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Commonwealth of Pennsylvania

Pay for Success Initiative

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INTRODUCTION

Public Consulting Group, Inc. (PCG) is pleased to provide the Commonwealth with the following information that may assist in considering how to implement Pay for Success (PFS)



programs in the state. As a rapidly growing, public-sector focused, management consulting firm primarily serving state and local health, human services and education entities, PCG early on identified the potential that these innovative private investment partnerships held for our health and human services clients. Since 2013, PCG has served as the Independent Validator of evaluation and provider payments for Massachusetts' PFS initiative to help disengaged and disenfranchised young people move out of violence and poverty, which makes PCG one of few private firms with direct experience in PFS implementation nationally. PCG has led similar independent evaluation projects based on evidenced-based practices and achieving cost savings, such as acting as the Independent Assessor for the for the \$8 billion/5-year Medicaid Delivery System Reform Incentive Program (DSRIP) in New York State. Related to planning and implementing provider payment systems that reward outcomes, PCG has national experience in health care, education, child welfare, workforce, early childhood, juvenile justice and vocational rehabilitation.

Along with an intimate understanding of PFS models, PCG also has gained great familiarity with current Pennsylvania agencies and programs that are likely areas of consideration for PFS implementation. PCG has several large-scale long-term projects with the Pennsylvania Department of Human Services and Department of Education, spanning early childhood, special education, child welfare, long-term living, aging, developmental disabilities, nutrition, and technology services. PCG has served as the principal operator and strategic planning consultant of the One-Stop Philadelphia CareerLink system since May of 2012. PCG has offices in Harrisburg, PA, Philadelphia, PA, and remote staff located regionally.

[Our Understanding of the Pay for Success Opportunity for the Commonwealth](#)

Interest in and access to private investor funding for projects that address significant social problems is expanding rapidly. There are many "names" for these new investment partnerships, including: Pay for Success; Social Impact Bonding; Impact Investing; and Social Innovation Funding. In 2015, the Commonwealth of Pennsylvania was announced as a subgrantee of the Harvard Kennedy School Social Impact Bond Lab (SIB Lab). A description of the Pennsylvania project is included below from the website of the Corporation for National and Community Service.¹

¹ Retrieved from -- www.nationalservice.gov/programs/social-innovation-fund/pay-success/harvard-kennedy-school-social-impact-bond-lab

“The SIB Lab will work with the Commonwealth of Pennsylvania on exploring state-level Pay for Success projects. Potential policy areas for Pay for Success projects include, but are not limited to, early childhood care and education; education, workforce preparedness and employment; public safety, including programs that reduce recidivism; health and human services; and long-term living and home- and community-based services.

“Once policy areas and possible projects are selected, the SIB Lab will use available data and evidence to conduct a feasibility analysis of the proposed projects using the PFS model. The feasibility analysis would focus on supporting Pennsylvania in developing five main aspects of the PFS transaction: (1) assessing whether the proposed interventions produce the desired outcomes; (2) confirming that the likely outcomes satisfy cost-benefit principles; (3) developing an efficient and effective payment structure within a PFS model; (4) insuring that there are adequate service providers that can deliver the desired outcomes; and (5) establishing rigorous evaluation criteria and metrics to measure the initiative’s outcomes.”

The Harvard Kennedy School SIB Lab is one of eight organizations receiving a multi-year Social Innovation Fund (SIF) award from the Corporation for National and Community Service to expand the pipeline of PFS-ready projects throughout the United States. These eight organizations are:

- Corporation for Supportive Housing
- Harvard Kennedy School SIB Lab
- Green and Healthy Homes Initiative/ Calvert Foundation
- Institute for Child Success
- National Council on Crime and Delinquency
- Nonprofit Finance Fund
- Third Sector Capital Partners
- Social Finance US.

The federal Social Innovation Fund has for some years been a major funder of performance-based social service innovation, including Pay for Success, in the United States. “The Social Innovation Fund (SIF) makes grant awards of between \$1 million and \$10 million per year for five years to grant-making intermediaries, selected through a rigorous, open competition. Intermediaries match their federal grants dollar-for-dollar and host open, evidence-based competitions to select nonprofits implementing innovative program models.”

“Selected nonprofits receive awards of at least \$100,000 per year for three to five years and must also secure dollar-for-dollar matching funds...By fostering private and public collaborations that identify, evaluate, and expand promising nonprofits, the SIF increases access to effective programs that enable people and communities in need to overcome their most pressing challenges in the areas of economic opportunity, youth development, and health.”²

Pay for Success is a recent addition to the federal Social Innovation Fund’s investment portfolio. “As part of the 2014 Congressional appropriations, SIF was given authority to use up to 20% of 2014 grant funds to implement a competition to test Pay for Success approaches. The PFS competition aims to address limited availability of funds for planning, feasibility studies, deal structuring, and pipeline development, all of which have constrained growth of the field. In addition, SIF will share lessons learned every step of the way, on how this approach works and when it works and when it doesn’t, in order to enhance knowledge in the field and begin to test and address questions around the applicability and efficacy of pay for success.”³



“The PFS Program aims to:

- Strengthen and diversify the pipeline of governments and nonprofit organizations that are prepared to engage in PFS projects
- Assess the potential of PFS to address a variety of social issues relating to diverse populations in diverse geographic contexts
- Attract capital to high-performing institutions seeking to strengthen, grow, and sustain effective solutions for challenges facing low-income communities.”⁴

² Social Innovation Fund, Corporation for National and Community Service. Retrieved from -- www.nationalservice.gov/programs/social-innovation-fund

³ Pay for Success, Corporation for National and Community Service. Retrieved from -- www.nationalservice.gov/programs/social-innovation-fund/pay-success

⁴ *ibid*

The Nonprofit Finance Fund maintains a regularly-updated map of PFS efforts across the United States.⁵

RESPONSES TO QUESTIONS

Question 1. What promising areas, service providers and interventions could be candidates for Pay for Success contracts in PA?

The PA RFI identified “five high-priority areas” that the Commonwealth of Pennsylvania construes to be “possible Pay for Success Initiatives.” These are:

- Early childhood education and care
- Education, workforce preparation and employment
- Public safety
- Health and human services
- Long-term living and home-based community services.

Table 1 below presents a sample of PFS-applicable outcomes relevant to each of these five priority areas. This information was compiled from the websites and publications of the Nonprofit Finance Fund, Social Finance, Third Sector Capital Partners and from the Corporation for National and Community Service’s 2014 SIF subgrantees (see Table 3).

⁵ Online at -- <http://payforsuccess.org/pay-success-deals-united-states>

Table 1: Examples of “Promising Areas” for Possible Pay for Success Initiatives that may be Applicable to PA

Early Childhood Care & Education	Education, Workforce Prep & Employment	Public Safety	Health & Human Services	Long-term living & Home-Community Services
Improving children’s age-appropriate development and reducing developmental delays through especially home visiting and early intervention Improving school readiness through high quality Pre-K expansion Reducing preschool through Grade 3 special education costs Improving reading proficiency by 3 rd grade	Increasing HS graduation rates, through School to Work and Alternative Education Improving workforce participation based executive functioning and treatment of adversity/toxic stress Improving educational and workforce progress for special populations	Reducing criminal recidivism for both youth and adult populations Reduction in jail overcrowding	Reducing addiction Reducing chronic homelessness Improving rapid rehousing/ Supportive housing Decreasing entry into foster care and reducing length of time in foster care Addressing health and MH needs of dually-committed youth (child welfare and juvenile justice)	Community housing and wrap around supports for individuals served in institutional settings, including those with health and mental health challenges and disabilities

Across these outcome areas, jurisdictions initially became interested in a smaller group of specific public policy opportunities that hold the promise to save government money and/or that constitute “high social value” for future cost avoidance. These are:

Assuring the school readiness of youth children at entry to kindergarten (to reduce special education costs and the cost of achievement gap remediation especially related to below-grade level reading) through EBPs such as high quality PreK and Home Visiting interventions in the first few years of life

Reducing chronic homelessness through supportive housing, often including EBP wraparound services.

Reducing adult and juvenile recidivism from incarceration through EBPs for improved educational success, workforce preparation, and adult, youth or family mental health interventions.

Table 2 below provides a sample of specific PFS projects under way across the United States. These include both Social Impact Bond (SIB) implementation projects and Social Innovation Fund (SIF) pipeline initiatives. These initiatives are at various stages of development as shown below:

- Passage of authorizing legislation for the issuance of RFIs and RFPs
- Completion of the mandatory Feasibility Study and possible Pilot Study
- Active engagement in or completion of the Financing Plan
- Fully executed PFS investor contract
- Implementation, evaluation and payout

Of note: the time frame from start to finish across these various projects can take several years, although the goal of the Pay for Success movement is to condense this timeframe from several years to 9-18 months.

The Commonwealth may wish to be in contact with some or all of these PFS sites (directly or through the Harvard SIB Lab) as it further defines its target outcomes and target EBP interventions.

Table 2: A Sample of Pay for Success/ Social Impact Bonding (SIB)/ Social Innovation Finance (SIF) Funded Projects Across the US in the 5 PA Priority Areas				
Early Childhood Care & Education	Education, Workforce Prep & Employment	Public Safety	Health & Human Services	Long-term living & Home-Community Services
CA (Sonoma County): SIF for PreK and home visiting CT (Office of Early Learning): SIF for Triple P SIF IL (Chicago) : SIB for Child-Parent Center (early ed and home visiting) NV: SIF for early childhood education	DC (Washington): SIB for teen pregnancy reduction and educational attainment IL: SIB for reducing juvenile justice and welfare engagement among at risk youth MA: SIB for adult basic education	AR: SIF for community corrections from Harvard SIB Lab CT (New Haven): SIF for correctional re-entry services MA: SIB for juvenile justice recidivism reduction WI (Milwaukee): SIF for crime and	CA (Santa Clara County); Austin, TX; MA; Denver CO: SIBs for supportive housing to combat homelessness CT (DCF): SIB for child welfare cases with substance abusing parent CT (MOMS	Olmstead Cohort- NY: SIF for individuals in nursing home settings NM: SIF for individuals in MH settings WA: SIF for individuals with disabilities in health care settings

SC: SIB for Nurse Family Partnership WA (Dept. of Early Learning): SIF for early education UT (Salt Lake County): SIB for PreK to increase readiness and reduce special ed	and vocational training NY: SIB for re-entry employment services for formerly incarcerated persons	delinquency prevention	Partnership, New Haven): SIB for reducing maternal depression NM: SIF for supportive housing OH (Cuyahoga County): SIB for child welfare foster care	
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Question 2. What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

2(a) Identifying EBP interventions for which PFS could result in cost savings

A number of EBP reference sites provide lists of evidence-based programs/practices, defined as those having been rigorously tested and capable of delivering a specific set of results to a specified population. The most rigorous evaluation process involves Randomized Control Trials (RCTs).

A sample of these resources, compiled by PCG (March 2015) follows. Across these web-based knowledge resources, one can find examples of specific programs and interventions, their target populations, and evidence of outcomes achieved. Sometimes cost-benefit (also called Return on Investment – ROI) information is also provided. *Any jurisdiction wishing to address one or more challenging social problems is well advised to examine these resources to determine if an EBP exists relative to the problem it seeks to address.*

EBPs in the United States: A Sampler

We can learn from the best science and evaluation research being conducted in the United States as well.

EBP Resource Sites in the US	Policy Area
EBP in Strengthening Families and Preventing Child Maltreatment, National Alliance of Children's Trust & Prevention (2009)	Child welfare and family support
Promising Practices Network: Archive on Children, Families and Communities	Child health and safety, school readiness and success, strong families
National Registry of Evidence Based Programs & Practices (NREPP) SAMHSA	Mental health and substance abuse services
Coalition for Evidence-Based Policy	A broad array of intervention to address "social problems"
Home Visiting Evidence of Effectiveness (HomVee)	Home visiting
DEC Recommended Practices in Early Intervention & Early Childhood Special Education (2014)	Early childhood special education and early intervention
Washington State Institute for Public Policy: What Works	Broad array of child and adult service domains and programs
The Cochrane Collaboration	Health related treatments and interventions including mental health and public health
California Evidence Based Clearinghouse for Child Welfare	Child welfare and family support

On March 15, 2015, the Urban Institute announced a three-year, \$8.4 million award from the Laura and John Arnold Foundation to ensure that "...'Pay for Success' (PFS) transactions are well-designed, informed by rigorous research, and deliver outcomes as intended...The ultimate goal of our initiative is to identify and scale evidence-based interventions through effective service providers to help people and communities...Knowing the rate and scale at which these programs are expanding, we want to make PFS deals as strong and research-based as possible."⁶

Scholars supported through this grant award will:

- Provide training and technical assistance
- Develop toolkits and templates
- Design new PFS projects anchored in evidence-based research
- Help to ensure proper program evaluation, and
- Share lessons learned through collaborative events.⁷

This grant to the Urban Institute will produce information useful to all jurisdictions interested in making a PFS investment. It is also illustrative of many types of PFS "support" efforts that are

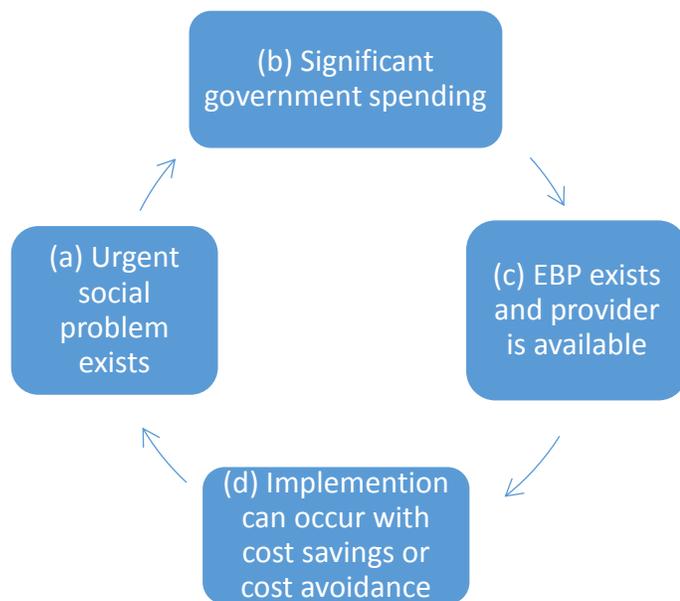
⁶ Urban Institute Announces Initiative to Help Guide, Design and Assess Pay for Success Projects Across the Country (March 15, 2015). Retrieved from -- webarchive.urban.org/publications/904644.html

⁷ *ibid*

being developed and funded. *The Commonwealth may wish to connect with the Urban Institute for technical assistance and access to rapidly evolving resources on EBPs.*

2(b) Determining the desired level of government engagement in PFS development

Across the nation, governmental jurisdictions are engaged in Pay for Success efforts at the municipal, county and state levels. Government involvement is imperative because -- although private investors provide the upfront fiscal resources for implementation and expansion and an outside intermediary manages the program and process -- government at some level is almost always the back-end PFS payor.



For this reason, governmental jurisdictions may choose to take the lead in: (a) identifying urgent policy areas where (b) they bear significant costs (c) for which there are EBPs that could be implemented or taken to scale with fidelity (d) in order to achieve cost savings or cost avoidance and at the same time address, prevent or remediate the pressing social policy need or problem.

The development of PFS initiatives is expanding rapidly. Jurisdictions that have employed the PFS process from early design work through deal completion and implementation to address *a single social problem* have begun to expand PFS to address other challenges. New York, California, Colorado, Utah and Massachusetts—all of which are engaged in multiple PFS projects -- are good examples. In other states early in their design process, several PFS projects are being initiated simultaneously. *The Commonwealth may wish to examine state-by-state PFS information at the website of the Nonprofit Finance Fund.*

2(c) Calculating expected cost savings and/or cost avoidance for specific target outcomes and the EBP for each

For some desired outcomes, such as a reduction in juvenile or adult correctional recidivism, the calculation of expected cost savings in the short term is quite clear. Correctional or jail beds are either filled or not. As another example, neonatal intensive care births occur or not. Foster care placements occur or not. These examples enable a PFS initiative to quite easily calculate expected short term savings resulting from implementation of an evidence-based program or

practice. These savings may occur within the budgets of individual agencies (corrections or child welfare, as examples) or in large entitlement programs such as Medicaid.

If a governmental jurisdiction's decisions are guided by the ability to identify cost savings within just one or two state/local agencies, then the choice for a Pay for Success initiative would more likely involve public school districts, corrections, social services or Medicaid-funded health care agencies. *Taking this approach, the governmental jurisdiction could expect a reduction in preschool and early elementary special education costs, correctional costs among adults or juveniles, a reduction in emergency room costs, and deep-end psychiatric residential and/or institutional services.*

For other kinds of social problems, short-term cost savings may be more difficult to demonstrate, but there is clear evidence of longer-term cost avoidance. For example, assuring that children enter kindergarten and first grade fully ready for the expectations of schooling has been demonstrably shown to increase reading proficiency at 3rd grade and high school completion, and to reduce welfare dependency and involvement in the justice/correctional system. In this example, the greatest savings come much later in the lifespan of vulnerable individuals, especially through averted correctional and welfare costs. Additionally, cost savings and/or cost avoidance may occur in the budgets of more than one governmental agency or department. Cost avoidance is a more complicated case to make, as returns can take many years to materialize.

As part of its Feasibility Study process, the Commonwealth will need to assemble and analyze costs over time for a variety of social problems being considered for PFS investment. Of note: Some of these costs will involve only state funding, while other expenditures will require a more complex examination of federal and state funds in such programs as Medicaid and TANF.

2(d) Assessing the PFS “readiness” of key stakeholders

The Nonprofit Finance Fund has developed detailed “readiness” toolkits for each group of key players in the PFS process. The chart below, taken directly from the Fund’s website, summarizes the roles of these players and provides a short set of key questions designed to help an initiative determine Pay For Success “readiness.”⁸

Intervention

The evidence-based program model undertaken in order to achieve a desired social outcome. For example, Permanent Supportive Housing is an intervention that addresses

Can the impact delivered by this intervention be clearly measured? Does the intervention have a long track record of results? Does the intervention focus on prevention?

⁸ Retrieved from -- <http://payforsuccess.org/provider-toolkit/rapid-suitability-questionnaires>

homelessness.

Service Provider

Service providers deliver the intervention to an identified constituent population, scale up the intervention over a multiyear period, and drive outcomes.

Does the service provider have significant experience with program beneficiaries? Can the organization effectively collect and analyze data? Do they have the capacity to scale operations?

Intermediary

The intermediary identifies evidence-based program solutions, raises the money to bring them to scale, conducts ongoing project management, and works with service providers to ensure effective implementation.

Has the organization demonstrated an ability to manage to outcomes? Does the organization have a demonstrated track record in raising capital for new ventures?

Government

State, local, or federal governments agree to repay investors - via the intermediary - for positive social outcomes if performance targets are met.

Is there a demonstrated commitment to paying for results? Are there mechanisms in place to ensure repayment to the investors over the multiyear life of a transaction?

Investor

Impact investors who want to generate social and financial returns that provide funding to deliver preventive programs. They will be repaid only if the intervention achieves the pre-determined performance targets.

Do the investors prioritize social returns as well as financial returns? Are investors interested in public-private partnerships? Do the investors have a high tolerance for risk?

Independent Assessor

An independent assessor reviews the constituent treatment group relative to a counterfactual and reports on whether the target outcomes have been achieved.

Does the organization have demonstrated knowledge and experience with multiple assessment methods? Does the organization have demonstrated experience with evaluating performance-based government contracts?

Evaluation Advisor

The evaluation adviser is involved in determining the evaluation approach, defining

Does the organization have a demonstrated track record in coaching partner organizations to more effectively achieve impact? Can the

performance outcomes, monitoring progress, and suggesting course corrections if needed. organization translate data into actionable insights?

2(e) Consideration of the timing and payment process

As many of the first PFS projects have learned, the early part of the process can take longer than expected, often from 9 to 18 months – especially if a pilot or demonstration is required to acquire essential outcome data. Upon successful completion of this Feasibility Study process, projects move into the Financing Plan phase of PFS. This can take a year or more, although all parties have the goal of advancing a start to finish timeline of 12-18 months in total.

At the onset of the contract process, the government agency, fiscal intermediary, and investor agree upon a payment schedule or scale for each measureable goal that is achieved through the intervention. The payment schedule is designed to align with these PFS outcomes. Since payments will only be made if and when the intervention achieves its defined and measurable outcomes, PFS agreements may include both outcomes-based payment schedules and what are being called “success payments” when date-specific milestones are hit prior to the payout milestones. If and only if the service provider meets its performance goals and process milestones, the government agency pays the agreed-upon amount to the investors.

Pay for Success implementation timeframes are often 5 to 7 years, a period typically longer than most regular contracts between service providers and a government agency. The multi-year contract is needed so that the intervention can be studied and measured over time. While “success payments” may be made earlier in the payback process, often measureable outcomes related to cost savings and cost avoidance may take several years to become real.

The duration of PFS contracts (and the total duration for the whole PFS feasibility and financing components) enables government as the end-payor to create any number of fiscal vehicles to assure that necessary funding is in place over time and according to terms of the contract. The challenge for government is that the PFS contract must specify how much and when funding will be dispersed before investors commit funds. So while there is time to accumulate the actual pay-back dollars, the source and method by which this will be accomplished must be identified in legal documents for the deal to be finalized.

2(f) Data capacity considerations

A core consideration in the PFS deal process is access to client, cost and outcomes data. This has proven to be an area of weakness across many initiatives and may involve:

- Incompatibility for client data matching across programs and funding streams
- Agency unwillingness to share data that already exists
- The absence of outcome data at the governmental and private provider levels
- Data currency problems (i.e., available data do not enable program and case decision-making in real time)
- Challenges in linking cost data with client and outcome data
- Regulatory-related privacy concerns related to HIPPA and FERPA.

The Commonwealth is a leader among states in its ongoing investment in upgrading current data systems and in developing the data architecture to support interoperability across agencies and programs. It has also invested in data improvements at the private provider level. If data agreements are not in place for service interventions being considered for the Pennsylvania PFS initiative, the Commonwealth will want to secure these early in the development process.

Question 3: What outcomes should the Commonwealth prioritize in Pay for Success contracts?

The following considerations can assist the Commonwealth in choice of PFS target outcomes:

- Selecting outcomes for which EBPs exist in the research literature as well as across the Commonwealth's service system(s) will facilitate the PFS development process. Strong private provider experience with and demonstrable capacity in the delivery of targeted EBPs may suggest the choice of one type of outcome versus another.
- Selecting outcomes already in use in other PFS states will enable the Commonwealth to learn from the experience of those jurisdictions. These common outcomes include (but are not limited to): (a) **assuring the school readiness of young children** to reduce special education costs and the cost of achievement gap remediation; (b) **reducing chronic homelessness** through supportive housing, rapid re-housing and wrap around supports; and (c) **reducing adult and juvenile recidivism** from incarceration to improve education attainment, workforce readiness and reduce correctional costs. .
- Selecting outcomes for which PFS readiness is at high levels across necessary stakeholder will speed up the development and funding process. PFS readiness can be assessed by utilizing the tools and templates available from the Nonprofit Finance Fund.
- Selecting outcomes to which a single jurisdiction or agency is already committed to end-payor funding will result in an easier financing process. As examples, a Department of Corrections may be willing (and legally able) to commit accrued savings to PFS payments from its own budget for reduced incarceration and

correctional costs. Or, a child welfare agency may be willing (and legally able) to commit accrued savings in foster care costs for an increased number of children and/or youth who do would otherwise enter foster care or who exit successfully in a shorter period of time.

Across the many PFS investment opportunities, a compelling case can be made to prioritize early childhood as a period of time in which investment in EBPs can yield *both* short-term cost savings as well as longer-term cost avoidance. Some of the greatest challenges facing our country – from school dropout rates, to crime to rising health-care costs, to the necessity of competing in the global marketplace – can only be met by focusing on the development of all our children beginning at birth. The "achievement gap" is a real social outcome that has been seen and measured. "Research shows that the achievement gap appears long before children reach kindergarten – in fact it can become evident as early as age nine months." And at-risk children who don't receive a high-quality early childhood education are:

- 25% more likely to drop out of school
- 40% more likely to become a teen parent
- 50% more likely to be placed in special education
- 60% more likely to never attend college
- 70% more likely to be arrested for a violent crime.

Early childhood programs are the most cost-effective way to ensure the healthy development of children in poverty. They also offer the greatest returns to society."⁹ Nationally, research has revealed many evidence-based investments to improve the earliest experiences and environments where young children live, grow, and learn that can improve children's outcomes and even lessen the effects of childhood trauma or toxic stress. These include programs serving children, programs serving adults and two-generation programs that serve the child and adult together.

Types of programs known to be effective include early home visiting programs, early intervention programs, early language and literacy programs, high quality preschool for three- and four-year olds, and services (such as Cognitive Behavior Therapy and Child FIRST) to address maternal depression and other adult mental health challenges that impair or delay children's growth and age-appropriate development. Also, EBP community and family supports such as Wrap Around Milwaukee, should be considered.

