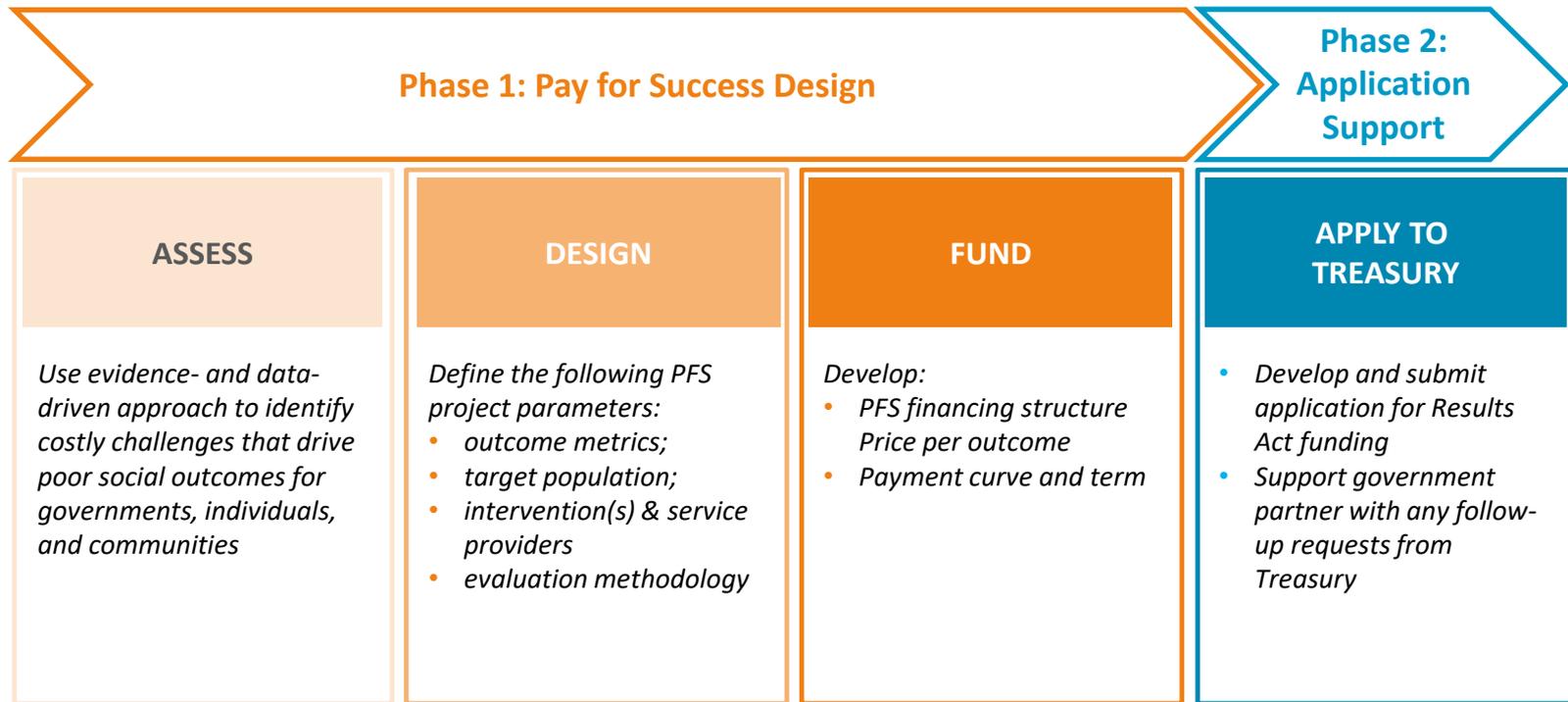
*Priority outcomes in legislation span **child welfare, family stability, homelessness, education, health, employment, recidivism, and veterans***

Timeline of the Results Act



1. Of the \$75M, up to \$20M may be allocated to administrative costs

▶ **HOW ARE WE HELPING GOVERNMENTS ACCESS RESULTS ACT FUNDS?**
Social Finance will provide technical and application assistance to government partners looking to apply for feasibility and outcomes funding



Contact us at **SIPPRA@socialfinance.org** for more information
and see additional resources at **socialfinance.org/SIPPRA**