⁹ Ounce of Prevention Fund. (n.d.). Retrieved from: <http://www.ounceofprevention.org/about/why-early-childhood-investments-work.php>

By prioritizing early childhood investment as one of its early PFS initiatives, the Commonwealth could expect:

- Fewer preterm births
- Fewer teen pregnancies
- Fewer closely spaced second births and fewer preterm second births
- Fewer injury-related visits to the emergency room
- Reductions in child maltreatment
- Children more ready for kindergarten
- Less youth crime
- Reduced incarceration rates
- Higher achievement in school or careers
- More economically independent mothers
- Increased earnings¹⁰
- Decreased utilization of special education programs

Two Early Childhood Case Examples

One SIB, implemented in Utah in September 2013, established as its PFS outcome decreased utilization of special education services from preschool through the 6th grade. Utah defined its target population as those children who scored at or below 70 on the Peabody Picture Vocabulary Test (PPVT) at the beginning of preschool. Students who scored 70 or below at the beginning of pre-school were then tracked through 6th grade to determine whether they received special education services at any point during the year. The evaluation measure between low PPVT scores and later special education placement was supported by educators and by national educational organizations. Using this approach to measuring outcomes reduced the need for a control group.

The Chicago Public Schools implemented a SIB in December 2014, creating a Child-Parent Center (CPC) preschool model: half and full day preschool education for three- and four-year olds coupled with comprehensive family services (the PFS transaction funds the program for 4-year-olds). The established outcomes were to: (a) increase kindergarten readiness, (b) decrease special education services, and (c) increase third grade literacy. The SIB will be evaluated using a comparison group comprised of children who enter kindergarten never having enrolled in a preschool program

¹⁰ Golden, M., Waters, J., & Vorsanger, N. (2014). Financing for Early Childhood Programs: A Path Forward. Retrieved from <http://www.instituteforchildsuccess.org/>

Question 4: Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

Late in 2014, the eight SIF-funded grantees issued a Request for Proposals (RFP) to address major social problems for which a Pay For Success process could be relevant. Proposals were solicited in three categories, each broadly construed to allow for maximum flexibility in selecting target outcomes that would yield governmental cost savings and for which evidence-based programs and practices (EBPs) exist:

- Economic Opportunity
- Youth Development
- Health

Table 3 below summarizes the sub-grantees of Round I SIF awards to date. This information, including greater detail, is available from the website of the Corporation for National and Community Service. As this table clearly shows, PFS opportunities exist cross all levels of government (i.e., state, county and municipal jurisdictions).

Table 3: 2014 SIF Funding Sub-grantees Awarded in 2015	
Organizations Awarded 2014 SIF Grant	2015 sub-grantees funded with Round I Social Innovation Fund (SIF) awards
<p>Corporation for Supportive Housing</p> <p><i>Focus: "... improve outcomes and reduce costs for high-cost vulnerable populations, namely homeless individuals, youth and families, and disabled residents of health care institutions who prefer to live in the community"</i></p>	<p>Ending Community Homelessness Coalition, Inc. (ECHO) – Austin, TX</p> <p>New York State Department of Health – Albany, NY</p> <p>San Diego Housing Commission</p> <p>State of New Mexico Human Services Department – Counties of Bernalillo, Santa Fe, and San Miguel</p> <p>Volunteers of America Delaware Valley (VOADV) – Camden, NJ</p> <p>Washington State Health Care Agency</p>
<p>Harard Kennedy School Social Impact Bond Lab</p> <p><i>Focus: Support feasibility studies across a group of high need populations, including those who are incarcerated, experiencing inter-generational poverty, and/or living in health, nursing or</i></p>	<p>Arkansas Community Correction</p> <p>City of San Francisco, Office of the Mayor</p> <p>Commonwealth of Pennsylvania – “early childhood care and education; education, workforce preparedness and employment; public safety, including programs that reduce recidivism; health and human services; and long-term living and home- and community-based services”</p>

<p><i>mental health institutional settings. The SIB Lab will also focus on “green” infrastructure development options.</i></p>	<p>D.C. Water -- “green” infrastructure storm water solutions” Olmstead Cohort – NY (nursing home settings); NM (MH settings); WA (health care settings for individuals with disabilities) State of Nevada/Clark County, NV/City of Las Vegas, NV – early childhood education</p>
<p>Green and Healthy Homes Initiative/ Calvert Foundation <i>Focus: low-income children with asthma</i></p>	<p>Baystate Health – Springfield, MA Le Bonheur Children's Hospital – Memphis TN Monroe Plan for Medical Care – Pittsford, NY Spectrum Health Systems – Grand Rapids, MI University of Utah Health Plans – Salt Lake City, UT</p>
<p>Institute for Child Success <i>Focus: “...technical assistance to 12 teams over 3 years with a goal of yielding 5 early childhood PFS deals in 5 years.”</i></p>	<p>City of Spartanburg, SC – high quality early education and care Sonoma County, CA – universal PreK to improve community health and education outcomes State of Connecticut – Triple P statewide State of North Carolina – Nurse-Family Partnership & Reach Out and Read Washington State Department of Early Learning and Thrive WA – home visiting programs</p>
<p>National Council on Crime and Delinquency <i>Focus: “...positive youth development, with a focus on 1) juvenile justice or child welfare system-involved youth or youth at risk of entering or crossing over into these systems, and 2) addressing high rates of racial disparity in these systems”</i></p>	<p>City of New Haven, CT -- Youth Stat program (HS students with absentee rates of 10% or higher, one or more suspensions, and D’s and F’s in math or reading” Community Advocates, Inc. -- Milwaukee, WI (summer teen employment and year-round support program) The Children's Initiative – San Diego, CA (assess Families as Partners program and Alternatives to Detention program)</p>
<p>Nonprofit Finance Fund <i>Focus: Various</i></p>	<p>Community Foundation of Utah w/Third Sector Capital Partners Salt Lake County, UT -- maternal and child health, homelessness, and criminal justice Enterprise Community Partners, Inc. w/Corporation for Supportive Housing, Denver, CO – “super users” of services who are chronically homeless Jewish Vocational Services w/Social Finance US, MA -- Adult Basic</p>

	<p>Education Pay for Success</p> <p>Third Sector Capital Partners, Inc. w/Conscience Community Network. IL -- dually-involved criminal justice and child welfare youth</p> <p>Tuscaloosa Research & Education Advancement Corporation w/ Social Finance US -- veterans</p>
<p>Third Sector Capital Partners</p> <p><i>Focus: Various</i></p>	<p>Austin/Travis County, TX Health and Human Services Department – reducing teen pregnancies among Hispanic youth and improving birth outcomes among African Americans</p> <p>Center for Evidence-Based Policy/Friends of the Children/Marion and Multnomah Counties, OR -- early childhood and disengaged youth in the county and state justice systems</p> <p>Children and Families Commission of Orange County, CA -- 95% of mothers are insured by CalOptima, a Medicaid Managed Care Organization</p> <p>State of Nevada/Clark County, NV/City of Las Vegas, NV – “ increase outcomes such as kindergarten readiness and third grade literacy as well as reduce public school special education and remedial education expenditures”</p> <p>Virginia Pay for Success Council/Virginia Department of Health -- prenatal home visiting programs</p> <p>Washington State Department of Early Learning/Thrive WA – enhance child development and well-being, reduce child abuse and neglect, and promote school readiness</p> <p>Year Up, Inc., Boston, MA -- Professional Training Corps (PTC) Model for workforce development</p>
<p>University of Utah Policy Innovation Lab</p> <p><i>Focus: Various</i></p>	<p>Adams County School District 50 – improve school readiness through home visitation, parent support and high quality preschool</p> <p>Office of the Mayor of Boise, ID – chronic homelessness</p> <p>Missoula County, MT – jail overcrowding</p> <p>Governor's Office of Management and Budget, State of Utah – reduce recidivism specifically by targeting offenders with co-occurring substance abuse and mental illness.</p> <p>State of Colorado Department of Homeless Initiatives – “ scaling up its existing Colorado Second Chance Housing and Re-entry Program (C-SCHARP)</p> <p>City of Las Vegas, NV -- increase outcomes such as kindergarten readiness and third grade literacy as well as reduce public school special education and remedial education expenditures</p>

It should be noted that the more partners, agencies and levels of government that become involved in any given PFS initiative, the more complex the process becomes. On the other hand, some social problems like homelessness, welfare dependency and child welfare result in costs that cross jurisdictions, thus affording the opportunity to analyze and secure cost savings and cost avoidance at various levels of government.

Question 5: What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

At the present time, there are 45 active Pay for Success initiatives around the world.¹¹ The United Kingdom is host to 22 of them, and thus is a rich source of learning for current and future Pay for Success efforts. In fact, in April of 2015, the UK launched five new social impact bond initiatives.

The global expansion of PFS is being tracked by the Center for Universal Education at the Brookings Institution. The Center will release a study of all PFS projects around the world in early June, 2015.¹² While the report supports the continued expansion of PFS, it also notes a series of challenges that implementing organizations have faced around the globe, especially in developing nations. As can be seen from the list below, while these challenges may be more pronounced in “developing nations,” they are not atypical of challenges facing many PFS efforts during the various phases of proposal development, testing and implementation:

- Taking projects to scale to address whole population objectives
- Obtaining government engagement from the outset
- Building “multi-year social service contracts with contingent payments”
- Addressing service provider capacity

Although PFS in the US is a relative newcomer, there are some emerging guidelines that states should consider as they explore and implement Pay for Success contracts. The Institute for Child Success has been directly involved in the development of several early childhood PFS projects, and its fellows have identified a set of predictable challenges with solutions.¹³

Challenge	Solution
Early childhood programs have multiple benefits	Pay for Success (PFS) contracts could focus on a

¹¹ Emily Gustafsson-Wright, Lessons Learned from the Global Impact Market. Presentation at the 2nd Annual Early Childhood Social Impact Performance Advisors meeting. San Diego, April 27-29, 2015.

¹² See highlights of this report at -- www.brookings.edu/blogs/education-plus-development/posts/2015/04/28-impact-bonds-service-delivery-atinc-gustafsson-wright-gardiner. For more information, contact Emily Gustafsson-Wright at the Center.

¹³ Golden, M., Waters, J., & Vorsanger, N. (2014). Financing for Early Childhood Programs: A Path Forward. Retrieved from <http://www.instituteforchildsuccess.org/>

<p>that yield savings to multiple government agencies. Investments in these programs yield positive outcomes that are spread across many aspects of people’s lives and the retained costs are spread across multiple governmental agencies.</p>	<p>small number of outcomes that are a high priority for the government and that produce a significant proportion of the savings.</p> <p>The Government entity that is responsible for the budget as a whole, such as a Department of Administration and Finance, could take the lead on early childhood financing</p>
<p>Benefits take time to manifest and many benefits happen over time, even long after the program’s supports have ended.</p>	<p>PFS contracts could use shorter term outcomes which serve as a guide to longer term outcomes.</p>
<p>Too much emphasis or investment on any one outcome presents potential risk and research studies will show varying results.</p>	<p>Intentionality is required in choosing interventions and outcomes that will determine payment. Additionally, it is crucial to establish appropriate expectations from the beginning with clear action plans to avoid negative results if outcomes are not achieved.</p>

Question 6: What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

On April 25-27, 2015 the Institute for Child Success and Ready Nation convened states and other jurisdictions interested in or involved with launching Pay for Success efforts in the early childhood arena. The agenda and speakers list is available online at the Institute for Child Success. Most presentations and PPTs are posted online at the Institute for Child Success. *Of note: Two Pennsylvania early childhood Pay for Success teams were present at this 2nd Annual Early Childhood Social Impact Performance Advisors convening.*

In preparation for this convening of 225 individuals from 15 states as well as national and governmental organizations, the Institute for Child Success developed a series of in-depth report on current Pay for Success efforts. As a collection, these reports will be useful to the Commonwealth of Pennsylvania as it works with the Harvard SIB Lab to identify a small set of PFS outcomes, interventions and cost models. All of these reports are available on the Institute’s website:

- Pay for Success in the U.S. - Summaries of Financed Projects - Full List
 [http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_full_list.pdf]
- Pay for Success in the U.S. - Summaries of Financed Projects - Chicago Child-Parent Center Initiative

[http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_chicago.pdf]

- Pay for Success in the U.S. - Summaries of Financed Projects - Massachusetts Recidivism Reduction and Employment
[http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_mass.pdf]
- Pay for Success in the U.S. - Summaries of Financed Projects - New York City Rikers Island Recidivism Reduction Initiative
[http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_rikers.pdf]
- Pay for Success in the U.S. - Summaries of Financed Projects - New York State Recidivism Reduction and Employment Initiative
[http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_ny.pdf]
- Pay for Success in the U.S. - Summaries of Financed Projects - Utah High Quality Pre-School Initiative
[http://www.instituteforchildsuccess.org/mydocuments/pfs_summary_utah.pdf]
- Pay for Success Financing for Child Care: Challenges and Opportunities
[http://www.instituteforchildsuccess.org/mydocuments/ics_child_care_pay_for_success_policy_brief_discussion_draft.pdf]
- Climbing the Pay for Success Learning Curve: How a working group helped South Carolina understand and prepare for PFS financing
[http://www.instituteforchildsuccess.org/mydocuments/pfs_working_group_electronic2.pdf]
- Pay for Success Financing for Early Childhood Programs: A Path Forward
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**Commonwealth of Pennsylvania
Contracts and Procurement
Pay for Success Contracting: Request for Information
May 8 2015**

**YMCA's
Diabetes Prevention Program**

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

In 2014, 29.1 million Americans had diabetes and an estimated 86 million Americans had pre-diabetes. The YMCA's Diabetes Prevention Program is an innovative program model to help reduce the burden of diabetes in communities across the nation. The Pennsylvania State Alliance of YMCAs finds itself at a perfect juncture with access to a proven program that can address a pressing community need, willing local partners, a supportive national infrastructure to rely upon, and a compelling long-term sustainability model.

The YMCA's Diabetes Prevention Program is a community-based lifestyle improvement program for adults with pre-diabetes. Its purpose is to empower adults with lasting lifestyle changes that will improve their overall health and reduce their chance of developing type 2-diabetes. Research by the National Institutes of Health has shown that programs like the YMCA's Diabetes Prevention Program can reduce the number of new cases of type 2 diabetes by 58%, and 71% in adults over the age of 60.

High Level Pitch Summary

The PA State Alliance of YMCAs would like to develop an initiative in which the 65 corporate YMCAs with its 112 branches could either expand their existing programs, or develop a program for their community for the very first time. We anticipate serving 6,848 participants across 37 YMCA associations during this project. There would be four years of recruitment with five years of program delivery.

What's the problem?

In the late 1980s and early 1990s, medical research established that, in cases of type 2 diabetes, impaired glucose metabolism was present earlier than previously understood and was causing irreversible microscopic damage to multiple organs. This led to the development of a rationale for a new diagnosable condition called prediabetes, which was postulated to be an earlier and potentially reversible stage in the development of diabetes. Within a decade, an National Institutes of Health (NIH)-led, multi-center trial funded in part by the Centers for Disease Control and Prevention (CDC) was organized to establish the clinical significance of prediabetes.

Diabetes health care costs are 2.3 times higher than costs for those without diabetes.ⁱ The total estimated annual cost of diabetes in the United States is \$245 billion, with \$176 billion of that attributable to medical costs and \$69 billion in indirect costs such as disability and work loss productivity due to diabetes-related disability.ⁱⁱ In 2011, diabetes costs averaged \$20,000 per year for advanced stages of diabetes while prevention costs only average \$3,700 per year.ⁱⁱⁱ While costs of the YMCA's Diabetes Prevention Program are much lower. Preventing diabetes is imperative in reducing our health care costs as a nation.^{iv}

In 2007, people diagnosed with diabetes incur average medical expenditures of \$11,744 per year which are on average 2-3 times higher than expenditures for persons without diabetes.^v Read more about the results of the study "Economic Costs of Diabetes in the U.S. in 2012." - See more at: <http://www.diabetes.org/diabetes-basics/statistics/?loc=superfooter#sthash.ScFyIVDI.dpuf>

What's the treatment?

Health promotion has long been at the core of the Y's mission. In the last decade the Y has devoted significant organizational resources and energy to reorganize and redefine itself to better meet the needs of "health seekers," an internal term used to describe the population of people who struggle to adopt and maintain healthy lifestyles.

The YMCA's Diabetes Prevention Program has evolved rapidly since the end of the DEPLOY study in 2008. YMCA of the USA (Y-USA) obtained funding from CDC to support the launch of a second pilot site in Louisville, Kentucky which tested the ability of the Y to deliver the program outside of a research setting and recruit participants from a local community. By December 2014, the program had scaled from the first two sites in Indianapolis and Louisville to 165 Y associations offering the YMCA's Diabetes Prevention Program at nearly 1,100 distinct sites in 42 states including the District of Columbia. In just four years after the national rollout of the YMCA's Diabetes Prevention Program more than 27,000 overweight adults at risk for diabetes have participated in the program. Four components have enabled the Y to scale the program to date, and have built the foundation for future growth: (1) A robust Y-USA infrastructure to support launch and management of the program at local Ys; (2) Establishment of payor reimbursement for the program, on a pay-for-performance basis; (3) Funding for local Y program launch and implementation; and (4) Strong national partnerships to support program launch and implementation.

In 2013, Y-USA announced a Scaling and Dissemination Plan for the YMCA's Diabetes Prevention Program. The plan was the result of a six month strategic planning and review process undertaken by Y-USA in partnership with the Bridgespan Group, a resource for mission-driven organizations and philanthropists. The goal was to take stock of the Y's early progress in scaling the YMCA's DPP and identify what components were required to scale the program nationally for maximum sustained health benefit.

To address the national diabetes crisis and ensure the YMCA's DPP becomes available across the Y organization, Y-USA has set ambitious growth goals for the program. By the end of 2017, Y-USA plans to have approximately 300 Ys implementing the program and engaging more than 50,000 participants. In order to pursue the Y's ambitious growth goals and to address the key challenges identified in the strategic review and planning process, the Y will implement four strategic and operational initiatives:

1. Improve program economics for financial sustainability.
2. Align local operating models to market potential.
3. Increase recruitment of participants through aggressive development of payor relationships.
4. Evolve national technical assistance and fidelity management infrastructure.

By further scaling and disseminating the YMCA's DPP, the Y strives to help hundreds of thousands of adults at risk for type 2 diabetes prevent or delay the onset of the disease. In addition to the direct impact on people's lives, further scaling the

program will potentially save the U.S. billions of dollars in avoidable health care costs.

Who are we treating?

For more than 160 years the YMCA has delivered healthy initiatives to diverse communities. The first African-American Y was founded in 1853 just 9 years after the first Y was founded. The first known English as a second language (ESL) course was taught at a Y in 1856. The Y's history of delivering programs to diverse communities is crucial because African-Americans, Hispanics/Latinos, American Indians/Alaska Natives, and some Asian-Americans and Pacific Islanders are at increased risk for developing diabetes.

Y-USA and local Ys are concentrating efforts to ensure underserved and vulnerable populations are engaged in the YMCA's Diabetes Prevention Program. The Y has strategies, partners, and donors that assist in providing program access to everyone at risk for type 2 diabetes regardless of participants' socio-economic status, race, or ethnic backgrounds.

All YMCAs work to ensure that no one is denied the opportunity to share in the YMCA experience due to an inability to pay. Many Ys have collaborated with foundations, corporations, and other local organizations to provide full or partial scholarships to low income, under insured, and vulnerable populations who are eligible for participation in YMCA's Diabetes Prevention Program. These scholarships allow preventive health care access to participants regardless of socio-economic status.

In addition, local Y access costs to the data collection system utilized by all Ys delivering the YMCA's Diabetes Prevention Program are waived for all program participants that meet federal poverty guidelines.

With this project, we propose expanding the footprint of the YMCA's Diabetes Prevention Program to support overweight, Medicaid members with prediabetes in Pennsylvania. This project would scale from 9 Ys currently providing the program to at least 37 Ys. Each Y would have a targeted recruitment goals based on their market potential. With 37 provider Ys, we anticipate serving 6,848 Medicaid members across four years of recruitment.

The YMCA has a diabetes prevention program that is proven to work

The growing body of diabetes prevention evidence led the Centers for Disease Control and Prevention to create the National Diabetes Prevention Program which includes CDC's Diabetes Prevention Recognition Program (DPRP) Standards and Operating Procedures. The DPRP standards are based on a defined curriculum, curriculum training standards, data collection, and clearly defined program performance criteria that organizations must achieve to be recognized by CDC as delivering a high quality, effective diabetes prevention behavior change intervention.

The DPRP also makes it clear that standardized DPPs are not merely a weight loss program. Participants must qualify for these programs with specific eligibility criteria beyond being overweight. They must have a blood value or specific risk factors indicating a high risk for type 2 diabetes. Throughout the behavior change intervention, participants have access to a trained coach who must successfully pass

standardized curriculum training. The coach receives at least 20 hours of standardized training conducted by Master Trainers on curriculum delivery including collection of weight data, physical activity, and food journal review, the evidence-base behind the intervention, behavior change strategies such as such as cue control, portion size, handling negative thoughts, increasing physical activity, and maintaining progress, motivational interviewing, group facilitation techniques, and annual HIPAA certification.

Currently 28 commercial health plans reimburse the Y on a pay for performance model based on attendance and weight loss outcomes. Ys receive payment based on attendance metrics and weight loss achieved. These metrics map to the CDC's DPPR.

DPP curricula recognized by the CDC are consistent with the behavior change curriculum that was successfully utilized in multiple National Institutes of Health (NIH) funded randomized clinical trials, including the DPP Trial and the Diabetes Prevention Program and the Diabetes Education Prevention with Lifestyle Intervention Offered at the YMCA (DEPLOY) studies. In the original DPP Trial, the behavior change intervention significantly reduced the number of new cases of type 2 diabetes by 58% during the three year trial period and 71% for adults aged 60 years or older. This DPP RCT led by NIH has formed the foundation for type 2 diabetes preventive education efforts worldwide. The DEPLOY studies, and more than 2 dozen other translations of the original DPP Trial into community settings, showed that non-licensed providers of the curriculum could produce similar outcomes. The original RCT trials conducted by the NIH, The Diabetes Prevention Program Outcomes Study (DPPOS) followed participants from the NIH Diabetes Prevention Program research and study from randomization into the trial. After 10 years, the DPP trial participants showed sustained weight loss and reduced incidence of type 2 diabetes.² The DPP trial participants' diabetes incidence rates were reduced by 34 percent in the lifestyle group and 18 percent in the metformin group, compared with the placebo.^{vi} The cumulative incidence of diabetes remained lowest in the lifestyle group.^{vii} Thus, the DPPOS demonstrated the Diabetes Prevention Program can lead to significant reduction in the risk of developing diabetes which can persist for at least 10 years.^{viii} The YMCA's DPP is a direct translation from the NIH DPP Trial's Lifestyle Intervention.

In 2012, YMCA of the USA received a three-year \$11.8M Cooperative Agreement from the Center for Medicare and Medicaid Innovation (CMMI). This funding was awarded to Y-USA as part of the highly competitive Health Care Innovation Awards. Y-USA's project is one of the largest projects out of 107 funded awards (nearly 8,000 organizations were involved in the competition for these awards).

In this project, 17 YMCAs have been working to demonstrate how our evidence-based prevention program can lower the incidence of type 2 diabetes and reduce the cost burden of people with prediabetes on the health care system. As of February 2015, the Y has enrolled 6,000 Medicare beneficiaries. While the demonstration project is ongoing, early data demonstrate to CMMI officials that interventions facilitated through the YMCA's DPP, as part of the demonstration, will result in at least \$26M in Medicare savings over six years. The terms of the Affordable Care Act give the Secretary of the Department of Health and Human Services the ability to make coverage decisions based on successes of demonstration projects. We believe the learning achieved by the Y in the project with CMMI could be applied to a project in Pennsylvania.

To date, overall data for the Ys in PA is looking quite promising. The Ys in PA have higher rates of retention than the Y's national average. These numbers are derived from programs delivered in 14 Y locations and 7 non-Y locations.

Y Association Name	# of classes	participants 1+ sessions	avg sessions attended	retention from 1-4	retention from 4-9	avg WL 9+ sessions
Allegheny Valley YMCA	1	7	13.3	100.0%	100.0%	2.9%
Central Bucks Family YMCA	2	10	13.9	100.0%	100.0%	5.7%
Greensburg YMCA	1	7	9.7	100.0%	71.4%	2.3%
Ligonier Valley YMCA	2	22	12.1	100.0%	68.2%	5.5%
Philadelphia Freedom Valley YMCA	9	83	13.0	90.5%	92.1%	3.7%
YMCA of Greater Pittsburgh	14	119	11.8	86.2%	80.0%	4.4%
OVERALL	29	248	12.2	90.7%	82.7%	4.4%

In just 5 years, this program can generate clear benefits to the Commonwealth

Programs like the YMCA's Diabetes Prevention Program, designed to improve health outcomes, can help prevent these costs. For a typical population of 100 high-risk adults aged 50 and over, the following results might be expected over three years:

- Prevent 15 new cases of type 2 diabetes.
- Prevent 162 missed work days.
- Avoid the need for blood pressure or cholesterol drugs in 11 people.
- Add the equivalent of 20 years of good health.

According to United Healthcare, who has covered the program for fully insured employers with 100+ employees on the plan, they estimate a cost savings of \$65,000 over 10 years when an employee prevents or delays type 2 diabetes.^{ix}

These benefits greatly exceed the costs of implementing the program

In 2012, YMCA of the USA worked with the Bridgespan Group to determine the cost of the DPP intervention based on economic data from 50 Ys. At that time, the analysis of fixed and variable costs indicated a per person cost of \$814 per person.

Based on financial modeling, we project the net per person cost savings over six years would be \$1,215. If we rolled this out to 37 YMCAs, we would treat 6,848 patients and generate \$8,320,320 of net benefits to the Commonwealth over six years.

Measurement of Outcomes

We could rigorously measure the impact of the DPP intervention by randomizing the eligibility of Ys to participate at the branch level. There are 5 Y neighborhoods, each of which has approximately 13 to 15 Corporate YMCAs. Some Corporate YMCAs in turn have multiple branches for a total of 112 branch locations across the Commonwealth. By using eligibility as an instrument, a Local Average Treatment effect can be estimated via a 2-stage least squares regression.

The state could pay based on attendance and weight loss reduction which are the same metrics used in the Medicare project and the same fee schedule observed by

the commercial health plans reimbursing for the program. The evaluation component would focus on outcome achievement and cost savings analysis for the purpose of Medicaid coverage.

The YMCA already has the basic infrastructure to collect outcome data

As with many chronic disease prevention interventions and services, cost is a common access barrier for the estimated 86 million Americans with prediabetes. YMCAs are poised to be a part of a new health care delivery system that values prevention and the public, private, and non-profit collaboration assembled in support of the YMCA’s Diabetes Prevention Program. The Y’s partnership with a third party administrator is a truly significant step toward improving the public’s health and saving lives and health care dollars.

In 2010, Y-USA’s partnership with the DPCA, a payor-agnostic third-party administrator (TPA), was forged to allow any payor (private insurer, employer, or public payor) to purchase the YMCA’s Diabetes Prevention Program as a covered benefit for their beneficiaries. DPCA’s role as TPA allows local Ys to manage the program via a web-based software tool supports the scheduling of classes, filing of claims for reimbursement, and monitoring of program outcomes. Lifestyle Coaches enter participant data (attendance, weight loss, and physical activity minutes) and Program Coordinators monitor data in real time. Results-based metrics are built into this innovative software allowing, when Ys hit attendance and weight loss performance data points the software automatically triggers a claim or invoice to reimburse the Y for its services. Claims or invoices are not generated for covered participants who do not meet performance metrics. Having a data collection tool in place would allow for quick data collection implementation for this project, but we anticipate additional requirement and technology build may be necessary to serve Medicaid members, like we did with Medicare, and will build that into the formal budget accordingly.

The YMCA has the partnerships to implement a PFS project

In preparation for implementing a PFS project, the YMCA has had conversations with Third Sector Capital Partners, Inc. (Third Sector), a nonprofit advisory firm that has led construction of PFS projects in Massachusetts, Cuyahoga County in Ohio, and 35 other engagements underway. Its deep expertise in economic modeling, fundraising, and evaluation was recently recognized by a grant from the federal Social Innovation Fund.

Below is a projected budget for this project using existing data for DPP initiatives in Pennsylvania.

Should the Commonwealth select Health and Human Services as an issue area for a PFS project, YMCA would look forward to the opportunity to work with Third Sector.

Item	#	\$	Budget amount	Justification
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Scholarships to serve Medicaid participants	6848	\$ 429.00	\$2,937,792	\$429 per person X 6,848 participants served across 37 Ys over 4 years
Recruitment bonus to Ys serving Medicaid participants to cover enrollment costs	6848	\$ 50.00	\$342,400	\$50 recruitment bonus to cover enrollment activities X 6,848 participants
Funding to local Ys	9	\$ 266,000.00	\$ 2,333,039.00	\$266,000 to 9 current program providers to cover their portion of the sustainability gap over four years
	28	\$ 2,067,039.00		\$2,067,039 to 28 new program providers to cover the entire gap between cost and revenue
State Alliance coordination	1	\$ 60,000.00	\$ 300,000.00	\$60,000 for someone to coordinate the effort locally X 5 years
Evaluators			\$ 750,000.00	
Reporting			\$55,000	Funding to Y-USA for supporting of reporting necessary for the project – 10% data coordinator over four years and \$25,000 to TPA for report build
Overhead	30%	\$ 5,868,231.00	\$1,760,469	
Total			\$8,478,700	

ⁱ Payne, Cathy. "Diabetes costs nation \$245 billion annually, study says." *USA Today*. March 6, 2013.

ⁱⁱ Ibid.

ⁱⁱⁱ Centers for Disease Control and Prevention. "National diabetes fact sheet: national estimates and general information on diabetes and prediabetes in the United States, 2011." *Centers for Disease Control and Prevention*. 2011.

^{iv} Centers for Disease Control and Prevention. National Diabetes Statistics Report, 2014. Retrieved from <http://www.cdc.gov/diabetes/pubs/statsreport14/national-diabetes-report-web.pdf>

^v American Diabetes Association. Economic costs of diabetes in the U.S. in 2007. *Diabetes Care*. 2008; 31(3): 1-20.

^{vi} Diabetes Prevention Program Research Group. "10-year follow-up of diabetes incidence and weight loss in the Diabetes Prevention Program Outcomes Study." *The Lancet*. November 14, 2009. Vol. 374, No. 9702: 1677-1686.

^{vii} *Ibid.*

^{viii} *Ibid.*

^{ix} *United Health Group*. (2013, July). Retrieved January 2015, from http://www.unitedhealthgroup.com/newsroom/articles/feed/unitedhealthcare/2013/0726diabetesmemphis.aspx?sc_lang=en

**Commonwealth of Pennsylvania
Contracts and Procurement
Pay for Success Contracting: Request for Information
May 8 2015**

**YMCA's
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Sample Outline:

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

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4. Evolve national technical assistance and fidelity management infrastructure.

By further scaling and disseminating the YMCA's DPP, the Y strives to help hundreds of thousands of adults at risk for type 2 diabetes prevent or delay the onset of the

disease. In addition to the direct impact on people's lives, further scaling the program will potentially save the U.S. billions of dollars in avoidable health care costs.

Who are we treating?

For more than 160 years the YMCA has delivered healthy initiatives to diverse communities. The first African-American Y was founded in 1853 just 9 years after the first Y was founded. The first known English as a second language (ESL) course was taught at a Y in 1856. The Y's history of delivering programs to diverse communities is crucial because African-Americans, Hispanics/Latinos, American Indians/Alaska Natives, and some Asian-Americans and Pacific Islanders are at increased risk for developing diabetes.

Y-USA and local Ys are concentrating efforts to ensure underserved and vulnerable populations are engaged in the YMCA's Diabetes Prevention Program. The Y has strategies, partners, and donors that assist in providing program access to everyone at risk for type 2 diabetes regardless of participants' socio-economic status, race, or ethnic backgrounds.

All YMCAs work to ensure that no one is denied the opportunity to share in the YMCA experience due to an inability to pay. Many Ys have collaborated with foundations, corporations, and other local organizations to provide full or partial scholarships to low income, under insured, and vulnerable populations who are eligible for participation in YMCA's Diabetes Prevention Program. These scholarships allow preventive health care access to participants regardless of socio-economic status.

In addition, local Y access costs to the data collection system utilized by all Ys delivering the YMCA's Diabetes Prevention Program are waived for all program participants that meet federal poverty guidelines.

With this project, we propose expanding the footprint of the YMCA's Diabetes Prevention Program to support overweight, Medicaid members with prediabetes in Pennsylvania. This project would scale from 9 Ys currently providing the program to at least 37 Ys. Each Y would have a targeted recruitment goals based on their market potential. With 37 provider Ys, we anticipate serving 6,848 Medicaid members across four years of recruitment.

The YMCA has a diabetes prevention program that is proven to work

The growing body of diabetes prevention evidence led the Centers for Disease Control and Prevention to create the National Diabetes Prevention Program which includes CDC's Diabetes Prevention Recognition Program (DPRP) Standards and Operating Procedures. The DPRP standards are based on a defined curriculum, curriculum training standards, data collection, and clearly defined program performance criteria that organizations must achieve to be recognized by CDC as delivering a high quality, effective diabetes prevention behavior change intervention.

The DPRP also makes it clear that standardized DPPs are not merely a weight loss program. Participants must qualify for these programs with specific eligibility criteria beyond being overweight. They must have a blood value or specific risk factors indicating a high risk for type 2 diabetes. Throughout the behavior change

intervention, participants have access to a trained coach who must successfully pass standardized curriculum training. The coach receives at least 20 hours of standardized training conducted by Master Trainers on curriculum delivery including collection of weight data, physical activity, and food journal review, the evidence-base behind the intervention, behavior change strategies such as cue control, portion size, handling negative thoughts, increasing physical activity, and maintaining progress, motivational interviewing, group facilitation techniques, and annual HIPAA certification.

Currently 28 commercial health plans reimburse the Y on a pay for performance model based on attendance and weight loss outcomes. Ys receive payment based on attendance metrics and weight loss achieved. These metrics map to the CDC's DPP.

DPP curricula recognized by the CDC are consistent with the behavior change curriculum that was successfully utilized in multiple National Institutes of Health (NIH) funded randomized clinical trials, including the DPP Trial and the Diabetes Prevention Program and the Diabetes Education Prevention with Lifestyle Intervention Offered at the YMCA (DEPLOY) studies. In the original DPP Trial, the behavior change intervention significantly reduced the number of new cases of type 2 diabetes by 58% during the three year trial period and 71% for adults aged 60 years or older. This DPP RCT led by NIH has formed the foundation for type 2 diabetes preventive education efforts worldwide. The DEPLOY studies, and more than 2 dozen other translations of the original DPP Trial into community settings, showed that non-licensed providers of the curriculum could produce similar outcomes. The original RCT trials conducted by the NIH, The Diabetes Prevention Program Outcomes Study (DPPOS) followed participants from the NIH Diabetes Prevention Program research and study from randomization into the trial. After 10 years, the DPP trial participants showed sustained weight loss and reduced incidence of type 2 diabetes.² The DPP trial participants' diabetes incidence rates were reduced by 34 percent in the lifestyle group and 18 percent in the metformin group, compared with the placebo.^{vi} The cumulative incidence of diabetes remained lowest in the lifestyle group.^{vii} Thus, the DPPOS demonstrated the Diabetes Prevention Program can lead to significant reduction in the risk of developing diabetes which can persist for at least 10 years.^{viii} The YMCA's DPP is a direct translation from the NIH DPP Trial's Lifestyle Intervention.

In 2012, YMCA of the USA received a three-year \$11.8M Cooperative Agreement from the Center for Medicare and Medicaid Innovation (CMMI). This funding was awarded to Y-USA as part of the highly competitive Health Care Innovation Awards. Y-USA's project is one of the largest projects out of 107 funded awards (nearly 8,000 organizations were involved in the competition for these awards).

In this project, 17 YMCAs have been working to demonstrate how our evidence-based prevention program can lower the incidence of type 2 diabetes and reduce the cost burden of people with prediabetes on the health care system. As of February 2015, the Y has enrolled 6,000 Medicare beneficiaries. While the demonstration project is ongoing, early data demonstrate to CMMI officials that interventions facilitated through the YMCA's DPP, as part of the demonstration, will result in at least \$26M in Medicare savings over six years. The terms of the Affordable Care Act give the Secretary of the Department of Health and Human Services the ability to make coverage decisions based on successes of demonstration projects. We believe the learning achieved by the Y in the project with CMMI could be applied to a project in Pennsylvania.

To date, overall data for the Ys in PA is looking quite promising. The Ys in PA have higher rates of retention than the Y's national average. These numbers are derived from programs delivered in 14 Y locations and 7 non-Y locations.

Y Association Name	# of classes	participants 1+ sessions	avg sessions attended	retention from 1-4	retention from 4-9	avg WL 9+ sessions
Allegheny Valley YMCA	1	7	13.3	100.0%	100.0%	2.9%
Central Bucks Family YMCA	2	10	13.9	100.0%	100.0%	5.7%
Greensburg YMCA	1	7	9.7	100.0%	71.4%	2.3%
Ligonier Valley YMCA	2	22	12.1	100.0%	68.2%	5.5%
Philadelphia Freedom Valley YMCA	9	83	13.0	90.5%	92.1%	3.7%
YMCA of Greater Pittsburgh	14	119	11.8	86.2%	80.0%	4.4%
OVERALL	29	248	12.2	90.7%	82.7%	4.4%

In just 5 years, this program can generate clear benefits to the Commonwealth

Programs like the YMCA's Diabetes Prevention Program, designed to improve health outcomes, can help prevent these costs. For a typical population of 100 high-risk adults aged 50 and over, the following results might be expected over three years:

- Prevent 15 new cases of type 2 diabetes.
- Prevent 162 missed work days.
- Avoid the need for blood pressure or cholesterol drugs in 11 people.
- Add the equivalent of 20 years of good health.

According to United Healthcare, who has covered the program for fully insured employers with 100+ employees on the plan, they estimate a cost savings of \$65,000 over 10 years when an employee prevents or delays type 2 diabetes.^{ix}

These benefits greatly exceed the costs of implementing the program

In 2012, YMCA of the USA worked with the Bridgespan Group to determine the cost of the DPP intervention based on economic data from 50 Ys. At that time, the analysis of fixed and variable costs indicated a per person cost of \$814 per person.

Based on financial modeling, we project the net per person cost savings over six years would be \$1,215. If we rolled this out to 37 YMCAs, we would treat 6,848 patients and generate \$8,320,320 of net benefits to the Commonwealth over six years.

Measurement of Outcomes

We could rigorously measure the impact of the DPP intervention by randomizing the eligibility of Ys to participate at the branch level. There are 5 Y neighborhoods, each of which has approximately 13 to 15 Corporate YMCAs. Some Corporate YMCAs in turn have multiple branches for a total of 112 branch locations across the Commonwealth. By using eligibility as an instrument, a Local Average Treatment effect can be estimated via a 2-stage least squares regression.

The state could pay based on attendance and weight loss reduction which are the same metrics used in the Medicare project and the same fee schedule observed by

the commercial health plans reimbursing for the program. The evaluation component would focus on outcome achievement and cost savings analysis for the purpose of Medicaid coverage.

The YMCA already has the basic infrastructure to collect outcome data

As with many chronic disease prevention interventions and services, cost is a common access barrier for the estimated 86 million Americans with prediabetes. YMCAs are poised to be a part of a new health care delivery system that values prevention and the public, private, and non-profit collaboration assembled in support of the YMCA’s Diabetes Prevention Program. The Y’s partnership with a third party administrator is a truly significant step toward improving the public’s health and saving lives and health care dollars.

In 2010, Y-USA’s partnership with the DPCA, a payor-agnostic third-party administrator (TPA), was forged to allow any payor (private insurer, employer, or public payor) to purchase the YMCA’s Diabetes Prevention Program as a covered benefit for their beneficiaries. DPCA’s role as TPA allows local Ys to manage the program via a web-based software tool supports the scheduling of classes, filing of claims for reimbursement, and monitoring of program outcomes. Lifestyle Coaches enter participant data (attendance, weight loss, and physical activity minutes) and Program Coordinators monitor data in real time. Results-based metrics are built into this innovative software allowing, when Ys hit attendance and weight loss performance data points the software automatically triggers a claim or invoice to reimburse the Y for its services. Claims or invoices are not generated for covered participants who do not meet performance metrics. Having a data collection tool in place would allow for quick data collection implementation for this project, but we anticipate additional requirement and technology build may be necessary to serve Medicaid members, like we did with Medicare, and will build that into the formal budget accordingly.

The YMCA has the partnerships to implement a PFS project

In preparation for implementing a PFS project, the YMCA has had conversations with Third Sector Capital Partners, Inc. (Third Sector), a nonprofit advisory firm that has led construction of PFS projects in Massachusetts, Cuyahoga County in Ohio, and 35 other engagements underway. Its deep expertise in economic modeling, fundraising, and evaluation was recently recognized by a grant from the federal Social Innovation Fund.

Below is a projected budget for this project using existing data for DPP initiatives in Pennsylvania.

Should the Commonwealth select Health and Human Services as an issue area for a PFS project, YMCA would look forward to the opportunity to work with Third Sector.

Item	#	\$	Budget amount	Justification
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Scholarships to serve Medicaid participants	6848	\$ 429.00	\$2,937,792	\$429 per person X 6,848 participants served across 37 Ys over 4 years
Recruitment bonus to Ys serving Medicaid participants to cover enrollment costs	6848	\$ 50.00	\$342,400	\$50 recruitment bonus to cover enrollment activities X 6,848 participants
Funding to local Ys	9	\$ 266,000.00	\$ 2,333,039.00	\$266,000 to 9 current program providers to cover their portion of the sustainability gap over four years
	28	\$ 2,067,039.00		\$2,067,039 to 28 new program providers to cover the entire gap between cost and revenue
State Alliance coordination	1	\$ 60,000.00	\$ 300,000.00	\$40,000 for someone to coordinate the effort locally X 5 years
Evaluators			\$ 750,000.00	
Reporting			\$55,000	Funding to Y-USA for supporting of reporting necessary for the project – 10% data coordinator over four years and \$25,000 to TPA for report build
Overhead	30%	\$ 5,868,231.00	\$1,760,469	
Total			\$8,478,700	

ⁱ Payne, Cathy. "Diabetes costs nation \$245 billion annually, study says." *USA Today*. March 6, 2013.

ⁱⁱ Ibid.

ⁱⁱⁱ Centers for Disease Control and Prevention. "National diabetes fact sheet: national estimates and general information on diabetes and prediabetes in the United States, 2011." *Centers for Disease Control and Prevention*. 2011.

^{iv} Centers for Disease Control and Prevention. National Diabetes Statistics Report, 2014. Retrieved from <http://www.cdc.gov/diabetes/pubs/statsreport14/national-diabetes-report-web.pdf>

^v American Diabetes Association. Economic costs of diabetes in the U.S. in 2007. *Diabetes Care*. 2008; 31(3): 1-20.

^{vi} Diabetes Prevention Program Research Group. "10-year follow-up of diabetes incidence and weight loss in the Diabetes Prevention Program Outcomes Study." *The Lancet*. November 14, 2009. Vol. 374, No. 9702: 1677-1686.

^{vii} Ibid.

^{viii} Ibid.

^{ix} *United Health Group*. (2013, July). Retrieved January 2015, from http://www.unitedhealthgroup.com/newsroom/articles/feed/unitedhealthcare/2013/0726diabetesmemphis.aspx?sc_lang=en



Youth Advocate Programs Response to the Pennsylvania Pay for Success Initiative

Contact: Christopher Shaak, Vice President of Development
Youth Advocate Programs, Inc.
cshaak@yapinc.org or 717.507.7953

Youth Advocate Programs (YAP) Introduction

For 40 years, YAP has provided effective community-based alternatives to the unnecessary institutionalization of young people. Founded originally to address the needs of several hundred juveniles incarcerated in adult prisons in Pennsylvania, today YAP serves youth and families in 19 states. YAP's services have expanded for three fundamental reasons. First, YAP's model is strength-based and therefore appealing to young people and their families who have often been told for far too long that there is something radically wrong with them. Second, YAP's model appeals to local communities because our zip-code recruiting results in our hiring culturally competent – degreed as well as para-professional – workers from the same neighborhoods in which our clients live; moreover, YAP often provides subsidized and supervised employment opportunities for our clients in local industries via a program that we call Supported Work. Third, YAP is appealing to funding authorities, including county, state, and federal governments, because we produce taxpayer savings as well as excellent results despite maintaining a “no reject – no eject” policy in which no referral is refused because of a client's personal challenges, and no client is discharged by YAP because our initial efforts may not produce the desired outcomes.

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

We believe that the Public Safety sector with a focus on programs that reduce recidivism provides an excellent policy area for Pay for Success contracts. In essence, social impact bonds (i.e. Pay for Success Contracts) are a recent innovation on a theme that YAP has long pursued: a charitable organization must *efficiently* deliver

CORE FEATURES OF YAP PROGRAMS

24/7 Crisis Support

Community Based

Wraparound Advocacy

Intensive Case Management

Family Teams

Relationships with Multi-
systems & Community
Organizations

Cultural Competence

Individualized Service Plans for
Each Youth/Family

Safety Planning

No Reject-No Eject Policy

Family Engagement

Mentoring

Ancillary Funding

Paid Work Experience

Community Service Projects

effective services so that funders and communities as well as direct service clients and their families benefit. Thus, for decades, YAP's motto has been "Strengthening Communities One Biography at a Time."

As more fully set forth below, YAP proposes the following:

- **Target population:** at risk youth, including those rejected by other service providers.
- **Interventions:** Trained and paid mentors will deliver wraparound advocacy services designed and proven to reduce recidivism, divert young people from institutional placement, reduce truancy and drop-out rates, and provide employment opportunities, vocational skills and/or stable housing to disconnected youth.
- **Cost:** YAP community-based programs typically cost less than one-half of institutional placement. (This is not including Supported Work programs that subsidize client's wages.)
- **Savings:** By reducing overcrowding in detention centers and helping fractured families move toward economic independence, YAP saves large amounts of taxpayer funds.
- **Benefits:** In addition to the benefits to be delivered from a single agency's programs, YAP believes that a collaborative approach would be available and even more beneficial. For example, a program, such as YAP, that has long centered on youth in their mid- to late-teens could partner with a like-minded agency that serves younger people who will often turn out to be the younger siblings of many of YAP's clients. Moreover, YAP makes, where appropriate, referrals to other programs that may continue even after funding for a particular client is depleted. For example, YAP's programs often fostered cooperative relationships with Boys and Girls Clubs, YMCAs, food banks, and substance abuse counseling providers, etc.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

Implementation of Successful Initiatives

As outlined below, YAP's programs have demonstrated to be successful in several of the areas involving at risk youth and with which the Pennsylvania Pay for Success RFI is most concerned.

Reducing recidivism for youth already involved in the juvenile justice system.

YAP Advocates generally provide 7 to 30 hours of service per week, based on client needs, and work flexible hours including evenings and weekends, based on client availability. Youth already involved in the juvenile justice system generally have chaotic lives. Recidivism may be a function of inadvertence just as much as it may derive from new or repeated delinquent conduct. One way in which YAP Advocates help clients to avoid placement or new charges is to make sure that they appear where and when they have been compelled to attend. This may be before a judge, master, probation officer or school official. Moreover, implicit in preparing to appear at such appointments is preparation in what to say, how to appear, and how to address officials. Finally, the likely substance of

such appearances is discussed and appropriate plans are made whether for jobs, school, or other constructive activities.

Diversion programs aimed at keeping at risk youth out of the juvenile justice system

YAP staff members help youth and families structure individual service plans that may be oriented toward enhancing caretakers' parenting abilities as well as those of our client. YAP's programs in Colorado have predominately served clients referred to us from the child welfare system due to abuse, neglect, or a lack of appropriate parental control. At the same time, many of these clients are cross-system youth who are also involved in the juvenile justice or behavioral health systems.

At risk youth often need employment but may not present attractive resumes to potential employers. YAP's Supported Work program allows for subsidized wages to be available to pay youth to work in local businesses, assist local charities or perform in-house services within the YAP program. It is usually targeted to allow youth who are not yet ready for competitive employment. Supported Work helps clients learn basic job skills (the need for punctuality, proper appearance and demeanor, etc.). A positive weekly evaluation in such areas presents a vocational component to YAP's strength based approach. In addition, Supported Work experiences keep youth off the streets and may help them to pay restitution if applicable. While a worthwhile end to itself, Supported Work also may lead to mainstream employment. This bundle of benefits led to YAP receiving a Supported Work grant through a health initiative offered by the Robert Wood Johnson Foundation for a program entitled MERGE (Men Engaged in Reducing violence through Gainful Employment).

While much work remains to be done, YAP's programs in Pennsylvania have already produced great benefits. During the fiscal year ending June 30, 2014, YAP's Advocates served over 500 clients in Pennsylvania who were aged 16 – 24 at entry to YAP's programs and were referred to YAP due to legal issues. 59% of the clients had prior felony and/or misdemeanor dispositions at entry and 58% were on probation.

84% of all the clients and 81% of those with prior felonies and/or misdemeanors were not arrested while enrolled in YAP's programs. In addition, 93% of all the clients and 81% of the clients who were arrested while enrolled lived safely in the community at discharge. Finally, the percentage of clients on probation decreased from 58% at entry to 32% at discharge.

Promising policy areas that would improve social outcomes:

The great and cruel irony of the way in which troubled young people are treated in the United States is that the most expensive means of treatment (residential detention and lock-ups of all sorts) is demonstrably less effective than the markedly less expensive, community based care. Locking up a young person does serve an incapacitation function but this is a terribly short-term benefit because juvenile jurisdiction ends at the age of 21. Moreover, during their relatively short period of detention, youthful offenders too often learn only those skills associated with expanding their criminal horizons. Admittedly, residential "care" often may serve, at least in the eyes of some, a punishment function, but punishment is not an accepted goal of the juvenile justice system. Thus, we too often detain young

people for the wrong reasons or without the slightest idea of how to achieve the proper goals, all the while spending taxpayers' money as if it were without end.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

YAP collects outcomes data in a variety of critical categories, including whether our services: (i) permit a young person to remain in his/her community (*i.e.*, to avoid offenses or behavior that will put him or her in detention); (ii) improve a young person's attendance in school, and (iii) improve a young person's employment prospects. YAP has long collected this data at entry and discharge points. During the last several years, we have made efforts also to collect it post discharge. In light of the frequency with which our families relocate, post discharge data is difficult to collect. Nevertheless, we are able to gather post discharge statistics for at least 25% of our clients. Moreover, our outcomes (both while in service and post-discharge) are encouraging in virtually all life domains. Indeed, even in programs where our clients face exceptionally daunting circumstances, such as a Chicago program in which our clients were identified by a regression analysis predictive of gun violence, our outcomes demonstrate that community based care can be effective as well as efficiently delivered.

Services rendered to troubled youth are an ideal vehicle for pay for success financing precisely for the reasons stated above: effective programming need not be expensive programming. Thus, investors should be attracted to this opportunity because they will appreciate that community-based care for young people truly presents a win-win scenario in that it promises both lower governmental costs and improved client outcomes.

YAP proposes that four major factors of program effectiveness be used for at risk young people between the ages of 16 and 24: (1) school attendance (including GED or college preparatory program participation); (2) employment readiness, including whether a client has been placed in work or in a vocational training program; (3) overall program completion, including whether a client is able to do so while remaining in non-residential care; and (4) improvement in specific areas of individual client need. This last category will be measurable because clients will need to complete programs that focus on areas that have caused them problems in the past, such as drug/alcohol abuse or uncontrolled rage. YAP uses a program called PATTS (Peaceful Alternatives To Tough Situations) -- a nine week, evidence based anger management curriculum.

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

YAP proposes that social innovation financing should also be considered for a vocational skills training program for young people who have managed to end self-destructive habits, such as drug/alcohol abuse, and complete high school or GED but who still lack significant job skills. There is no question but that a college degree improves a young person's chance to land a job with bright future prospects. Thus, college should be a priority consideration for young people generally,

including those who have been referred to social service agencies as a result of delinquent behavior, dependent circumstances, or emotional instability. At the same time, not every such young person will be able to complete college and many, lacking financial or other support, will simply languish in unskilled positions with very limited income potential. There is no need, however, for bright, motivated, and emotionally stable young people to be caught in such employment traps. Nationally and locally, certain jobs, including those in traditionally good paying trades, go wanting. Jobs such as welders, plumbers, electricians and other skilled craftsmen may not seem as glamorous or new age as veterinary assistant or massage therapist, but they remain available and potentially beneficial. Social innovation funding should be used to produce skilled workers in these fields. Investors could include financial institutions as well as the very companies that need these positions filled.

Besides the need for a good paying job, another issue which often surfaces in the life of a young person who has managed to overcome life threatening challenges such as drug/alcohol abuse and criminal behavior, is the need to restore one's credit. Coupled with sobriety, mental stability, and a good job, a restored credit history could set a young person off toward a very promising future. Credit "counselors" come in many varieties these days: some highly effective and very reputable; others lacking in both of these categories. Social innovation funding to restore credit problems would, like high level job skills training, be an attractive option both to passive investors and to those companies interested in selling products, including cars and homes, that require financing on the part of the buyer.

Pay for Success Initiative Commonwealth of Pennsylvania

RFI Response (RFI # OB 2015-1)
May 2015



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Re: Request for Information #OB 2015-1, Pay for Success Initiative

Dear Ms. Anderson,

Deloitte is pleased to submit our response to the Commonwealth of Pennsylvania's Request for Information re: Pay for Success Initiative.

We are excited about Pennsylvania's interest and venture into the area of Pay for Success and believe it holds potential to effect important social change. Deloitte is uniquely positioned to advise on this request for information based on our:

- Expertise and eminence in Pay for Success;
- 30 years of experience working with the Commonwealth of Pennsylvania, including the Department of Education, the Department of Health, the Department of Corrections, the Department of Labor & Industry, the Department of Human Services, and the Office of the Budget; and
- Commitment to advancing evidence-based programs that provide measurable outcomes.

We very much appreciate the opportunity to share our expertise and look forward to the chance to work with you in the future.

Please do not hesitate to contact me if I can answer any questions for you regarding our response.

Best regards,

A handwritten signature in black ink that reads "Arthur C. Stephens".

Arthur C. Stephens
Director, Deloitte Consulting LLP

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1. Background

1.1 Our understanding

Public officials have a responsibility to use scarce resources to deliver the most impactful outcomes. In budget-constrained times, directing limited government funds toward initiatives that deliver tangible results becomes all the more imperative. Pay for Success (PFS) models present an opportunity to do just that. These innovative financing mechanisms enable governments to focus resources on outcomes—not inputs—and to pay only for programs that provide desired results.

However, Pay for Success contracts may not be appropriate for all program areas, as they entail risks and transaction costs that may present challenges throughout the lifecycle of creating and implementing PFS contracts. Experiences in other states that have launched PFS projects have shown that developing the PFS contract is a complex process and may consume considerable energy, given how new the idea is. However, the Commonwealth of Pennsylvania can take several important lessons from others in creating and implementing Pay for Success contracts:

- There is no “one-size-fits-all” Pay for Success structure. States should customize PFS structures to their unique policy areas, required outcomes, and circumstances.
- States must strike a delicate balance between setting requirements for meeting an outcome and affording the external organization the freedom to deliver on that outcome using the means and interventions it sees fit.
- Pricing and payment are complex and difficult, requiring deep analyses and a well-defined baseline.
- States should guard against risks by negotiating mechanisms for an orderly termination of the PFS contract if the external organization is unlikely to achieve results.

1.2 Our team

Deloitte has assisted the Commonwealth of Pennsylvania on dozens of projects. Our experience with the Department of Education, the Department of Health, the Department of Labor and Industry, the Department of Human Services, the Department of Corrections, and the Office of the Budget has given us the opportunity to be a leading provider of consulting services for the Commonwealth.

**Pennsylvania Office of the Budget
Pay For Success Initiative
RFI Response # OB 2015-1**



Figure 1. Representative Commonwealth Clients.

Deloitte has had the privilege of an extensive working relationship with the Commonwealth of Pennsylvania extending back more than 30 years. The relationship transcends any single transaction. We are proud of the results Deloitte and the Commonwealth have been able to achieve together and our role as a major Pennsylvania employer. Further, Deloitte has a deep understanding of the Commonwealth’s working environment and supports it across a wide spectrum of services.

We have deep experience in potential PFS programs areas including human services, early childhood development and education, and workforce development. For the Pennsylvania Department of Human Services, Deloitte provides support across most major health and human services programs, including early learning, child welfare, child care, child support, and Medicaid (physical health, behavioral health, long-term care, and developmental disabilities). Many of these programs include private (non-profit and for-profit) service delivery partners as well as county governments. As such, we have worked with the Department to engage a diverse stakeholder group including citizens, consumers, providers, advocates,

Did you know?

Deloitte brings a deep commitment to serving the Commonwealth:

- **5,000** Employees in Pennsylvania, **1,500** of which are in our Camp Hill Public Sector Delivery Center
- **36** Awards for innovation and cost savings in Deloitte’s Pennsylvania projects
- **2,100** Pennsylvania College graduates employed by Deloitte nationally
- **\$1.5 million** annual United Way contributions in Pennsylvania

county governments, and other interested parties.

Deloitte also developed the Pennsylvania Information Management System (PIMS), in conjunction with the PA Department of Education. One of the key goals of PIMS was to deliver timely, quality data to educators, students, parents, policy makers, and other stakeholders. The core of PIMS is the data warehouse. The data warehouse holds detailed information for student and staff demographics, staff assignments and certifications, courses and course enrollments, program participation, career and technical education, special education, and enrollment. This statewide solution allows management staff, policy makers, and educators to view high-quality student information that is empirical, accurate, and timely.

Additionally, the Allegheny County Department of Human Services (ACDHS) has engaged Deloitte for over 10 years to provide ongoing system development, deployment and information management support. As a result of our work with Allegheny County, we have had a “front-line” view to the realities of health and human services delivery systems and challenges in Pennsylvania.

Deloitte also provides significant support to Pennsylvania’s workforce development programs, through the design and maintenance of Pennsylvania’s workforce development (reemployment) and job matching programs. This project, along with our support of programs in Temporary Assistance for Needy Families (TANF), provides us with a unique perspective to workforce development programs in Pennsylvania.

Our local advisory team is led by Art Stephens, Lindsay Hough, and John Rampulla. Art has over 28 years of experience as a consulting principal and director, state CIO, Governor’s Deputy Chief of Staff, and Vice Chancellor of a higher education system. He has been working with the Pennsylvania state government since 1994. Lindsay Hough leads our strategy and operations practice and has experience in finance transformation, corrections, and human services programs including long-term care, early learning, and developmental disabilities. John Rampulla leads our local analytics practice and has strong understanding of the human services, corrections, revenue, and finance areas.

Kennedy Consulting Research & Advisory named Deloitte the largest global consulting provider, based on revenue and market share in 2012, our experience includes:

- Serving Pennsylvania for more than 30 years
- Deloitte ranked the #1 global consulting company by Kennedy and Gartner
- Deloitte Health Practice rated #1 in the industry by Kennedy
- Serving Health and Human Services initiatives in 46 states
- 40 years leading and overseeing government health and finance transformation
- Significant capabilities in technology, data analytics, and advisory services across all levels

In addition to our Pennsylvania team, we have deep subject matter expertise in Pay for Success programs. Jitinder Kohli is a recognized expert focused on how improved evidence, evaluation, and performance can help government agencies and non-profit organizations improve impact and outcomes. Jitinder leads Deloitte’s work on Pay for Success and is a Senior Fellow at the Center for American Progress, where he has published numerous articles and reports on creating and implementing PFS projects. He has advised a wide range of agencies in the United States and abroad on Pay for Success financing—including at local, state, national, and international level. Some of his select publications include, “Inside a Social Impact Bond Agreement,” “Defining Terms in a Social Impact Bond Agreement,” and “Social Impact Bonds and Government Contracting: How to Choose the Best External Organization to Achieve Your Outcome.”

2. What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

2.1 Pay for Success frameworks

Pay for Success (PFS) initiatives hold the promise of a range of benefits for society and for the stakeholders who participate in them. However, Pay for Success programs are not appropriate in all policy areas, and given the risks and transaction costs entailed in creating PFS contracts, policy makers and leaders should proceed with caution. The most promising policy areas for Pay for Success contracts are areas where:

Outcomes are well-defined, observable, and measurable within three to eight years.

Outcomes should be observable and objectively measurable within a few years of initiating a PFS contract so that government agencies can make payments, and investors need not tie up funds for too long.¹ Pay for Success programs also require rigorous data analysis over time to measure results, making policy areas for which ample administrative data are available the most ripe for PFS contracts. If the project cannot generate accurate, comprehensive, and preferably quantitative data to measure change, it will be challenging to determine if success has been achieved. Given that Pennsylvania does not have an integrated data environment across Departments, any measures or outcomes that are envisioned should be carefully and thoroughly discussed with all stakeholders, including the Office for Information Technology and the Office of the Budget, to ensure that there is data that can effectively measure the outcome.

The policy area has proven, cost-effective solutions.

Practically, investors will be more likely to risk their money if the interventions are evidence-based and cost-effective with a high likelihood of delivering the outcome. The larger the evidence base for these interventions, the better. PFS contracts may also be useful when proven interventions exist but they have failed to successfully scale.

¹ Jitinder Kohli, Douglas J. Besharov, Kristina Costa, "What are Social Impact Bonds?" Center for American Progress Issue Brief, March 22, 2012. Available at https://cdn.americanprogress.org/wp-content/uploads/issues/2012/03/pdf/social_impact_bonds_brief.pdf

The policy area should matter to the government and have engaged supporters.

Political capital and support can make or break a PFS arrangement. The experiences of state, county, and city leaders designing and implementing PFS initiatives have shown that the social issue a PFS contract addresses should be a high priority for the government and one that state, county, or city officials will support. Support from the Governor and his cabinet, the state legislature, and relevant associations, such as the County Commissioners Association, will be critical for success. Ironically, policy issues for which funding can be difficult to marshal or sustain, such as recidivism, are areas that would benefit most from PFS contracts because PFS contracts enable the government to pay only once the outcome is achieved, rather than funding costly activities (inputs) that have little support over long periods of time and may not be effective at achieving the outcome.

2.2 Existing and emerging policy areas for Pay for Success

Several governments around the world have begun to explore Pay for Success initiatives in the following policy areas: prison recidivism, early childhood education, homelessness, juvenile justice, health (asthma prevention), and workforce development. The figure below reflects some recent Pay for Success contracts in the United States.

Policy area	Locality	Example outcome
Prison recidivism	Massachusetts, New York State	Reduced days in incarceration, increased job readiness, increased employment
Juvenile justice	New York City	Reduced days in incarceration, increased job readiness, increased employment
Homelessness	Massachusetts, Cuyahoga County	Increased days in stable housing; reduced length of stay in out-of-home foster care placement for children whose caregivers are homeless
Early childhood education	Salt Lake County, Chicago	Reduced special education enrollment through the provision of early childhood education

Figure 2. Pay for Success contracts in the United States

Although states and cities have tended to focus on policy areas in which PFS contracts have already been implemented, the Commonwealth of Pennsylvania need not be limited to these areas. Other social areas under consideration for PFS contracts may include special education, workforce development, veterans’ services, energy efficiency, and public health. A handful of these emerging areas, namely special education, human services, and healthcare, overlap with Governor Wolf’s “Schools That Teach, Jobs That Pay, and Government That Works” agenda and may serve as promising policy areas for Pennsylvania’s own Pay for Success programs.

3. What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

3.1 PFS Structures, Transaction Costs, and the Role of “Intermediaries”

No “one-size-fits-all” structure exists for Pay for Success contracts

Given the relatively new nature of Pay for Success contracts, there is no standard structure that has emerged as a best practice. Pay for Success contracts are flexible tools that government agencies can use across many different types of programs. As such, the tools must fit the needs of the policy areas and objectives, so there is no “one-size-fits-all” model.

Key to a PFS arrangement is a relationship between a government agency and an external organization – where the government identifies an outcome that it wants to see achieved and promises to make a payment to an external organization when it is achieved. While many PFS arrangements have involved other entities, they are not essential to the concept.

As described in the diagram below, the process starts with the government establishing an outcome it wishes to purchase and selecting an external organization that is committed and equipped to achieve that outcome. The external organization’s job is to work with the target population to achieve the outcome – and it needs significant freedom on the “how” in terms of interventions.

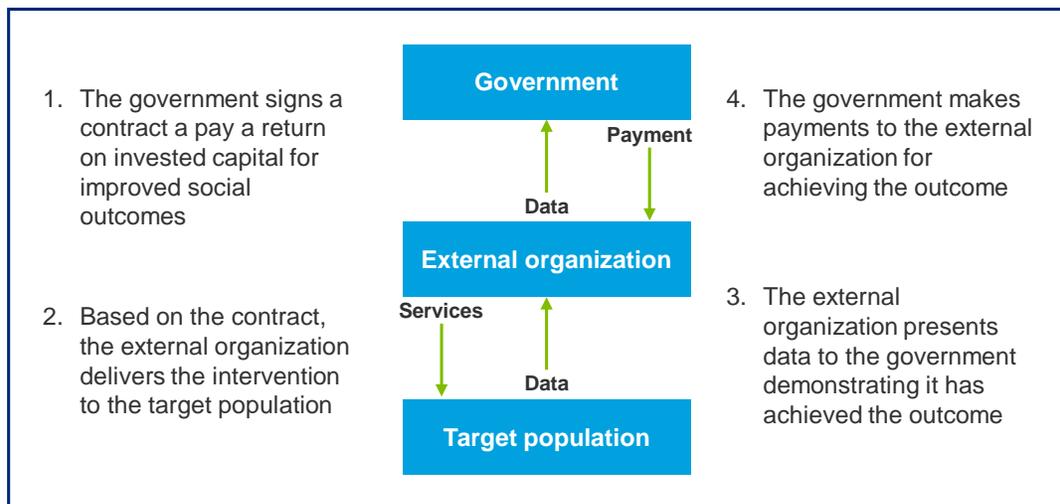


Figure 3. Pay for Success structure

In many cases, the model has proven more complex. Some external organizations have found that they are not in the business of delivering the specific services to the target population, and so have hired service providers to deliver the intervention. The external organization’s role then would be to oversee the PFS contract and interact with the government and other parties to the contract.

Oftentimes, external organizations have needed to raise operating capital to deliver services to the target population, and have chosen to raise capital from investors for the specific PFS arrangement.

Another component is the evaluator. When administrative data is not sufficient for measuring outcomes, or if parties to the PFS contract wish to have an independent, third party assess the outcomes and payments, they may hire an evaluator.

In the first PFS arrangement in the world, in Peterborough in the UK, this is the model that applied. The external organization raised finance from investors and delivered services through other organizations. This model is often described as an “intermediary” model. And while administrative data quality was high, there was still an evaluator to help establish whether the outcome was achieved.

“Intermediary” organizations can be helpful in managing the successful implementation of Pay for Success contracts but are not essential

Since Peterborough, many Pay for Success projects have featured “intermediary” organizations. Intermediaries play the role of the external organization but don’t deliver services themselves and rely on investors to bring in capital.

Intermediaries can add tremendous value. In many cases, they insulate service providers from risk – by grant funding services. They also have expertise in how to structure PFS arrangements and understand how to raise funds from investors. But intermediaries are not an essential part of a PFS arrangement. For instance, Massachusetts’ Chronic Individual Homelessness PFS Initiative presents a case where a separate intermediary was not used. In this example, there was a dedicated consortium of service providers, some of whom were also willing to serve as investors.

3.2 Designing the right contract

Developing payment structures and schedules requires a careful analysis of social benefits

The most important factor in determining a PFS contract payment schedule is accurately determining the worth of the outcome to the government and society. Rather than attempting to develop a deal size based on what is viewed as an acceptable return for investors or the cost of the intervention, governments should focus on developing a robust analysis of an intervention’s value. Many PFS projects have tried to establish a price for the outcome by calculating the “cashable savings” to government – i.e., a calculation of the reduction in future non-discretionary service costs as a result of the outcome being achieved. In recidivism, for example, cashable savings are calculated by looking at the savings to the prison and policing system associated with a reduction in recidivism rates. This is a valuable approach but in many cases, this method undervalues outcomes to government and unnecessarily narrows the circumstances in which PFS contracts can effect meaningful change.

In many cases, the outcome will be worth a great deal to society but may not lead to cashable savings. For example, a reduction in domestic violence is something that governments may want to support, not because it reduces the costs of domestic violence shelters or the prison system, but because there is intrinsic value to society associated with a reduction in domestic violence. If a PFS arrangement can deliver greater impact than

current programs, and payment is only released when domestic violence rates come down, then it may merit a PFS arrangement – where payment is calculated by reference to the value that society places on the outcome.

In a recent Salt Lake County Request for Proposal for a PFS program, SLC stated it would prefer that a PFS project demonstrate some county-level savings during the lifetime of the project but would consider paying for outcomes as proxies of the broader community benefit that will be derived from the desired outcome.

Government must strike a delicate balance between setting requirements for the external organization and exerting undue control over the intervention or day-to-day operations

Though government should take the lead role in defining desired outcomes and accompanying payment for those outcomes, it should refrain from prescribing the process by which the external organization reaches the outcomes.² The value of PFS contracts is that they allow for innovative approaches to solving social challenges, enabling evidenced-based service providers to test and prove the worth of their programs. By focusing on process, rather than outcomes, government would limit the flexibility of an intervention. If the government designs a due diligence process that carefully evaluates external organizations, it should have enough confidence to allow day-to-day program management decisions to be handled by the external organization.

PFS contracts necessitate guarding against risk by negotiating mechanisms for an orderly termination of the arrangement

PFS contracts should define clear exit points in the event that outcomes are not being met, and the external organization has a strong incentive to walk away from its efforts. This can be orchestrated through a phased approach for payments or through agreements about meeting specific milestones. If government does not realize termination is a real possibility, there is a risk it will be tempted to “bail out” service providers by renegotiating agreements.³

Government may legitimately want to end a PFS contract, for example, if it reasonably believes that the external organization is harming the beneficiary population.⁴ The government may also want to maintain the ability to terminate an agreement “for convenience,” that is, at will, but the investors and external organizations may require compensation for their efforts.

² Ibid.

³ Ibid.

⁴ Jitinder Kohli, Douglas J. Besharov, Kristina Costa, “Inside a Social Impact Bond Agreement,” Center for American Progress, May 3, 2012. Available at https://cdn.americanprogress.org/wp-content/uploads/issues/2012/05/pdf/sib_agreement_brief.pdf

Government agencies should minimize, to the greatest extent possible, any consequences if the external organization cannot achieve the outcome and discontinues its services

Government will need to ensure that in the event of termination of a PFS contract, the target population receiving services are no worse off than they would have been without the services.⁵ For instance, in one prison recidivism project, the services provided under the PFS contract were new and not typically offered to inmates in other prisons. If the services were to be discontinued, the inmates would be treated equally as those from other prisons.

Pay for Success legislation may be necessary for governments to secure and ensure funding for multi-year contracts

In some states, it has been necessary to pass legislation to give sufficient assurances to external organizations that payments will be released by appropriators. The issue arises when government is not permitted to make future funding commitments in the absence of appropriations covering future years. In Massachusetts, the state legislature passed a law to create a trust for Social Innovation Financing. The legislature funded the trust using annual appropriations, and they based the level of funds on the payment schedule for a successful outcome. Annual appropriations are essentially held in escrow until the external organization achieves the outcome and triggers the payment from the trust.

⁵ Jitinder Kohli, Douglas J. Besharov, and Kristina Costa, "Social Impact Bonds," Center for American Progress Fact Sheet, April 2012. Available at https://cdn.americanprogress.org/wp-content/uploads/issues/2012/04/pdf/sib_fact_sheet.pdf

4. What outcomes should the Commonwealth prioritize in Pay for Success contracts?

One of the most challenging yet important aspects of developing a Pay for Success contract is setting the outcome. The heart of any PFS contract is the explicit outcome that the government wishes to pay for and achieve. The outcome must be clearly defined, observable, and measurable; and it should be ambitious—one that would not occur absent the external organization's intervention. Yet, the outcome must also be achievable in a certain time frame (we suggest three to eight years), or else no organization would take on the challenge.

4.1 Defining outcomes

Outcomes should be observable and measurable

Outcomes must be observable and measurable. Observable simply means that changes—in behaviors, conditions, or infrastructure—can be seen, heard, or otherwise perceived by the parties to the PFS contract. Measurement is more complex but equally essential. The relevant parties, namely the government, the external organization, and the third-party evaluator (if one is included in the PFS contract), must be able to agree upon quantitative data or indicators that highly correlate with a program's comprehensive social net benefits.

In setting observable and measurable outcomes, the government and the external organizations should agree on the evaluation/measurement methodology, including determining the unit(s) of analysis, proxy measures, and processes for collecting data, prior to entering into an agreement. Moreover, where possible, outcomes should be measured using data sources that already exist or are inexpensive to generate in order to streamline the evaluation process and save on transaction costs.

Outcomes should be achieved and measurable within an agreed upon timeframe

The duration of PFS programs will vary across programs, depending on the type of intervention, the level of the evaluation, and the data required to demonstrate attributable outcomes. An additional consideration is the willingness of investors to wait to see a return on their investment. Based on a survey of existing projects and the requirements for data evaluation, contracts could reasonably specify a project timeline of three to eight years.⁶ This duration allows enough time to collect, evaluate, and validate results for most programs while providing service providers with a steady stream of funding that will allow them to focus on the intervention. It also provides a reasonable time horizon for investors to receive a return. However, given the long duration of these contracts, it is essential that funding promises be seen as credible by investors. Government agencies

⁶ Ibid.

will need to find ways to offer external organizations firm guarantees that payments will be made if outcomes are accomplished.

Government agencies should avoid defining outcomes that the external organization could achieve by sheer chance

Specified outcomes should be ambitious—ones that would likely not happen absent the intervention of the external organization. Thus, government should avoid defining outcomes that could be achieved by sheer chance. For example, the government should avoid setting a workforce development or re-employment outcome that is dependent or highly influenced by the strength of the state's recovery from a recession. Similarly, external organizations will want to protect themselves against the risk that factors beyond their control will make it increasingly hard for them to achieve outcomes.

To make it easier to determine whether an outcome is achieved by the intervention or by chance, payers and external organizations need to ensure that the sample sizes are sufficiently large and that the number of people served is ample enough to reduce the chances of attributing results to coincidence or chance. One can also mitigate against risks by using control and comparison groups.⁷ This is what the Peterborough prison did. The government set an outcome of 7.5 percent reduction in the rate of recidivism amongst the target population, relative to a comparison group of similar prisoners discharged from other prisons.

Government agencies should structure outcomes to reduce the incentive for perverse behavior

It is imperative for government to think carefully about the implications of reaching an outcome and to structure outcomes so as to reduce the incentive for perverse behavior. All parties need to be aware that poorly aligned or articulated outcomes can result in incentives that lead service providers to do harm to the population they are intended to serve. Therefore, government must be careful to set outcomes that do not lead to perverse incentives, such as service providers feeling pressured to keep people in dangerous situations.

PFS contract should also include rules and guidelines that would dissuade the external organization from engaging in acts that help it “cream skim,” or meet the easiest measures in the contracts but not advance outcomes (or worse, undermine the spirit and goal of the PFS contract).⁸ If, for example, the outcome were to be for people to be employed at the time of measurement, the PFS arrangement should include a requirement for a minimum period of employment so that the external organization does not hire a person just for the time of measurement. Payers should take a pragmatic approach to this problem by guarding against such practices as

⁷ For more, see Jitinder Kohli, Douglas J. Besharov, Kristina Costa, “Inside a Social Impact Bond Agreement,” Center for American Progress, May 3, 2012. Available at https://cdn.americanprogress.org/wp-content/uploads/issues/2012/05/pdf/sib_agreement_brief.pdf

⁸ Jeffrey Liebman and Alina Sellman, “Social Impact Bonds: A Guide for State and Local Governments,” Harvard Kennedy School, June 2013. Available at <http://payforsuccess.org/sites/default/files/social-impact-bonds-a-guide-for-state-and-local-governments1.pdf>

they become apparent, rather than trying to eliminate all risks, as that would be a cumbersome and too complex process.

On its end, government should create PFS contracts in good faith – that is, it should proceed under the expectation and hope that it will eventually pay the external organization upon successful achievement of the outcomes, and that it will be supportive, cooperative, and willing to help the external organization succeed.

4.2 Payment structures and schedules

Outcome-based payment schedules generally fall in one of two groups: 1) payment triggered by the achievement of an aggregate outcome, or 2) payment per individual case. In the former, the payment schedule often involves comparison between two groups. If the cohort receiving the intervention performs significantly better than the control group, the outcome is then achieved and the government pays the external organization. But if the intervention cohort's performance is similar to the control group, or the difference does not meet the threshold level defined, outcome payments are not triggered. The other payment option is for the government to make a payment per individual in an intervention cohort who meets a specific goal.

Payments should increase for better performance once an outcome is achieved in order to encourage the best results⁹

In aggregate outcome-based payments, the government should incentivize continued and better performance by increasing payments beyond the minimum threshold of achievement. In the Massachusetts's homelessness project, investors receive a 3.33 percent return for achieving the outcome. If the intervention outperforms expectations, and all tenants stay in stable housing for a year or more, investors receive the maximum return of 5.33 percent.

In per-individual payment schedules, the government should set payments to account for cases that would have likely resulted in a successful outcome without intervention

Although simpler to administer, an individual-based payment schedule means that the government will likely make some payments for individuals who would have achieved the outcome even if the intervention did not exist, so government agencies may wish to set less generous payments to account for this. Relatedly, the payment schedule means that the external organization assumes greater risk for factors outside its control that affect how hard it is to achieve the outcome (e.g., a recession making it more difficult for a program participant to find a job).

⁹ Kohli, Besharov, Costa, "Inside a Social Impact Bond Agreement."

5. Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

PFS contracts can involve multiple forms of support and participation spanning different levels of government, although doing so increases the complexity associated with developing the contract. Before deciding to structure a PFS contract across multiple levels of government, it is important to consider the benefits and challenges associated with that decision. Below are a few suggestions to keep in mind when considering involving multiple levels of government.

Involve multiple levels of government in ways that lead to the achievement of greater societal benefits and cashable savings in a scalable, replicable manner

Since the scope of a PFS contract depends entirely on the value government places on the benefits associated with achieving the established outcomes, involving multiple levels of government opens the contract's potential beyond the capacity of one agency or one level of government. Multiple levels of government may be willing to pay for the benefits they each accrue. Another benefit to involving multiple layers of government is that it allows the state to be directly involved in identifying successful interventions in one city or locality and scaling them to other areas across the state. In essence, state governments can pilot interventions on a smaller scale and then scale as appropriate, especially where the interventions benefit the localities.

Pennsylvania is the sixth-most populous state in the country with 67 counties, approximately 500 school districts, and thousands of cities, townships, municipalities and authorities. Many of these entities play a front-line role in the delivery of the programs likely to be considered for a PFS program. For example, relative to early learning, county human services offices typically provide early intervention services for children ages zero to three, intermediate units (operating thru mutually-agreed upon written arrangements or MAWAs) provide early intervention services for children three years-old to school age, and county-connected Child Care Information Services (CCIS) Agencies serve as the primary "hub" for child care programs. Additionally all three of these entities contract with for-profit and nonprofit providers of direct services (e.g., educators, therapists, child care providers, and preschool programs). As such, any sustainable PFS program relative to early learning would benefit from the active engagement of this existing delivery system.

Understand that involving multiple levels of government may delay contract development and make the PFS contract subject to each level's bureaucratic and regulatory restrictions

However, as soon as multiple levels of government are involved in a PFS contract, it is likely to take longer than originally anticipated, simply because of the necessity to align each level's interests, resources, and capabilities. Each level independently, as well as the group collectively, must commit to overcoming the bureaucratic and/or regulatory restrictions that are destined to come up along the way. A significant amount of time and energy must also be allocated to ensuring the appropriate data-sharing and data-reporting

agreements are in place; doing so enables greater possibilities by pulling from many data sources in an integrated manner, but it is difficult to get there.

For example, when Pennsylvania implemented its Early Learning Network - an effort to connect many of the delivery and technology systems involved in providing early childhood education services – it was met with significant challenges. A 2009 report by the National Council of State Legislators documented challenges in the areas of governance; vertical and horizontal links; data access, reporting and use and privacy. While such challenges are clearly addressable in a PFS model, they must be factored into the approach for a successful effort.

Pennsylvania's system of government and its approach to delivering social services to different populations make the state a good candidate for multi-level partnerships. Like early learning programs, a majority of the services that are provided across the Commonwealth have a state government and county or local government component. For example, relative to corrections programs, the Commonwealth incarcerates inmates with longer sentences who typically have committed more serious crimes, while county jails typically incarcerate inmates who have committed lesser offenses or who may be in a transitory period in their sentencing or incarceration. The Commonwealth has worked together to develop an integrated justice network (J-Net) that allows law enforcement and other related identity information to be securely shared across agencies and across levels of government. J-Net is a connector allowing those who are authorized to access information the ability to do so in an environment that does not require a significant data extract and storage process. Leveraging tools like J-Net may help speed implementation of a PFS contract by connecting involved entities.

Another example is behavioral health services in that treatment programs for drug and alcohol and mental health vary across the state and local level. Outcomes for program measures must understand these intertwined but separately run systems.

Similarly, homelessness programs are almost entirely delivered at a local level with some state funding provided. Some human service programs are run by both the state and the county governments. Examples of this include home- and community-based services and child welfare. Finally, other services are coordinated and delivered almost entirely by the state including the Supplemental Nutrition Assistance Program and Medicaid – physical health. Any human services related PFS would need to understand the delivery system of that service and ensure the outcome measures are reflective of that structure.

6. What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

As highlighted earlier, states, counties, and cities that have used Pay for Success contracts have learned several lessons concerning how to design and implement PFS contracts effectively. While the full range of lessons to be learned from these experiences will be available once the impact of completed contracts can be fully evaluated and measured, government leaders including those from the Commonwealth of Pennsylvania can take advantage of what the industry has learned so far.

6.1 Developing Understanding and Support within Government

Take the time to thoroughly educate key stakeholders about PFS contracts and their potential

Those individuals and/or agencies most interested in PFS will need to put in substantial efforts educating other government leaders and agencies about PFS contracting and convincing them that PFS is the right idea for the relevant policy area. Those who have successfully created and implemented a PFS contract have consistently stated that educating and making the case for PFS takes time. Since the different individuals and organizations that need to learn about and buy into PFS contracts have different interests and information needs, it is important for anyone attempting to carry out these education efforts to customize the presentations to each audience. These audiences could vary from a city council charged with allocating funding to a PFS project to other government agencies that would see benefits from achieving a certain outcome and thus, have an incentive to pay for a portion of what those outcomes are worth.

Identify the right champions to help see the PFS contract development process through to the finish line

A successful PFS contract requires champions in the government. As mentioned above, PFS contracts are most appropriate for policy areas that have the government's and the public's support; thus, someone who can champion the policy area and serve as an advocate for PFS arrangements is incredibly helpful for securing the funding and the support needed to launch the process of designing a PFS contract. More importantly, PFS contracts require an administrative champion—one who can drive the contract process through the bureaucracy and manage the project, with its many moving parts, through implementation. This is a critical role, as creating PFS arrangements are pioneering, complex, and time-consuming.

Develop an understanding of the target populations a PFS contract might best serve

Before considering the different policy areas and outcomes that should be a part of a PFS contract, government organizations need to carefully identify the various target populations it seeks to aid and develop a deep understanding of those populations—who they are, what interventions work to effect change for them, and why—through rigorous data analysis.

Below are a few steps to keep in mind when assessing the target populations:

- Identify to which programs and populations the government is allocating its resources
- Identify deficiencies or lack of performance in existing government programs designed to serve key populations
- Reach out to service providers through an RFI process such as this one to get a feel for their understanding of the potential target populations and their specific needs
- Establish data-sharing agreements with other government organizations or levels of government in order to get a full picture of those citizens or areas that are most vulnerable.

6.2 Building the right contract and team

Once government stakeholders understand and support PFS contracts, the focus shifts to building the right team to be part of the actual PFS contract. Performing due diligence early and thoroughly is important to selecting a good team, but it is also crucial to recognize that the unexpected will come up, regardless of how much due diligence or planning is done.

Outlined below are lessons learned from other PFS contracts regarding selecting and working with other groups that are part of the contract.

Don't feel pressured to conform to what other states have done

An advantage of PFS contracting is that it can be uniquely customized to fit the specific needs of a government agency and the people that agency strives to serve, but the difficulty associated with PFS contracts is that there is no “cookie-cutter” recipe for developing the perfect contract. Instead of feeling a need to stick to the same policy areas and contract structures that other states have used, don't be afraid to deviate from the norm in order to better customize the PFS contract to Pennsylvania-specific needs.

Select an external organization that has the capabilities and capacity needed to raise capital, manage service providers, facilitate reporting, and ensure outcome achievement

The most important relationship in a Pay for Success contract is the relationship between the government and the external organization whose responsibility it is to achieve the outcome. Based on conversations the Deloitte team has had with intermediaries in PFS projects in the United States, the role of the external organization involves a very heavy lift—one the organization may not expect or have experienced before.

As government organizations look to select the right project coordinator to deliver the interventions and outcome, a few core capabilities include the:

- Ability to work closely with government throughout the PFS contract, as both sides learn how to execute on the contract effectively
- Ability to present to and negotiate with potential investors, especially as the type of organization that is likely to be the project coordinator may function very differently than the type of organization that may serve as an investor
- Ability to serve as an interlocutor between the government and investors

- Ability to work with government in identifying and selecting the right service provider(s) to deliver the social services
- Ability to collect and analyze vast amounts of real-time data in order to monitor progress relative to specific outcomes
- Ability to intervene with service providers when program data indicates that the intervention is not achieving outcomes (i.e., course correct); to provide technical assistance as needed; and to respond when unexpected events transpire
- Ability to report key metrics to other stakeholder groups involved.

Keep in mind what information potential investor(s) might need when considering to support the external organization

In cases where there are investors, the investor's role is to provide the working capital needed by service providers to carry out an intervention. As government agencies look to work with the right investor(s), here are a few things to keep in mind:

- Investors care about the intervention and its historical track record in demonstrating positive impact that has been observed in a fair, objective way
- Investors often take a more straight-forward, cost-benefit approach to decision making. For example, investors may calculate the rate of success that needs to be achieved in order to recoup the original investment and then stack that percentage up against the intervention's perceived ability to achieve or exceed that rate
- Investors may not expect much of a return on their investment because they desire to use their resources to support causes with a positive social impact
- Investors want to ensure that service providers and intermediaries have the capacity to implement the chosen intervention with fidelity and high quality, and in ways where the effort is scalable and replicable
- Investors want to see real-time data along the way that provides early indication of success or failure.

Provide flexibility to the external organizations to select the best service providers for the PFS contract

PFS contract should place some restrictions on the government in order to preserve flexibility for the external organization to achieve the outcome. In most contracts, these restrictions will include clauses prohibiting the government from exerting control over the external organization's strategy or day-to-day operations. The contract should also prevent the government from intervening in the external organization's selection of subcontractors and investors, though subcontractors will be held to the same standards as the external organization. The contract should also include provisions that encourage the government to cooperate with the external organization so that it is able to take the actions necessary to achieve the outcome, for example, by ensuring access to relevant data.

7. What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

Deloitte has provided information in the other sections but is very willing to meet with you to share more specific experiences and observations from our work across the country.

Appendix A: Addendum Number 1



SOLICITATION ADDENDUM

Date: **April 13, 2015**
Subject: **Pay for Success Initiative**
Solicitation Number: **OB 2015-1**
Due Date/Time: **May 8, 2015**
Addendum Number: **1**

To All Suppliers:

The Commonwealth of Pennsylvania defines a solicitation "Addendum" as an addition to or amendment of the original terms, conditions, specifications, or instructions of a procurement solicitation (e.g., Invitation for Bids or Request for Proposals).

List any and all changes:

The Official Questions and Answers are attached to this Addendum 1 and are made part of the RFP.

Type of Solicitation: **Hard Copy (Paper) Bid** - If you have already submitted a response to the original solicitation, you may either submit a new response, or return this Addendum with a statement that your original response remains firm, by the due date.

Except as clarified and amended by this Addendum, the terms, conditions, specifications, and instructions of the solicitation and any previous solicitation addenda, remain as originally written.

Respectfully,

Name: **Traci Anderson**
Title: **Assistant Counsel**
Phone: **717-787-5311**
Email: **RA-PayForSuccess@pa.gov**

Appendix B: Addendum 1 Q and A Responses

Pay for Success: Response to RFI Questions

1. Is there a client served minimum to be able to submit a response?

There is no client served minimum to submit a response to the RFI or a proposal to the proposed upcoming RFP. However, the number of clients served could potentially be a factor in considering the strength of proposals -- in terms of the impact of the proposed services, the feasibility of designing a rigorous methodology for estimating the impact of the services, and the financial viability of the proposal.

2. Can you clarify/confirm that this RFI is only seeking information and NOT actual bids? The language included in the notice seems to indicate the acceptance of formal bids, but it isn't clear.

This RFI is strictly for gathering information useful in program development. Pending legislative approval, an RFP will be issued to receive actual bids.

3. It appears that this solicitation is not looking for local governments to propose specific pay for success projects with which they might want to engage the Commonwealth. Rather this appears to be a solicitation that might lead to the Commonwealth asking for specific projects that a local government might propose once the Commonwealth has explored the model and determined it wants to proceed, partly based on the results of this solicitation. Is this understanding correct?

In response to the RFI, the Commonwealth welcomes ideas for specific Pay for Success projects that could be entered into by the Commonwealth and local governments.

4. [Company Redacted] is potentially interested in responding to this RFI. As we prepare our response, we would like to obtain further clarification on several items in the RFI:

A.) A March 11, 2015 news release

(http://www.governor.pa.gov/Pages/Pressroom_details.aspx?newsid=1599#.VSKOn2OpKSv)

from the governor's office states that the Commonwealth is a recipient of a Harvard grant to help develop its Pay for Success initiative.

1) How does this announcement impact the objective or scope of the RFI?

The objective and scope are generally stated as the five priority topic areas in the RFI, but we are considering all proposals. The Technical Assistance grant will help the Commonwealth develop its Pay for Success program.

2) Will the Commonwealth be following the Social Impact Bond Technical Assistance Lab's SIB Development Process?

The Commonwealth is drawing on the SIB Lab's Development Process as well as other examples and best practices from across the country. Decisions are ultimately made by the Commonwealth.

3) If the Harvard Lab's SIB Development Process is adopted, are there specific elements of the development process or RFI that should be emphasized in the response?

Responses to the RFI should be based on the information and questions in the Commonwealth's RFI.

B.) The RFI states on pages 1 and 2: "payment would only occur after rigorous evaluation and validation by an independent, third-party evaluator." What entity do you envision (e.g., the Commonwealth government, the intermediary) would pay for this third party? Or would this function be overseen and paid for via a joint governance committee comprised of representatives of all the Pay for Success stakeholders?

This issue is determined in the contract negotiation process. RFI responses may include recommendations and considerations that should be taken into account in structuring the third-party evaluator function.

C.) Is it envisioned that the outcomes criteria for payment will be established by the Commonwealth or developed collaboratively with the intermediary and services provider?

The RFI response may include a discussion of outcome criteria, and may contain recommendations and other suggestions regarding the criteria for the Commonwealth's consideration. Outcome criteria will be decided collaboratively, and agreed upon by all parties, as part of the contract negotiations.

5. The RFI notes the five high priority areas for the possible PFS initiatives. Will the Governor's office consider possible initiatives for other agencies such as Department of Revenue, and Department of Labor and Industries which would generate additional revenue for the Commonwealth and directly or indirectly fund the intended cause?

The Commonwealth will consider all possible initiatives. Ideas beyond the five areas noted may be submitted in response to the RFI.

6. Is it mandatory to have an Intermediary or can the service provider directly fund the necessary upfront capital until the benefits are achieved?

Program structures that do not involve an intermediary may be suggested in response to the RFI, and potential roles and possibilities should be described in detail. The RFP will define specific roles and requirements.

7. Under Solicitation Information section on the eMarketplace, it notes that the responses will not be accepted electronically and recommends referencing the instructions to the solicitation which in turn on page 3 asks to submit the responses electronically. Please clarify whether the response should be submitted electronically or in print form (hard copy) at the address noted in the RFI. Also, if the response has to be submitted in hard copy, please indicate the number of copies and if electronic version of the response should also be included in digital media.

Responses can be submitted either in hard copy or electronically.

8. I am writing because [Organization Redacted] is interested in providing a response to Governor Wolf's proposed legislation on entering into Pay for Success contracts. This is the first such response that we would be submitting and I just wanted to verify if there is a specific format that is required, and if so, where it can be found.

Responses do not need to be in any specific format, and can be submitted in hard copy or electronically.

9. Provide the following details before we buy the document:

- 1) List of Items, Schedule of Requirements, Scope of Work, Terms of Reference, Bill of Materials required.**
- 2) Soft Copy of the Tender Document through email.**
- 3) Names of countries that will be eligible to participate in this tender.**
- 4) Information about the Tendering Procedure and Guidelines**
- 5) Estimated Budget for this Purchase**
- 6) Any Extension of Bidding Deadline?**
- 7) Any Addendum or Pre Bid meeting Minutes?**

This initiative is for services provided to Pennsylvania citizens living in the Commonwealth of Pennsylvania.

10. Are there limits/restrictions on the types of organizations that can submit a Pay for Success initiative?

No there are no limits or restrictions; we will review all submitted proposals.

11. The figure on page 2 states, "Non-profit provides evidence-based services". Are there limits/restrictions on the types of organizations that can participate in this initiative? Can a for-profit entity deliver the Pay for Success services?

The Commonwealth seeks to work with whatever organizations can deliver the best results for Pennsylvania and its citizens. We are interested in receiving feedback on this topic as part of the RFI process.

12. Does PA have a specific set of policy goals that they are trying to achieve within the 5-6 year period in which PFS contracts usually operate? These goals could come from the executive or legislative branch. Is there a multi-year PA Strategic Plan from which these might be derived?

We listed the Commonwealth's five targeted high-priority areas in the RFI, but responses are not restricted to those issue areas. The actual PFS contracts must inherently provide benefits to the Commonwealth and its citizens.

13. The intermediary in the Financing Plan part of one of these deals is very often one of the big three national organizations: Social Finance, Third Sector Capital Partners, or the Nonprofit Finance Fund.

Does the State of PA already have a working relationship with one of these three national Pay for Success intermediary organizations? Does the State of PA conceive of some other business, bank or other instate organizations that it believes might serve as the Financing Plan Intermediary?

The Commonwealth does not have a commitment to any specific intermediary organization or organization type. We would be interested in receiving feedback on this topic as part of the RFI process.

14. Has the State of PA and its agencies, or some other jurisdiction (i.e., county or municipality) begun the outcomes analytic process and, perhaps, launched Feasibility Study work already? If this information is public, will it be available to respondents to the RFI?

The Commonwealth has not yet begun the analysis described in this question. Feasibility analysis on specific potential projects will begin once we have received and considered the RFI responses.

15. Two PA non-state jurisdictions applications were submitted to the Institute for Child Success's SIF PFS application process this winter. Neither scored high enough to make it into the top six or seven, but they were interesting in their construction.

Is the State of PA aware of these and does it support them to proceed with other PFS applications?

The Commonwealth does not want to limit the proposals to review as part of the PFS process. We encourage all applications and ideas.

16. What is the governmental structure that has or will be established to facilitate regular, reciprocal information exchange between PA and projects already funded in other states?

This will be determined once it is clear what policy areas we are moving forward with. The Commonwealth is working with the Harvard Kennedy School SIB Technical Assistance Lab, and this relationship gives us connections to the work being done in other states. We would be interested in receiving feedback on this topic as part of the RFI process.



1. Introduction and Overview of PHMC

Public Health Management Corporation (PHMC) is excited to propose a number of promising service areas and interventions with the hope of informing the Commonwealth of Pennsylvania's development of a Pay for Success Initiative. Because of its extensive network of services that reaches across Pennsylvania and Delaware and beyond, PHMC is in a unique position to speak to many of the Commonwealth's priority service areas.

Public Health Management Corporation (PHMC) is a nonprofit public health institute that creates and sustains healthier communities. PHMC uses best practices to improve community health through direct service, partnership, innovation, policy, research, technical assistance and a prepared workforce. With over 1500 employees, 350 programs, and 70 locations, PHMC serves over 350,000 people a year, by emphasizing integrated, accessible services and robust partnerships with federal, state and city government, foundations and community-based organizations.

PHMC works to improve outcomes for some of our region's most at-risk populations, by providing services in a number of essential business areas. Based on this experience, PHMC is uniquely suited to develop innovative, outcome-driven Pay for Success projects that meet the needs of the Commonwealth. PHMC currently operates a number of programs in the Commonwealth's priority areas, with a particular focus in Early Childhood Care and Education, Health and Human Services, and Education, Workforce Preparedness and Employment. See Appendix I for a comprehensive list of PHMC programs in these services areas.

Each proposed Pay for Success contract is informed by PHMC's experience as a service provider, as well as by rigorously tested, evidence-based best practices. Additionally, PHMC has drawn on its experience as a provider of fiscal and program intermediary services to explore the essential role of an intermediary organization in a Pay for Success contract. Lastly PHMC, whose Research and Evaluation Group houses a multidisciplinary team of researchers and policy analysts, has also drawn on its experience as an independent evaluator of program outcomes to respond to the Commonwealth's Request for Information.

2. PHMC as a Direct Service Provider

PHMC and its affiliates administer a numerous programs which would be excellent candidates for a Pay for Success contract model based on the following criteria: 1) evidence-based models which show outcomes in a relatively short period of time; 2) clear metrics which enable outcomes to be measured along the way; and 3) ability to tie outcomes to benefits for both participants and for public funding sources.

We are highlighting the following three evidence-based programs spanning three priority areas that PHMC and its affiliates have deep experience directly administering: Early Childhood Education/Head Start, Families and Schools Together (FAST), and E3 Center (Employment, Education and Empowerment). Each of these programs is rooted in a rich body of evidence, and many are based in nationally recognized models. Additionally, most of these programs resemble existing social impact bond initiatives that have been implemented with success in other states and municipalities.

- ***Early Childhood Care and Education Priority Area***

Head Start and High Quality Early Childhood Education

When at-risk children engage in high quality early learning they are less likely to need education remediation and special education. PHMC oversees the Commonwealth’s quality improvement initiative in the Southeast Region, helping to build the capacity of childcare providers in three counties reaching to offer high quality early childhood education to more than 27,000 children in the region. PHMC has also become the second largest Head Start operator in Philadelphia, overseeing the provision of the highly-regarded evidence-based Head Start model for over 600 children, directly providing services to 226 children.

For a Pay for Success project, we would provide high quality pre-kindergarten services to children for at least one year prior to entering kindergarten and ideally 2 years. Spend on early learning services and comprehensive wrap around supports approximately \$15,000 per child per year. Save on special education expenses in K-12 systems approximately \$8,000 per year savings per child.

An evidence-based tool such as the Woodcock-Johnson assessment would be administered to determine the expected number and percentage of children per cohort that are likely to need special education when entering the K-12 system and the cost of those services documented. Any saving realized as a result of fewer children using special education services would be repaid to the investors.

- ***Health and Human Services Priority Area***

Families and Schools Together (“FAST”) Program

Families and Schools Together (“FAST”) is an federally-recognized evidence-based program substance abuse and dropout prevention program that Turning Points for Children (a PHMC affiliate) has been operating in Philadelphia schools since 2003. FAST is administered as an afterschool program for the entire family – including everyone in the household – that increases family engagement in a child’s education and in the school, reducing problem behaviors among children and strengthening parents’ social engagement with each other, with the school and with the community. The objectives of the program include:

1. Enhance parent–child bonding and family functioning while reducing family conflict and isolation and child neglect;
2. Enhance school success through more parent involvement and family engagement at school, improved school climate, and reduced school mobility;

3. Prevent substance use by both adults and children by building protective factors and referring appropriately for treatment; and
4. Reduce the stress that children and parents experience in daily life situations in their communities by empowering parents, building social capital, and increasing social inclusion.

The program runs for 12 weeks, with a two-year follow-up component for families. Sessions run in the first half of the school year and in the second half of the school year. Each FAST session includes “FASTwork”, a less-intensive program that is driven by the parents. FASTworks includes field trips and other activities so the families retain the social capital built during the session. Currently, there are three FAST programs operating in Philadelphia: KidsFAST for elementary schools, a federal innovation grant in Kindergarten (i3), and Middle School FAST, serving nearly 2500 children a year. Teachers and school administrators may elect to identify specific children and their families for the program. It is open to all families in the school. Some schools also have homework assistance during the FAST program.

Research on FAST ties a reduction in problem behaviors by the FAST program to the prevention of school dropouts and a reduction in the number of special education referrals. There is a wealth of evidence that shows that FAST reduces substance abuse, reduces school mobility, reduces problem behaviors in children, and increases social capital. With clear metrics relating to improved school behaviors and a reduction in special education referrals, FAST lends itself well to a Pay for Success model.

- ***Education and Employment Priority Area***

E3 Power Center Educational and Vocational Program

The E3 Center West provides educational and vocational services to youth, ages 16-21, who have dropped out of school or are returning from juvenile placement. The E-3 Center is designed to help members achieve long-term educational, career and personal goals, assisting youth in improving life and work skills and in moving toward long term self-sufficiency. To meet the skill-building goals of participants, The E3 Center services are organized into three pathways: Educational Services, Employment Readiness, and Empowerment Activities. The center’s programs fill a community need for the development of youth job skills and provide alternative education service for out of school youth. Short-term outcomes include GED or high school diploma attainment, employment and enrollment in post-secondary programs, as well as a reduction in the risk of incarceration.

The Bridge E-3 uses manualized, evidence-based academic curricula developed by McGraw-Hill to ensure the quality and continuity of educational services. To supplement the McGraw-Hill curriculum, the Bridge E-3 uses the New Century Integrated Instructional System, a computer-based learning system that provides instruction based on a student’s individual educational level. Additionally, the Tackling the Tough Skills (TTS) evidence supported curriculum developed at the University of Missouri-St. Louis is provided to E3 participants. TTS is a manualized curriculum using interactive exercises to teach critical life skills and prepare students for the workplace.

In fiscal year 2014, 195 youth were served at the E3 Center West, with nearly 35-40 attending programming each day. Upon entering the center, all youth are assigned an advisor/ case manager to facilitate the achievement of educational and employment goals. Services include life and work skills classes, HIV prevention and testing, paid internship and job placement, alternative education, GED preparation classes, and other relevant activities which promote the educational/vocational enhancement of youth. Daily community meetings provide opportunities for youth to get to know one another, program staff and to display leadership skills. Additionally, the E3 Center builds on PHMC's existing relationships with community based organizations, schools, churches, and behavioral health organizations in West Philadelphia in an effort to create strong referral relationships.

Data from the West Philadelphia E3 Center demonstrates these services' positive impact on participants. Forty (40) youth were linked to age-appropriate employment or internships, and 7 youth enrolled in a job training certificate or apprenticeship program. Nineteen (19) members enrolled in secondary education (at Harcum College, Community College of Philadelphia and Esperanza College), 29 earned their GED, and 11 obtained high school diplomas. Nearly all participants (85%) increased their reading and math skills by an average of 2 to 3 grade levels.

The ultimate outcome of these services is a lower incarceration rate among a population that is at great risk of initial incarceration or recidivism. Young adults who drop out of high school are arrested or incarcerated at a significantly higher rate than their peers who graduated. According to a study completed by Northeastern University, 1 in 10 male high school dropouts between ages 16-24 were incarcerated on any given day over a one year period, compared to a rate of less than 1 in 33 for male high school graduates of the same age. By ensuring that adjudicated youth and former high school drop outs earn high school diplomas or GEDs, enroll in advanced vocational training and/or in college courses, and learn life and work skills that enable them to earn a living and avoid further contact with the judicial system, the E3 Center projects that it can markedly reduce the recidivism rate among its clients.

The E3 Center would suggest a three year contract period, during which they would work with formerly adjudicated youth, as well as youth who have dropped out of high school, and are at high risk of contact with the juvenile or adult justice systems. The Pennsylvania Department of Corrections is the likely beneficiary of this program's successful outcomes. The program will use prison days saved as its key measure of success. Assuming a daily incarceration cost of \$114.86, this program would result in upwards of \$40,000 per year of savings per client who does not reoffend. Additionally, by improving the employment outlook for clients, this will reduce the burden on other government entities whose budgets fund the various a number of public assistance programs.

3. Additional direct service programs to consider for Pay for Success approach

PHMC recommends additional programs for the Commonwealth's Pay for Success Initiative. Some of these programs do not yet have an analog in social impact bond initiatives in other cities or states. However, these programs are also based in evidence, and have already yielded positive outcomes. Many are also based on nationally-recognized models. These proposed programs – along with the three already described above – provide answers to the Commonwealth's Request

for Information, while also illustrating the breadth and depth of PHMC's capacity as a provider of direct services.

a) Education, Workforce Preparedness and Employment

STEM N2 Action

The STEM N2 Action out-of-school time (OST) program couples rigorous academic activities with one-on-one and small group instruction during the afterschool hours, and helps students to build critical workplace skills like communication and collaboration while also improving academic outcomes. By utilizing educational methods rooted in evidence and best practices, like the Project-Based Learning (PBL) method and high-impact blended learning software, the STEM N2 Action program supports academic achievement and engagement in learning. Currently, PHMC operates STEM N2 Action programs at William T Tilden Middle School and Delaplaine McDaniel Elementary School, and serve over 300 students, grades K-8, throughout Philadelphia.

The STEM N2 Action program uses PBL and blended learning, educational methods based in evidence and best practices. The project-based learning (PBL) approach has been shown to be an effective way to reinforce core academic content and higher order thinking skills¹ while simultaneously teaching non-academic, 21st century skills such as critical thinking, collaboration and communication.² PBL has been found to be an effective way to reach students who consistently have difficulty learning in a traditional type of classroom.³

Additionally, a meta-analysis by the Department of Education found that students who utilize online learning or blended learning platforms performed modestly better than those receiving face-to-face instruction.⁴ This was attributed to the adaptive nature of online learning platforms, which design lessons for each student's individual level of content mastery. Compass Learning Odyssey, the instructional platform used by STEM N2 Action, provides individualized instruction, based on student responses and targeted to the needs of each learner. Compass also promotes and supports the frequent monitoring of content mastery by teachers and administrators in order to diagnose student learning. Monthly reports include data collected by implementation facilitators that are shared with leadership teams to ensure frequent progress monitoring of learning and teaching.

The STEM N2 Action programs at Tilden and McDaniel Schools together serve over 250 students. While these programs are still collecting and analyzing data from their first year of operation, qualitative reports show increased engagement in learning among students, and academic gains demonstrated by higher grades and test scores.

Based on this experience, PHMC would suggest a Pay for Success program providing afterschool programming to students who have repeated a grade, or are at risk of repeating a

¹ Thomas, J. W. (2000). *A review of project-based learning*. San Rafael, CA: Autodesk Foundation.

² Bransford, J. D., Brown, A. L., & Cocking, R. R. (Eds.). (1999). *How people learn: Brain, mind, experience and school*. Washington, DC: National Research Council.

³ Barron, B., & Darling-Hammond, L. (2008). *Teaching for meaningful learning: A review of research on inquiry-based and cooperative learning*. Retrieved from <http://www.edutopia.org/pdfs/edutopia-teaching-for-meaningful-learning.pdf>

⁴ Department of Education, Office of Planning, Evaluation, and Policy Development, *Evaluation of Evidence-Based Practices in Online Learning: A Meta-Analysis and Review of Online Learning Studies*, Washington, D.C., 2010.

grade. By providing adaptive, individualized blended learning instruction, coupled with hands on projects that promote engagement and critical thinking, a program like STEM N2 Action would reduce the number of at risk students repeating a grade, or dropping out altogether. Ultimately, this program would benefit the Department of Education, by both increasing the on-time graduation rate and decreasing the need for supportive services, like summer school programs, additional years of school, and GED assistance for students who have dropped out of school.

The High School to College Transition Program

Metropolitan Career Center (MCC) provides essential workforce development and customized job training to help low-income adults and older youth gain the skills they need to obtain good jobs and break the cycle of poverty. Additionally, Metropolitan Career Center's licensed, accredited nonprofit college, Computer Technology Institute (CTI), soon to be renamed City College, offers associate's degrees in four majors in the high-growth fields of technology, business and allied health. With these two valuable services housed under one roof, MCC-CTI proposes a dual enrollment model that would provide post-secondary coursework at local high schools, enabling low-income, first-time college-going youth to gain college credit, and valuable self-confidence, for high school classwork.

MCC-CTI successfully piloted this dual enrollment model at Bartram, Benjamin Franklin, and Furness High Schools in Philadelphia. Over 100 high school youth, ages 16-18, earned at least six credit hours for coursework. Additionally, students received college and career advising as part of their participation in the program. Some of these students went on to enroll at CTI, where the retention and job placement rates exceed 90%, primarily in high-demand fields paying on average \$33,000 a year.

Students complete coursework in computer technology, allied health and business. These credits transfer to CTI, or to other area colleges with which MCC-CTI has articulation agreements with four-year programs such as Philadelphia University. Career readiness training builds 21st century skills including critical thinking, communication, and teamwork. Financial education and financial aid counseling helps student maximize the support they are eligible for, and reduce debt.

Ultimately, by improving the employment prospects of low-income students, the benefits of this dual enrollment program would be tangible for a number of Pennsylvania agencies whose budgets fund public assistance programs. As mentioned above, unemployment is linked to a number of social challenges, including continued dependency on entitlement programs like TANF or SNAP benefits, and a greatly increased likelihood of incarceration. This project could easily be tied to any one of a number of outcomes, with a sizeable return on investment for the Commonwealth.

b) Public Safety

Offender Reentry Program

The Forensic Intensive Recovery program (FIR) operated by PHMC provides prison diversion and early parole services to individuals at risk of re-offending. Created in 1993, FIR helps reduce criminal recidivism by linking people with identified behavioral health needs to treatment services, connecting them to pro-social supports, promoting healthy lifestyles and helping them

to become productive members of society. The proposed Pay for Success program would build on FIR's success, incorporating an even broader and more comprehensive continuum of behavioral health, case management, and recovery support services, as well as necessary follow-up, into FIR's already successful approach to prison diversion.

The FIR programming model is based in evidence and best practices. Counselors are trained in the Thinking for A Change Model evidenced-based module, a cognitive behavioral-based curriculum originally developed for work with incarcerated individuals. This program has been recommended by the behavioral health committee of the Philadelphia Re-entry Coalition as a valuable training module for individuals who are returning to the community.

FIR serves more than 2500 individuals each year, and results in a number of positive outcomes. Studies have shown that people who complete 6 months of substance abuse treatment through FIR are 66% less likely to be convicted of a new crime, compared to those who do not participate in FIR. Additionally, clients comply with medication regimens at a higher rate after participating in FIR programming, reducing hospitalizations for crisis care.

PHMC suggests a Pay for Success program designed to reduce the incarceration rate among FIR's most high-risk clients. The program would target individuals ages 25-40, post incarceration or at time of diversion, who are in need of treatment services at time of assessment. Individuals who will be selected for participation will have a diagnosis of depression, anxiety disorders, and PTSD. By providing a comprehensive range of behavioral health and recovery services, coupled with case management and peer mentoring to promote a healthy transition back to the community, this program will reduce the re-incarceration rate of this challenging population.

The Pennsylvania Department of Corrections is the likely beneficiary of this program's successful outcomes. The program will use prison days saved as its key measure of success. Assuming a daily incarceration cost of \$114.86, this program would result in upwards of \$40,000 per year of savings, per client who does not reoffend.

c) Health and Human Services

The Pivot Program

The Pivot Program, operated by Turning Points for Children, provides support and stability to youth aging out of foster care, particularly those youth who are disconnected from supportive services and lack stable housing. The Pivot program capitalizes on existing relationships where possible, when identifying and training mentors. Ultimately, by connecting these youth with caring mentors, the Pivot program strengthens the young adult's social support networks and promotes lifelong stability.

The Pivot program is rooted in evidence and best practices. "Natural mentors" – who are nonparental, caring adults from the youth's existing social networks, such as teachers, coaches, pastors, or adult relatives – are paired with young adults, and provide care and support during the process of transitioning out of foster care and towards independence. The natural mentor program framework was designed and tested by Dr. Johanna Greeson at the University of

Pennsylvania School of Social Policy & Practice. Additionally, the Pivot program builds on trauma-informed best practices by leveraging a previous, trusting relationship, rather than requiring vulnerable young adults to establish new trusting relationships from scratch. Each mentor is trained in trauma-informed practice, and receives an overview of the foster care system and resources available for the youth so the mentor can help with navigation.

Turning Points for Children currently has nearly a 100% success rate of identifying at least one existing supportive relationship for each client, and training that person to assume a mentorship role. Turning Points will build on this success when designing the proposed program. Additionally, peer mentors will be chosen from the network of Pivot alumni, many who are eager to return, share their experiences, and mentor their younger peers. In addition to mentoring relationships, Pivot will provide stable housing for the youth for up to twenty-four months.

There are several studies documenting the grim reality for youth who age out of foster care without support to transition into adulthood. Research from the Jim Casey Youth Opportunities Initiative reports that by age 21, “31 percent reported being arrested, 15 percent reported being convicted of a crime, and 30 percent reported being incarcerated.”

The benefit of the Pivot program will be felt by a number of Commonwealth agencies. Stable housing and supportive relationships support better educational and employment outcomes, which in turn reduce dependency on public assistance and the likelihood of incarceration. These expected outcomes would likely be reached over the course of 2-3 years, as youth complete the transition from the foster system to independence.

The Lead and Healthy Homes Program

The Lead and Healthy Homes Program, administered by PHMC affiliate National Nursing Centers Consortium, strives to reduce illness and injury incurred by home health hazards such as lead, asthma triggers, fire, and fall hazards. This program provides primary prevention home visiting services to reduce risks associated with unhealthy homes. Participating households receive in-home environment assessments, in-depth healthy homes education, healthy home supplies (for example, household cleaning goods), and appropriate referrals to community agencies. Households with an expecting mother and/or a child under 7 years of age are eligible for primary prevention services when that participant has asthma, is at-risk for lead poisoning, or faces other home health hazards. NNCC serves households that are under 300% of the federal poverty guidelines.

This program is based on the success of other models. Healthy Homes methodology is recognized by the Centers for Disease Control and Prevention, the Department of Housing and Urban Development, and the United States Department of Agriculture. The National Center for Healthy Housing has a number of resources that demonstrate this program as a model used throughout the nation to improve health in a cost effective way. Versions of Healthy Homes programs have been implemented across the nation and many report a return on investment that includes cost savings resulting from improvements in health linked to a reduction in exposure to household health hazards (e.g. fewer hospitalizations and emergency room visits due to asthma.) For example, one healthy homes program in Seattle showed a reduction in asthma symptom days

and a reduction in asthma triggers. Projected savings were \$189-\$721 per Healthy Homes participant (<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC1449237/>).

Notably, there is current a Pay for Success initiative for Healthy Homes through the Green and Healthy Homes Initiative (<http://www.greenandhealthyhomes.org/get-help/pay-success>). While this project is still in its initial phase, the investment of the Green and Healthy Homes Initiative and its partners, the Corporation for National and Community Service and John Hopkins Health System, demonstrate the promise and feasibility of this model.

NNCC is currently implementing the Health Homes program through a three year grant from the Pennsylvania Department of Health. NNCC and its partners serve approximately 500 households in eight Southeastern Pennsylvania counties each year. Results from the first program year are currently being analyzed, but qualitative reports have shown:

- Decreased elevated blood lead levels for lead poisoned children
- Decreased asthma attacks/symptoms
- Reduced/eliminated pest infestations (removing an important asthma trigger)
- Increased knowledge of lead poisoning prevention, asthma triggers, and healthy homes principles

NNCC would suggest a three year demonstration project to measure the extent of the cost savings and the impact of the program. The evidence supporting Healthy Homes programs shows a reduction in ER visits and hospitalizations, and indicates a significant return on investment that includes decreased costs to the state and insurers. The most direct benefit would most likely be to the Department of Public Welfare through cost savings associated with decreased health care utilization. There will, however be long term benefits for the Department of Education in the form of increased school attendance; the Department of Environmental Protection; and perhaps even the prison system since high blood lead levels have been linked to criminal activity.

The NNCC Healthy Homes program reaches approximately 500 households a year at a cost of \$200,000. Based on the findings of the NIH study cited above, the project cost savings per participant is anywhere between \$189-\$721 per participant. Based on these numbers, the program saves between \$94,500 and \$360,500 annually. ($\$189 \times 500 = 94,500$ and $\$721 \times 500 = \$360,500$.) These figures only account for cost savings and do not account for the gains in productivity and school attendance, which are additional benefits of the program.

Trauma-Focused Cognitive Behavioral Therapy for Child Sexual Abuse Survivors

Joseph J. Peters Institute's (JJPI) Child and Adolescent Program (CAP) serves one of the most complex and challenging populations in Philadelphia: child sexual abuse victims, the majority of whom also experience complex trauma along with multiple other associated problems. JJPI provides comprehensive outpatient mental health evaluation and treatment to survivors of childhood sexual abuse, through the Survivor Program. This program provides outpatient evaluations and treatment to child and adolescent victims of sexual abuse (ages 3-18) and their non-offending caregivers. Outpatient treatment with expert licensed professionals typically lasts a minimum of 12 weeks.

JJPI's outpatient treatment for children and adolescents utilizes Trauma-Focused Cognitive Behavioral Therapy (TF-CBT) as its primary treatment model. TF-CBT has been designated on the federal Substance Abuse and Mental Health Association's (SAMHSA) National Registry of Evidenced-based Practices and it has demonstrated efficacy in reducing child psychopathology and improving outcomes for parents in multiple research studies. TF-CBT has proven to be effective in addressing child behavior problems, child symptoms of posttraumatic stress disorder (PTSD), childhood depression, child feelings of shame, and parental emotional reaction to the child's experience of sexual abuse. The parental component also helps to reduce parents' emotional distress about their children's abuse, thereby improving outcomes for both the parent and the child.

Established in 1955, JJPI, a PHMC affiliate, is the largest regional provider of evidence-based counseling for children who have been sexually abused. It is the only local agency working with traumatized children that exclusively focuses on sexual abuse. In 2014, JJPI served 905 children experiencing a range of symptoms including anxiety, depression, PTSD, externalizing and internalizing behaviors. To date, JJPI has collected outcome data for over 800 children and families attending trauma-focused therapy due to histories involving sexual abuse. The data indicate that the children receiving support and treatment at JJPI demonstrate significant reductions in symptoms of PTSD, depression, anxiety and other symptoms related to sexual abuse and trauma at the $p < .0001$ level of significance.

JJPI, and its parent organization PHMC, suggest the Survivor Program for its ability to achieve robust outcomes in a challenging patient population. Outcomes to be measured may include the long-term maintenance of lower levels of symptoms related to sexual abuse and trauma, including lower depression, anxiety, substance use rates than among children who were sexually abused and did not receive these high quality services. Over time, this results in a reduction in the need for long-term psychiatric care and substance abuse treatment, as well as the cost of treating the survivors of abuse that would have otherwise been perpetrated by JJPI's original clients. Additionally, this program would result in savings for the Department of Education, as we project that timely, trauma-informed treatment would reduce the need for special education services.

4. PHMC as an Intermediary

In addition to operating a range of programs as a direct service provider, PHMC has extensive experience monitoring and supporting programs in its capacity as an intermediary. Based on this experience, PHMC has arrived at a number of best practices for intermediaries that should inform the structure of Pay for Success contracts, and should ultimately govern the selection of organizations to serve as intermediaries as part of the Pay for Success Initiative.

PHMC's intermediary experience falls into two categories: fiduciary services and intermediary program management services. Fiduciary services, or "pass-through" services, entail financial management of funds to subgrantees. Intermediary program management services include the design and implementation of a full complement of technical assistance and performance monitoring for subgrantees, including the development of a competitive RFP and review processes to assess organizational readiness and capacity of potential subgrantees to implement

evidence-based models and best practices. PHMC's experience with these two categories of intermediary services is detailed at greater length below.

a. Fiduciary Services

The provision of high-quality fiduciary services is an essential part of the work of an intermediary organization. In its experience providing fiduciary services for a range of contracts, whose value totals over 50 million dollars, PHMC has arrived at a number of best practices for fiscal intermediaries. Most notably, a fiscal intermediary should bring a comprehensive infrastructure to facilitate timely, precise management of complex, multiparty contracts. This infrastructure should include a state-of-the-art general ledger/financial management system. Additionally, an effective intermediary organization must carry a line of credit large enough to process timely payment to grantees even when budgetary concerns disrupt the flow of payment from government entities. Moreover, an effective fiscal intermediary will leverage high performance and efficient back-office services to maximize the impact of government dollars.

PHMC has a solid track record of providing sound fiscal oversight of its grants and contracts, but utilizing a comprehensive infrastructure to facilitate the management of complex contracts. PHMC's finance department employs 30 staff who manage, on average, 350 programs and 600 contracts annually. Led by PHMC Chief Financial Officer Marino Puliti, PHMC maintains a robust infrastructure for the provision of project/grant accounting and contract management. PHMC and its affiliates have a consolidated annual operating budget of 219 million dollars, and since its inception PHMC has generated a modest operational surplus and a strong working capital position.

PHMC utilizes a state-of-the-art general ledger/financial management system which allows integration of financial data with automated contract management and budget controls. This system also provides document management, automated purchasing, and cash management processing. Ultimately, these systems allow for the oversight and use of funds in accordance with the approved budget, and provide ongoing safeguards for project property, assuring that funds are used solely for authorized purposes.

PHMC carries a 19 million dollar line of credit, which is essential as a provider of intermediary services. Because budgetary concerns sometimes disrupt the flow of payment from government entities, an effective intermediary must be able to ensure ongoing, timely payments to service providers. This is particularly true where service providers are smaller, community-based organizations who do not have the capacity to operate long without payment.

High-quality fiscal intermediaries also add value to their contractual relationships with government entities by reducing the cost of service delivery, thereby maximizing the impact of government dollars. As a private organization, PHMC is often more nimble than government agencies, ensuring increased speed to market and adoption of best practices. This is particularly important for intermediaries serving Pay for Success contracts, which are more likely to rely on innovative to reach desired outcomes. Additionally, PHMC can capitalize on existing economies

of scale, based on its size (over 1500 employees operating 350 programs), to provide cost efficient back-office services.

b. Program Management Services

Intermediary organizations also add value to government contracts by providing program management services. Because PHMC operates over 350 separate programs, spanning a diverse range of services that include primary health care, behavioral health services, substance abuse treatment, education and workforce development, PHMC is able to bring content expertise to its role as an intermediary. Through this experience, PHMC has arrived at a number of best practices for program management services. A program management intermediary should implement program standards with fidelity, and should have the content expertise to develop program standards when needed. Additionally, program management intermediaries must be able to provide robust, neutral program monitoring and data collection. Intermediaries should also be able to develop and manage information and data systems to support program implementation, quality assurance and reporting. Program management intermediaries should also draw on their content expertise to provide technical assistance and training to subgrantees, and ensure high-quality service delivery.

A program management intermediary implements and enforces program quality standards with fidelity. Intermediaries may monitor and observe programs to ensure compliance with contract requirements and program standards. For example, as part of a \$12 million contract to operate the Southeast Regional Key (SERK) on behalf of the Commonwealth of Pennsylvania's Office of Child Development and Early Learning (OCDEL), PHMC administers the Keystone STARS program. As part of this important quality improvement initiative, PHMC sends Keystone STARS Specialists to childcare programs to ensure compliance with the STARS standards.

Additionally, as a content expert, a program management intermediary may sometimes be called on to participate in the development of program standards. PHMC is the intermediary for the City of Philadelphia Department of Human Services Out of School Time Project ("DHS OST"). During fiscal year 2014, Philadelphia DHS, in cooperation with PHMC, convened a community of OST providers and community stakeholders to articulate outcomes for the OST Project. PHMC played an integral role in the development of these outcomes, which, as intermediary, PHMC would later use to measure program quality and compliance.

When measuring program quality, PHMC operates according to a number of program monitoring best practices. When creating staffing plans, the evaluation and monitoring role has been separated from the technical assistance role, to ensure that providers can build trusting relationships with PHMC staff who provide training and support, while also ensuring neutral, accurate monitoring and data collection. Additionally, new program monitors undergo a rigorous onboarding process that includes inter-rater reliability training, to ensure that monitoring is objective and uniform across the agency.

Just as important as compliance monitoring and accurate data collection is the ongoing analysis of quantitative data and qualitative reports. Data analysis informs an ongoing dialogue between service providers and PHMC program monitors about programmatic challenges. Additionally,

these data illuminate recruitment and utilization patterns, and ensure that services are targeted to high-need, high-demand areas. For example, as the contract intermediary for the Philadelphia Department of Human Services Parenting Collaborative, PHMC collects data about the locations where Parenting Collaborative agencies provide parenting classes. By analyzing class size and demographics, week-to-week attendance trends, and location information, PHMC works with providers to ensure that classes reach the greatest number of at-risk clients.

A program management intermediary may also draw on its content expertise to provide technical assistance and training to service providers. PHMC has built a robust network of support and technical assistance into many of its intermediary contracts. The SERK, for example, provides support and technical assistance directly to childcare programs through one-on-one coaching and monitoring, as well as through a portfolio of expert TA providers who offer a broad range of training and professional development opportunities. The OST Project provides a menu of in-person workshops, online webinars, and small group coaching sessions to promote high quality service, offered by both PHMC employees and subcontractors. Additionally, in all of its intermediary contracts, PHMC utilizes a broad range of methods to communicate with service providers, including one-on-one coaching, provider meetings, group trainings, webinars, and newsletters and program websites to distribute resources.

Where the intermediary and evaluator roles have been separated, an effective intermediary must nevertheless support the rigorous and accurate evaluation of service providers by an independent auditor. This is particularly important in the context of a social-impact bond, where clearly articulated and precisely measured outcomes drive the funding model. In this context, it is crucial that an intermediary organization have a strong comprehension of program evaluation and evidence-based research. In its capacity as an intermediary organization, PHMC can leverage expertise in research and evaluation, bringing together a team of experts in large-scale program administration, program monitoring and evaluation. As an intermediary, PHMC would engage its own evaluation experts as part of the intermediary oversight team, bringing a research lens and understanding to the intermediary role. With this background and expertise, PHMC could monitor the work of the third-party independent evaluator, while maintaining objectivity and distance from key activities such as analysis and interpretation of data findings.

5. PHMC as an Evaluator

PHMC has the capacity and experience to lead and develop a rigorous evaluation of any programmatic intervention chosen by the State as part of its Pay for Success Initiative. PHMC's Research and Evaluation Group is comprised of a multi-disciplinary team of researchers who have high-level expertise evaluating the impact of emerging and established evidence-based programs through experimental and quasi-experimental research. On the basis of this experience, PHMC has arrived at a number of best practices that should inform the evaluation of Pay for Success contracts, and the selection of the evaluating agency.

Most fundamentally, an independent evaluator of a successful Pay for Success program must be able to engage in a rigorous evaluation of programmatic outcomes. PHMC's Research and Evaluation Group has extensive experience developing and implementing a rigorous evaluation

design involving a matched comparison group to measure the impact of the programmatic intervention on participant outcomes.

Additionally, an effective evaluator can play an important role in the development of a Pay for Success Initiative. To support program development, PHMC would design and conduct a robust cost-benefit analysis of the initiative including advising on measurement windows appropriate to the population and intervention as informed by the research base and best practice. In so doing, PHMC can determine the estimated service reductions and cost savings to different public systems associated with this intervention, and also determine and quantify other non-monetary costs and benefits (e.g., improved health, reduced crime, etc.) of the program for different stakeholders. Ultimately, this evaluation will assist all parties in building a Pay For Success agreement by refining success benchmarks and key outcome metrics that will be used to determine performance-based payments.

In many cases, a third-party evaluator must also be responsible for data collection, as well as analysis. PHMC's Research and Evaluation Group has extensive experience working with relevant parties to develop data tracking and collection systems, as well as strategies to accurately measure and validate outcomes. The Research and Evaluation Group can also conduct a process/implementation study which would collect information on program implementation to help interpret findings from the impact evaluation. This information is can shed valuable light on key differences between the services provided through the Pay for Success Initiative and other, usual interventions.

Achieving these evaluation goals will require that the independent evaluator hired to evaluate the State's chosen Pay for Success intervention carry out a series of tasks to plan for and implement a successful evaluation strategy. Whether serving in a lead evaluation role or as an intermediary, PHMC would ensure achievement of the following tasks to support a robust evaluation:

- Work with initiative partners to prepare a comprehensive evaluation plan, including evaluation design, a detailed work plan and timeline, and securing IRB approval.
- Prior to implementation, interview initiative partners, providers and other key stakeholders to assess needs, goals and potential risks/challenges of the evaluation related to design, data collection, measurement, etc. Propose mitigation strategies.
- Work with relevant local public agencies (e.g., PA OCDEL, PA DOH) to obtain access to administrative data on service use and costs, develop and execute data sharing agreements, and ensure secure transfer and use of confidential data.
- Work with participating provider agencies to assess, develop, and create standard processes to collect individual-level data on relevant outcomes.
- Work with initiative partners and providers to implement the evaluation in a coordinated manner.
- Develop training materials and deliver trainings for providers and other key staff on evaluation methodology, data collection, survey administration, etc.
- Work collaboratively with initiative partners to implement the evaluation and participate in regular meetings to discuss progress and challenges
- Aggregate, clean and analyze data from all sources.
- Prepare regular progress reports, interim reports and a final report documenting findings from the evaluation based on an agreed upon timeline.

- Work collaboratively with initiative partners to present key findings of evaluation to local and national stakeholders.

PHMC's Research and Evaluation Group is uniquely suited to evaluate the success of Pay for Success Initiatives with rigor and neutrality. In addition to our own staff expertise, we frequently partner with researchers in universities and other non-profit organizations to advance knowledge through multidisciplinary research. For example, we are currently working on studies in collaboration with researchers from Research Triangle Institute, University of Pennsylvania, the non-profit Treatment Research Institute. As a non-profit community-focused research organization, we are a natural convener of researchers from different disciplines (e.g., economics, health, education) and research settings (e.g., universities, non-profit and for-profit research organizations).

Whether the State chooses to assess the impact of an intervention focused on homelessness, recidivism, early childhood or education and job training, PHMC can assemble and lead the multidisciplinary team of experts needed to integrate data, methodologies, perspectives, and concepts from multiple disciplines in order to study the impact of a social impact bond intervention.

For more information, contact:

Tine Hansen-Turton
Chief Strategy Officer
Public Health Management Corporation
1500 Market St., Philadelphia, PA 19102
(215) 731-7140
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Appendix I

Overview of Public Health Management Corporation Services

Early Childhood Care and Education

- The Southeast Regional Key – operates with a \$12 million contract from the State Department of Public Welfare to assist more than 1,400 early childhood education providers in Philadelphia, Montgomery, and Delaware counties improve the quality of their services.
- Philadelphia Head Start Partnership – Head Start (ages 3-5) administrator in Philadelphia beginning September 2014 coordinating 600 slots for low-income children.
- Nurse Family Partnership – serves first time, low-income parents and their children (until age two years) through an intensive nurse home visiting model.

Education, Workforce Preparedness, Employment

- Out-of-School Time – PHMC administers \$25.5 million contract from the City of Philadelphia to serve as the intermediary for more than 80 community based organizations offering after school and summer programs in public, parochial and charter schools and community sites to elementary, middle and high school students. PHMC also provides direct OST programming through two 21st Century Community Learning Center sites serving middle school students in Philadelphia.
- Metropolitan Career Center and Computer Technology Institute – educates, trains and places individuals with limited access to resources to meet employers' changing workforce needs through a continuum of services encompassing workforce development, job readiness, job placement, job retention services as well as associate's degree programs in Allied Health, Business and Technology.

Public Safety

- Forensic Intensive Recovery – criminal justice treatment initiative that offer clinical evaluation, funding authorization, client placement, case management, community service, information management and administrative support to enhance community safety by reducing criminal recidivism through the provision of behavioral health treatment and related services under criminal justice supervision.

Health and Human Services

- PHMC health network – five nurse-managed, Federally Qualified Health Centers serving Philadelphia and integrating physical and behavioral health services.
- Healthcare for the Homeless designee – launched Philadelphia's first medical respite center pilot program while also deploying a host of outreach and direct care activities for homeless individuals in the City.
- A multitude of in- and out-patient behavioral health treatment programs and residential treatment facilities serving issues ranging from substance abuse to mental health disorders to sexual abuse and other forms of trauma.
- Community Umbrella Agency – community-based agencies responsible for the provision of direct case management services to foster care families and children in their designated region(s) through DHS' Improving Outcomes for Children initiative.

- Parenting Collaborative – a \$5 million contract from the City of Philadelphia to serve as the intermediary for more than 40 community based organizations offering parenting education services.
- ChildLink – provides critical early intervention services for children in Philadelphia County (ages -0-3) who have or are at risk for developmental delays.
- PersonLink – one of the agencies in Philadelphia that provides supports coordination services in the region to individuals with a diagnosis of intellectual disabilities.
- Broad range of health promotion programs and services focusing on disease management, tobacco cessation, asthma and lead poisoning prevention services, nutrition, health and wellness initiatives.

Research, Evaluation and Data

- Community Health Data Base – one of the longest running regional Household Health Surveys in the country, providing data which informs program development and policy.
- PHMC conducts research studies and evaluation for PHMC programs and external stakeholders locally, regionally and nationally.

Request for Information # OB 2015-1

Pay for Success Initiative
Commonwealth of Pennsylvania

May 8, 2015

Thank you for the opportunity to provide input and information to the Commonwealth on PFS and SIBs.

This response is being made by the Pennsylvania Head Start Association on (PHSA) behalf of our members the Pennsylvania Head Start grantees who provide annually over 45,000 children and their families Head Start and Early Head Start programming.

Respectfully,

Blair Hyatt
PHSA
Executive Director
717-645-0155
Blair@paheadstart.org

The Commonwealth of Pennsylvania is requesting feedback on the following questions:

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

As stated early learning is a promising service area.
Service providers could be Early Head Start and Head Start grantees.
Early Head Start and Head Start are recognized as evidenced providers by the US Departments of Education and Health and Human Services.
Early Head Start and Head Start provide both home visiting and center based models of intervention designed to meet the needs of the communities they serve.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

Considerable oversight will be needed of the intermediaries. Their role should be simple and not create significant overhead costs. Clear roles for the intermediaries will need to be defined. Dispute resolution methods will need to be implemented to resolve conflicts over questions about if outcomes/milestones data is accurate (this will be the basis of determining what the Commonwealth owes the intermediary). The outcomes and the

value assigned to them, by the contracted parties are the key to the success of the contracts.

In the case of early learning we believe that the intermediaries will have very limited roll with service providers. The capital raised by the intermediary should go to the Commonwealth who will contract with the providers as they do with current HSSAP and Pre K Counts funding. The state will have a contract with the intermediaries that defines what the Commonwealth will pay the intermediaries if agreed upon outcomes are met. A significant challenge is that many of the highly valued out comes (RIO) of Early Head Start, Head Start, and high quality Pre K are realized 6 to 25 years after the “intervention” is complete. These outcomes will not be able to be rewarded/included in a 5-6 year contract. Longer contracts would allow for inclusion of outcomes that happen in year 7-15, but longer contracts will need more data tracking which is costly. It is strongly suggested that providers also be paid additional monies if they exceed the outcomes agreed to by some significant amount. Providers along with investors should be paid for their successes.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

The determination of prioritized outcomes is the key to contracts (see previous point). Prioritization should include a holistic set of outcomes for Early Learning programs including social and emotion outcomes, executive function, family outcomes, and health comes. Standardized tests focused academic measures should not be the primary set of outcomes.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

There are many opportunities across the Commonwealth to partner with Early Head Start and Head Start programs, along with PA Pre K Counts. County CY are/have partnered with Head Starts, also school districts.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Chicago is doing a PFS early learning contract that is less than two years into implementation. In reality we have very little experience with PFS and SIB.

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

- March 24, 2015: RFI released
- May 8, 2015: Responses due
- June 4, 2015: All responses to be posted for public review

Submission Instructions

Please submit responses electronically to RA-PayForSuccess@pa.gov or to the Contact listed below.

Confidential Information. The Commonwealth is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Respondents' submissions in response to this RFI. Accordingly, except as provided herein, Respondents should not label their submissions as confidential or proprietary or trade secret protected. Any Respondent who determines that it must divulge confidential proprietary information or trade secrets as part of its response must submit a signed written statement to this effect in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests, and must additionally provide a redacted version of its response, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.

Respondents to this request shall not be deemed to be providing recommendations as an advisor or consultant to the Commonwealth for purposes of the State Adverse Interest Act, 71 P.S. § 776.1, *et seq.* The Commonwealth will evaluate the information presented and determine any subsequent course of action. This course of action may consist of further contracting for implementation of Commonwealth determined work. Such work may be procured through any lawful method available, and respondents to this request may be considered for selection to perform this work.

Respondents are solely responsible for all expenses associated with responding to this RFI.

Questions Regarding this RFI

Please direct all questions to RA-PayForSuccess@pa.gov or to the Contact listed below by April 6, 2015. Questions and answers will be posted for public review on the Office of Budget website by April 13, 2015.

RFI Contact

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th floor
Harrisburg, PA 17101-2210
(717) 787-5311

**Response to Commonwealth of Pennsylvania
Request for Information: #OB 2015-1
Pay For Success Initiative
May 8, 2015**

Richard L. Spoth

PROSPER NETWORK Organization

(515) 294-5383

denisej@iastate.edu

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

Overview

The Commonwealth spends over \$3 billion a year “firefighting” its substance abuse problem. At PROSPER, we have shown that we can stem the flow of substance abuse at its source: by helping youth in middle and high school avoid becoming substance abusers in the first place.

We are excited to respond to the Commonwealth’s call for initiatives in this Health and Human Services high-priority issue area, and sincerely believe that a Pay-for-Success project is suitable for scaling up PROSPER in Pennsylvania. Our program is:

- *Focused on community development:* PROSPER helps youth develop life skills via community-based programs. These programs build on over two decades of research and 13 years of implementation experience.
- *Scientifically proven to work in the Commonwealth.* A large scale randomized controlled trial was run over 14 years in Pennsylvania and Iowa. The RCT showed that it reduced illicit substance misuse by up to 35%.
- *Long-term effectiveness.* PROSPER reduced substance abuse by up to 35%, an effect that persisted to young adulthood.
- *Ready to scale.* PROSPER was selected by the Social Impact Exchange as a Top 100 Nonprofit, and secured \$4.6 million in funding from the National Institutes of Health and the Centers for Disease Control and Prevention to build capacity for implementing PROSPER in new states.
- *A solid investment proposition.* PROSPER is scientifically proven to generate an array of social benefits: it reduces illicit drug use, reduces prescription drug misuse, reduces smoking, and leads to pro-social behavioral change. Even if we were to only measure the near-term benefits from reducing prescription drug misuse and methamphetamine abuse, PROSPER would deliver an almost 2X return on investment.

As an illustration, we propose a PFS project which we believe can accomplish the following goals:



Pennsylvania spends over \$2 billion a year in increased healthcare costs from substance abuse.¹ Each substance abuser costs Medicaid 48% more a year than a non-abuser (\$8,700 extra). This comes from the cost of abuse treatment programs and from treating the costly chronic illnesses that develop as result of abuse. Just last year, 50,000 people were admitted to PA state alcohol and drug abuse treatment programs, with more than a quarter of these admitted multiple times.² A 2014 Pennsylvania General Assembly report estimates that this is just the tip of the iceberg, with 760,000 addicts remaining untreated and at greater risk of developing chronic illnesses.³ Given greater support for substance abuse treatment under Medicaid and PA’s recent acceptance of Medicaid expansion, the time is right for PA Medicaid to find ways to reduce substance abuse-related costs.

Substance abuse also costs the PA criminal justice system \$1.57 billion a year. In 2011, it was estimated that 17% of prison admissions were just for drug offenses alone.⁴ But the story does not end there: over 60% of state prison inmates are re-incarcerated, mostly within 18 months of release and mostly for drug offenses.

Beyond the economic cost, the human cost of substance abuse is rising, with a 470% increase in deaths from heroin and opioid overdoses over the last two decades. Pennsylvania now ranks 7th in the nation for illicit drug abuse – and the trend is increasing. In 2014, the Pennsylvania General Assembly held 13 days of hearings to investigate heroin use in the Commonwealth. They found a 470% rise in death rates from heroin and opioid abuse over the last two decades, as shown below⁵:

¹ National Center for Addiction and Substance Abuse at Columbia University, 2009, The Impact of Substance Abuse on Federal, State and Local Budgets pp 135, retrieved from <http://www.casacolumbia.org/addiction-research/reports/shoveling-ii-impact-substance-abuse-federal-state-and-local-budgets>

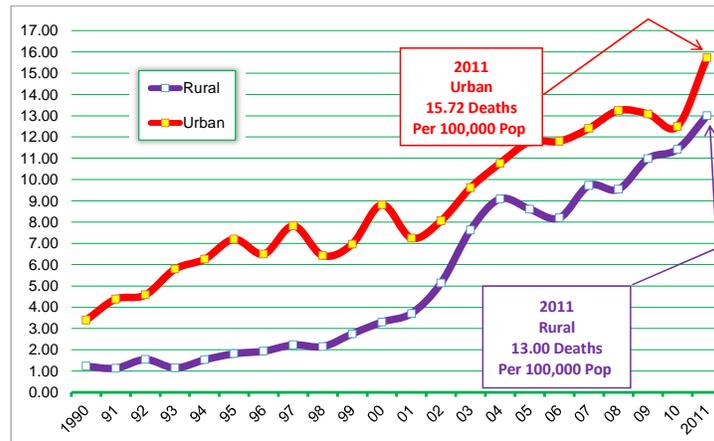
² Pennsylvania County of Health data, retrieved from <http://www.portal.state.pa.us/portal/server.pt?open=514&objID=596007&mode=2>

³ The Center for Rural Pennsylvania, 2014, Heroin: Combating this Growing Epidemic in Pennsylvania, retrieved from http://www.rural.palegislature.us/documents/reports/heroin_report2014.pdf pp 6

⁴PA Department of corrections 2011 data from <http://www.cor.pa.gov/Administration/Statistics/Documents/Budget%20Documents/2011%20Cost%20and%20Population.pdf> pp 4

⁵ The Center for Rural Pennsylvania Report, September 2014, pp5

**Drug Overdose Deaths Per Capita
in Rural and Urban Pennsylvania, 1990 to 2011**



Adult substance abuse often begins in middle and high school

In the US overall, an estimated 75% of all high school students have experimented with drugs and over 12% meet the clinical diagnostic criteria for addiction.⁶ In Pennsylvania, an estimated 200,000 youth have abused or become dependent on illicit drugs or alcohol just in the last year alone.⁷

Studies find that substance abuse, especially when occurring at a middle-school age, is a significant predictor of subsequent lifetime abuse. This is true across substances, such as alcohol,⁸ marijuana⁹, and prescription drug misuse¹⁰. Some of these substances also act as gateway drugs to more serious lifetime drug abuse.¹¹ It is therefore exponentially cheaper and more effective to prevent substance abuse at an early age than to treat its manifestations at adulthood.

Many community-based interventions have been tried around the country to tackle the teen substance abuse problem. But relatively few have succeeded.

⁶ 2010-2011 National Survey on Drug Use and Health Model-Based Estimates, retrieved from <http://archive.samhsa.gov/data/NSDUH/2k11State/NSDUHsaeTables2011.pdf>

⁷ Crime in Pennsylvania, Annual Uniform Crime Report, retrieved from <http://ucr.psp.state.pa.us/UCR/Reporting/Annual/AnnualFrames.asp?year=2005>

⁸ Grant BF, Dawson DA. Age of onset of drug use and its association with DSM-IV alcohol abuse and dependence: results from the National Longitudinal Alcohol Epidemiologic Survey. *J Subst Abuse.* 1997;9:103–10.

⁹ Grant BF, Dawson DA. Age of onset of drug use and its association with DSM-IV drug abuse and dependence: results from the National Longitudinal Alcohol Epidemiologic Survey. *J Subst Abuse.* 1998;10:163–73

¹⁰ McCabe SE, West BT, Morales M, Cranford JA, Boyd CJ. Does early onset of non-medical use of prescription drugs predict subsequent prescription drug abuse and dependence? Results from a national study. *Addiction (Abingdon, England).* 2007;102(12):1920-1930. doi:10.1111/j.1360-0443.2007.02015.x.

¹¹ Lynskey MT, Heath AC, Bucholz KK, Slutske WS, Madden PA, Nelson EC, et al. Escalation of drug use in early-onset cannabis users vs. co-twin controls. *JAMA.* 2003;289:427–33.

Two decades of research has investigated why community-based interventions have often failed to make a dent on the problem.¹² It turns out that the devil is in the details. The primary reasons why interventions fail are: a failure to involve key community representatives, to use proven programs, to implement programs as intended, to financially sustain programs, and to access the technical assistance needed..

PROSPER has found a way to deliver results.

PROSPER (Promoting School-community-university Partnerships to Enhance Resilience) is a program delivery system developed through 24 years of NIH funding. With more than 13 years of implementation experience, PROSPER has gained insight into what can move the needle on the ground.

The simple key, overlooked by many, is to:

1. *Choose programs proven to be effective.* Programs on the PROSPER menu have been tested through rigorous research and shown to be effective.
2. *Choose programs that fit the community need and are developmentally appropriate.* PROSPER targets youth in their main social environments via family- and school-based interventions that are appropriate to the developmental stage of the targeted youth,
3. *Enlist the support of key stakeholders in the community.* PROSPER's ground-level teams are comprised of parents, youth representatives, and delegates from local agencies who are familiar with the on-the-ground realities.
4. *Ensure that programs are delivered with high quality and consistent program fidelity.* PROSPER's state and national organizations provide comprehensive technical assistance support to community teams on the ground.
5. *Reach enough children to achieve a tipping point.* By equipping an entire community of youth with life skills and promoting healthy living, PROSPER creates a sustainable improvement over time.
6. *Have a plan to finance and sustain the programs over multiple generations.* PROSPER communities have sustained teams over 14 years and have been successful in generating self-sustaining funding.

Rigorous randomized trial evidence shows that PROSPER works.

PROSPER has been recognized by two independent review groups known for the rigor of their evidentiary standards (Blueprints for Healthy Youth Development and the Coalition for Evidence-Based Policy). This recognition is based on clear results from the PROSPER randomized controlled trial as well as those from a number of subsequent studies.

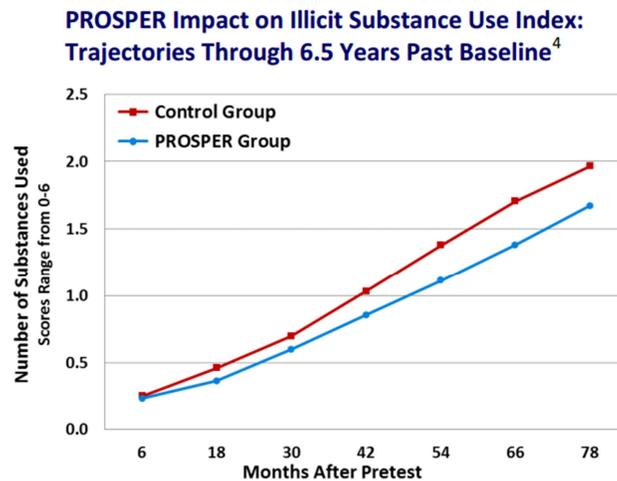
The PROSPER randomized controlled trial was conducted over 13 years and involved approximately 11,000 youth with their families in 28 Iowan and Pennsylvanian districts. PROSPER programs were delivered to 6th and 7th graders and their families, at least 15% of whom were eligible for free or reduced cost school lunches.

¹² Thomas E. Backer, The failure of success: Challenges of disseminating effective substance abuse prevention programs, [Volume 28, Issue 3, pages 363–373, May 2000](#)

Students were randomly assigned to a partnership intervention or “delayed programming” comparison conditions. For the family-based program the Strengthening Families Program was delivered, which focuses on enhancing parenting skills as well as youth substance refusal and other pro-social skills. For the school-based program, six PROSPER communities selected All Stars, four communities selected LifeSkills Training, and four communities selected Project Alert. All three are substance-abuse prevention programs delivered to students in classrooms, generally by a regular classroom teacher trained in that program.

The PROSPER delivery system showed the following key results:

- After 6.5 years, a 10-35% reductions in the likelihood of initiating use of illicit substances such as ecstasy, methamphetamines, inhalants and marijuana.
- An 18% reduction in the *number* of different types of illicit substances ever used across the entire cohort.
- Reduction in the growth of illicit substance use over 6.5 years (see figure below)¹³.



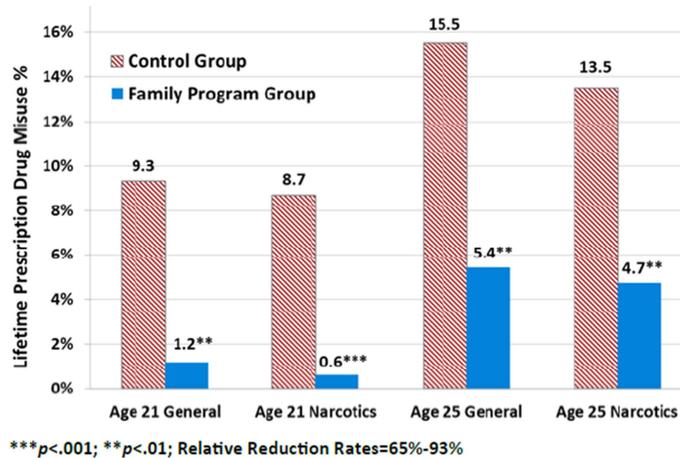
Growth of use significantly lower; significant differences at multiple time points, including 11th and 12th grades.

In addition, other peer-reviewed literature has also shown that PROSPER programs generate the following social benefits:

- A 65-93% persistent reduction in the misuse of prescription drugs (see figure below)¹⁴

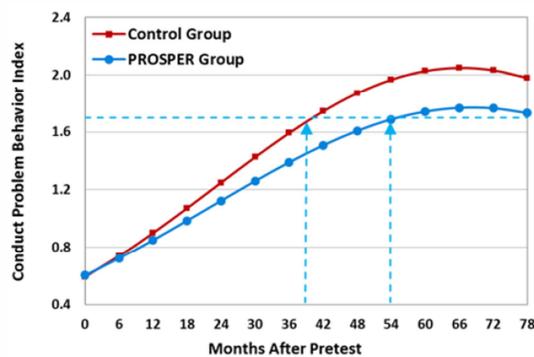
¹³ PROSPER Community-University Partnership Delivery System Effects on Substance Misuse through 6½ Years Past Baseline from a Cluster Randomized Controlled Intervention Trial, *Prev Med.* 2013 Mar; 56(0): 190–196.

¹⁴ Spoth R, Trudeau L, Shin C, et al. Longitudinal Effects of Universal Preventive Intervention on Prescription Drug Misuse: Three RCTs with Late Adolescents and Young Adults. *American journal of public health.* 2013;103(4):665-672. doi:10.2105/AJPH.2012.301209. Study 2



- A statistically significant reduction in the use of cigarettes.
- An improvement in family functioning, including better child management practices by parents, more frequent parent-child activities, and an improved family environment.
- Reduced influence by substance-using peers.
- Improvements in other health and pro-social behaviors (improved school engagement, reduced criminal behavior, mental health problems, and risky sexual behaviors).

PROSPER Impact on Conduct Problem Behaviors: Trajectories Through 6.5 Years Past Baseline⁵



Significant differences in growth, with 14-month delay in reaching 9th grade control group level; significant at all follow-up time points.

The publication record shows that nearly 80 articles from the PROSPER project have been published or are in press in peer-review journals. These are available on the PROSPER website at www.prosper.ppsi.iastate.edu.

PROSPER offers a strong cost-benefit proposition

Peer-reviewed economic analyses have illustrated that PROSPER is a cost-effective approach for preventing teen drug use and capable of saving substantial public resources.
¹⁵ ¹⁶

- Based on a preliminary analysis where we shortlisted 6 high-risk PA counties and treated 15,000 students over 3 years, we estimated the average cost per student at \$280. Our cost model is shown below:

	Y 1	Y2	Y3	Y4	Total
Community Infrastructure	\$1,150,340	\$862,755	\$862,755		\$2,875,849
School Program	\$135,000	\$135,000	\$135,000		\$405,000
Family Program		\$305,375	\$305,375	\$305,375	\$916,125
Total	\$1,285,340	\$1,303,130	\$1,303,130	\$305,375	\$4,196,974
Cohort 1 - 3	Avg cost for 15,000 students				\$280

- Based on the prevalence rates of different sorts of substance abuse and success rates from previous evaluations of PROSPER, by the time these students graduate we would expect to see amongst those 15,000 high school students:
 - 600 fewer teen smokers
 - 300 fewer teens ‘huffing’ inhalants
 - 600 fewer teen marijuana users
 - 150 fewer teen methamphetamine users
 - 900 fewer teen prescription drug abusers
- Reducing the use of any one of these substances is known to lead to social benefits through improved health, lower criminal activity and increased workforce productivity. However, many of these benefits accrue over the long-term. For the purposes of a pay-for-success project, the key drivers of short-term benefits are reductions in prescription drug misuse and in methamphetamine abuse.

¹⁵ Resource Consumption of a Diffusion Model for Prevention Programs: The PROSPER Delivery System *J Adolesc Health.* 2012 Mar; 50(3): 256–263. <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3660099/>

¹⁶ Crowley, D. Max et al. “Can We Build an Efficient Response to the Prescription Drug Abuse Epidemic? Assessing the Cost Effectiveness of Universal Prevention in the PROSPER Trial.” *Preventive medicine* 62 (2014): 71–77. *PMC.* Web. 7 May 2015.

- While state-level data is unavailable, it is estimated that prescription drug abuse is the second most abused substance after marijuana¹⁷ and that misuse costs the US over \$53.4 billion a year¹⁸. Research has found that the average duration of teen misuse of prescription drugs is 2.7 years, during which time the user costs society about \$7,500,¹⁹ including \$675 in increased costs to the criminal justice system, \$3,375 more in health care costs, and \$3,450 in lost workforce productivity due to incarceration or death.
- Reaching 15,000 youth within PROSPER would lead to over \$6.75 million in short-term societal benefits from preventing prescription drug misuse (900 prescription drug misusers prevented x \$7,500 benefit). This alone would be adequate to offset an investor's initial outlay (\$4.20 million) and lead to a net benefit of over \$2.55 million.
- It is also possible to monetize the short-term benefit of methamphetamine abuse prevention. RAND estimates that the average methamphetamine user in the U.S. costs \$12,395 a year²⁰, excluding intangible costs. Assuming that only 50% of this total cost is realized in teenagers, each avoided meth user will lead to benefits of about \$3718 a year, or \$11,154 over a 3-year monitoring period. The total savings from avoiding 150 meth users is therefore an additional \$1.6m.
- The total benefit to saving ratio is as high as 198% $((\$6.75m + \$1.6m) / \$4.2m)$, or almost 2:1.
- Note that these numbers are a conservative estimate of the total societal benefit, as they do not include:
 - 1) The direct reduction in the use of hard drugs such as heroin by teenagers
 - 2) The reduced subsequent lifetime uptake of hard drugs due to fewer teens trying gateway drugs
 - 3) Longer-term benefits from reducing addictions, like tobacco use and inhalant misuse. For instance, it is estimated that 15% of all Medicaid expenditures are due to smoking.²¹ Given that 75% of teen smokers will continue into adulthood,²² helping teens avoid picking up the habit in the first place may lead to significant savings down the line.

¹⁷ Substance Abuse and Mental Health Services Administration data retrieved from <http://www.samhsa.gov/atod>

¹⁸ Clin J Pain. 2011 Economic costs of nonmedical use of prescription opioids. Mar-Apr;27(3):194-202. doi: 10.1097/AJP.0b013e3181ff04ca.

¹⁹ Can We Build an Efficient Response to the Prescription Drug Abuse Epidemic? Assessing the Cost Effectiveness of Universal Prevention in the PROSPER Trial Prev Med. 2014 May; 62: 71–77

²⁰ Nicosia, Nancy, Rosalie Liccardo Pacula, Beau Kilmer, Russell Lundberg and James Chiesa. The Economic Cost of Methamphetamine Use in the United States, 2005. Santa Monica, CA: RAND Corporation, 2009. Retrieved from <http://www.rand.org/pubs/monographs/MG829>.

²¹ Xu X, Bishop EE, Kennedy SM, Simpson SA, Pechacek TF. Annual Healthcare Spending Attributable to Cigarette Smoking: An Update[PDF–159 KB]. American Journal of Preventive Medicine 2014;48(3):326–33

²² HHS, Preventing Tobacco Use Among Youth and Young Adults: A Report of the Surgeon General, 2012.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

Being an experienced delivery system, PROSPER could play many of the project management functions in a potential PFS endeavor. However, for the construction of the PFS project, PROSPER believes that it is critical to involve an experienced PFS intermediary such as Third Sector Capital Partners to create a rigorous project model, bring funders to the table, and advise on the governance structure of the project.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

Outcome measurement.

Given that there are only a few high-risk middle schools per county, randomization of eligibility is likely to be done at the county level.

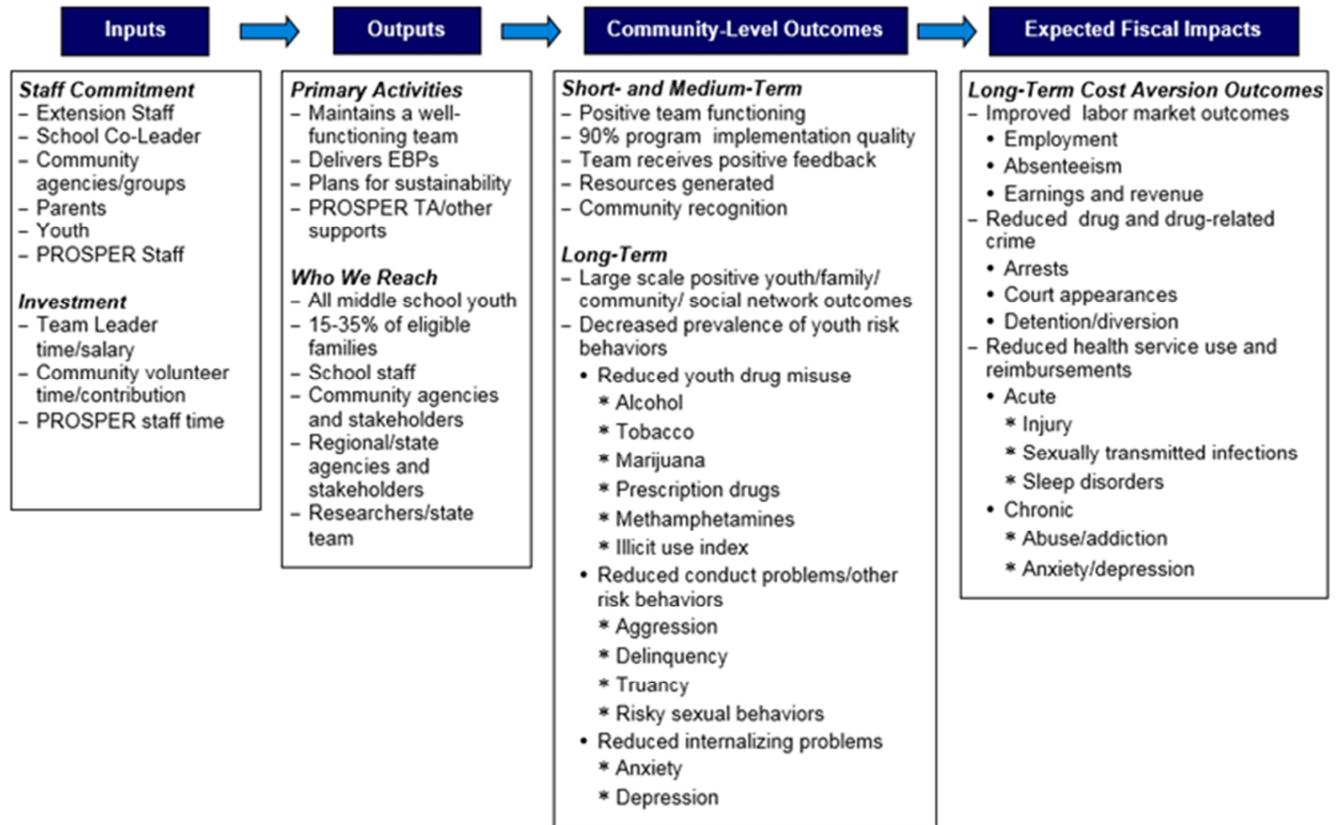
It will then be crucial in a PROSPER PFS project to find a clear, near-term outcome metric that both the state and funders can agree is a reliable predictor of societal benefits. Some possibilities for outcome metrics could be reductions in counterfactual substance abuse via a drug use survey like the Pennsylvania Youth Survey; reductions in medical facility usage measured using administrative data; reductions in juvenile arrests measured using administrative data.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

Given that juvenile justice issues are often processed at the county level, some local government savings can be expected from directly reducing drug-related arrests of juveniles. PFS projects under construction in Illinois and New York State have worked with local governments to incorporate such savings into the overall project budget.

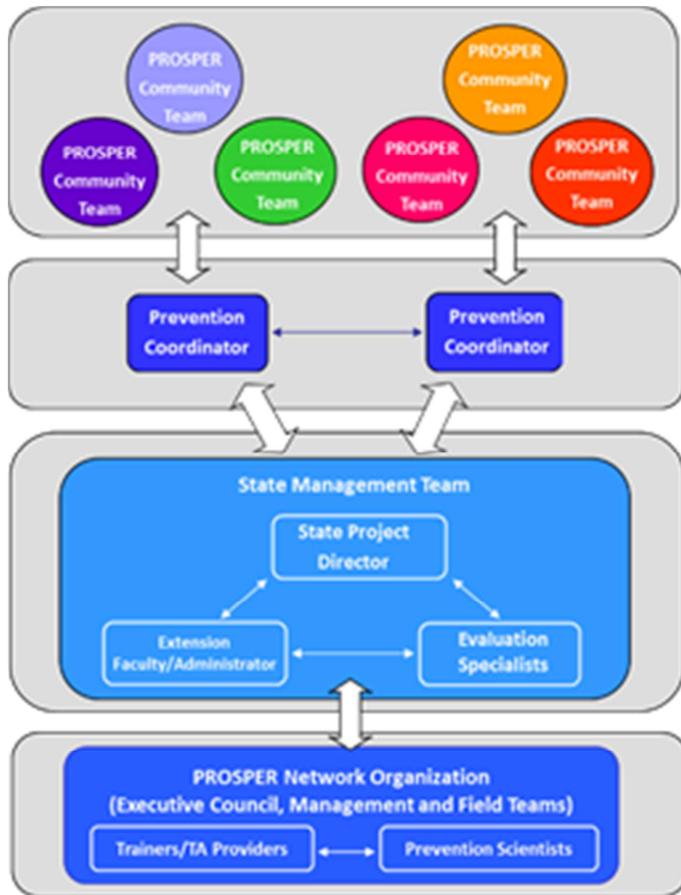
APPENDIX: PROSPER LOGIC MODEL, ORGANISATIONAL STRUCTURE, & ILLUSTRATIVE IMPLEMENTATION PLAN

PROSPER's Logic Model.



PROSPER's Organizational Structure.

Beyond the substantial evidence-base of program effectiveness, PROSPER provides a strategic focus on building a sustainable programming infrastructure. PROSPER State Partnerships have a multi-tiered structure, illustrated below in which technical assistance and training for community program delivery teams is facilitated by Prevention Coordinators (Extension-based professionals). The PROSPER Partnership Model utilizes the infrastructure of two existing systems—the Cooperative Extension System at land grant universities and the public school system to facilitate both family-focused and school-based programming.



PROSPER Community Team. The PROSPER Partnership model was designed so that small and strategic Community Teams could have access to the latest scientific research and benefit from the consistent support of the Extension System. These Teams work closely with local schools to support the positive development of youth and their families and they make sure the programs are sustained over time and consistently delivered with quality.

These small strategic teams are led by county-based Extension personnel and co-led by a school district staff member. Team members include social- and health-service providers, school administrators, parents and youth from the community, and representatives from: faith-based institutions, parent groups, businesses, law enforcement, and the juvenile justice system.

Prevention Coordinator. One Prevention Coordinator (PC) is responsible for working with a particular Community Team. This approach ensures that ongoing proactive technical assistance is being provided to every Team. The main topics of technical assistance are related to: (1) planning, recruiting for, and implementation of the family-focused and school-based programs; (2) maintaining a productive team that has strong partnerships with the school and other community agencies; and (3) securing funding to support sustained delivery of the programs year after year. Support for PCs is contributed by a State Extension System and demonstrates system buy-in.

Through their bi-weekly contact with each Community Team Leader, in addition to their regular attendance at monthly Team meetings, PCs are well-positioned to assess a Team's progress. Monthly reports are created and shared with State Management Team members who can then work with PCs to develop action plans for each individual Team as well as coordinated support for all teams. PCs, in turn, share strategies with Team Leaders and offer specific guidance to address Teams' needs. This feedback cycle is a critical part of the PROSPER Partnership model and helps distinguish it from other program dissemination approaches.

State Management Team. The PROSPER Partnership model includes a team of individuals who are responsible for overseeing, supporting, and evaluating the State Partnership. This State Management Team is led by a State Partnership Director who ultimately is responsible for ensuring that the PROSPER delivery system is operating successfully within the state. Additional individuals serving on this team include university researchers with prevention program evaluation experience and Extension professionals and/or administrators who provide coordination and support for the PROSPER effort across the state. Members of the team have extensive experience in the areas of community partnerships and youth and family prevention programming. The State Management Team works closely with state level Extension Administration, Departments of Public Health, Education, and Juvenile Justice.

PROSPER National Organization: This organization coordinates the efforts of all PROSPER sites and provides ongoing training and technical assistance to maximize youth, family and community impact. Each State Partnership is connected to the PNO—the fourth tier. In collaboration with State management Teams, the PNO provides a vehicle to build capacity for reaching youth and families across the state with evidence-based prevention programming. In particular, the PNO has strategically built capacity to expand PROSPER. This work was supported through substantial investments from the National Institutes of Health, the Centers for Disease Control and Prevention and The Annie E. Casey Foundation. This includes a national assessment of every State's readiness for implementing the PROSPER model.

Illustration of implementation of the school and community based intervention

- The first task will be to form and mobilize a community team of 8-12 individuals, including the local CES-based team leader, a public school representative co-leader, representatives of local human service agencies (e.g., mental health, substance abuse), as well as parent and youth representatives.

- Following team formation, community teams will be offered the *Strengthening Families Program: For Parents and Youth 10-14* (SFP 10-14) for implementation with 6th graders and their families. The SFP 10-14 is based upon empirically-supported family risk and protective factor models. This seven-session program focuses on enhancing parenting skills—specifically nurturance, limit setting, and communication, as well as youth substance refusal and other prosocial skills. The sessions are structured such that parents and youth meet separately during the first hour for discussion and skill-building activities, and reconvene for the second hour to practice their newly learned skills as a family. To measure implementation quality and adherence to the intervention protocol, each group leader will be assessed by a trained on-site observer during at least two different sessions.
- During the next year, teams will be presented with a menu of three school-based EBIs (All Stars, Life Skills Training, and Project Alert) and asked to select one of them. *Life Skills Training* is a 15-lesson universal preventive intervention based on social learning theory and problem behavior theory. It is designed to promote the development of skills, such as peer resistance and self-management, and to teach youth strategies for avoiding the use of substances. *Project Alert* is an 11-session intervention stemming from the social influence model of prevention. It focuses on changing students' beliefs about substance use norms, it helps students identify and resist pro-substance use pressure from peers and the media, and it strengthens refusal self-efficacy. The *All Stars* program is a 13-session intervention that is also based on social learning theory and problem behavior theory. It has four primary objectives: (1) to influence students' perceptions about substance use and violence; (2) to increase the accuracy of students' beliefs about peer norms; (3) to have students make a personal commitment to avoid negative behaviors; and (4) to increase student bonding to school. The school-based interventions will be delivered during class periods, generally by a regular classroom teacher. Trained individuals hired by project staff will conduct on-site observations of selected classroom sessions for each school-based program.
- Also during the next year when the school-based interventions are being implemented, the SFP 10-14 will be implemented with the next cohort of 6th graders and their families. Implementation of the SFP 10-14 will be continued with each consecutive cohort of 6th graders, the school-based programs also will be implemented with each consecutive cohort of 7th graders.

Response from Lehigh Valley Early Childhood Pay for Success Task Force to

Request for Information # OB 2015-1

Pay for Success Initiative
Commonwealth of Pennsylvania

Introduction

The Lehigh Valley Early Childhood Pay for Success Task Force (“Task Force”) is composed of a diverse group of stakeholders from business, state government, the Allentown School District (ASD), community foundations, and service providers. Its express purpose is to explore the viability of, construct and implement high-quality early childhood Pay for Success (PFS) projects in the local community. As such, all responses to the RFI below are contained to the social issue area of early childhood, including pre-natal to five years of age.

The Task Force is engaged in planning its own early childhood PFS project at this writing. It has the written support of the Deputy Secretary of the Office of Child Development and Early Learning (OCDEL), and the critical engagement of the Superintendent of the ASD, among other important stakeholders. Through its consultant, Philip Peterson of ReadyNation, it has met with a variety of Pennsylvania government officials including those in Pennsylvania Department of Education (PDE), Department of Human Services (DHS), and the Governor’s office. The Task Force has applied for technical assistance under the federal government’s Social Innovation Fund, and is committed to using PFS in the Lehigh Valley to improve the lives of all its children and their families.

Request for Information

The Commonwealth of Pennsylvania is requesting feedback on the following questions:

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).

Task Force response

The Task Force is focused on the expansion of high quality early childhood programs in the Commonwealth and believes there are early childhood policy and program areas that are appropriate for Pay for Success (PFS). These include high quality early childhood educational programs sponsored by the Pennsylvania Office of Child Development and Early Learning (OCDEL) and Head Start. They also

include evidence-based pre-natal and post-natal home visiting programs like Nurse-Family Partnerships and Early Head Start. While the Task Force is less familiar with other programs that impact family stability and child safety (e.g. foster care), the Task Force supports the exploration of PFS for programs in such areas that have either demonstrated improvements in child and family well-being or whose components have been shown effective in improving the lives of young children.

- The Task Force has identified specific subject areas in early childhood that are appropriate for PFS structuring in developing its own PFS project. Specifically, the Task Force has identified early education and healthy lives for 3- and 4-year olds as a target area for intervention. There are several reasons for these issue area selections.
 1. The Lehigh Valley has been delivering high quality early education to 3- and 4-year olds for 50 years. Community Services for Children (CSC), one of the signatories in this application, has just had its Head Start program named as one of the ten best in the United States and is considered the most experienced and largest deliverer of these services. CSC's Head Start program is a comprehensive child development program, which includes all facets of learning, education, health and safety. The services are delivered under OCDEL high quality standards and Head Start, both premier quality programs.
 2. The regional philanthropic community, as represented by The Dorothy Rider Pool Health Care Trust (The Pool Trust) and The Rider-Pool Foundation, is committed to investing in healthy lives for children, including sponsoring programs that improve population health through education, and reduce the incidence of chronic diseases in young children and their families. Maintaining a healthy body weight, achieving all age-appropriate immunizations / vaccinations and reducing the incidence and chronic nature of asthma have been suggested by The Pool Trust as targeted areas for PFS programs. The Pool Trust will also consider the collection and analysis of the required data to track the operation and success of such a program.
- The Task Force has been working with Philip Peterson, FSA, on due diligence issues concerning whether PFS is appropriate for the Lehigh Valley given the issue areas the Task Force is considering as well as the commitment of important stakeholders in the community. To this latter point, the Task Force is composed of several stakeholders in the community with the requisite stature, influence and passion for young children to make PFS successful. Critically, the Superintendent the Allentown School District (ASD) is committed to PFS as described herein. The ASD board has also enthusiastically endorsed the concept of PFS. ASD could possibly serve as the payer in the proposed PFS program, without whose support a PFS project could not go forward.
- Support and involvement from the business community has been forthcoming from the Downtown Allentown Community Development Initiative, DACDI, a coalition of the CEOs of center city's largest companies and three foundations. DACDI pledged cash and in kind match to the Task Force's technical assistance application.

- The Task Force is intimately familiar with the data, the hypothetical operation and the key actors cited in the seminal paper written on PFS in early childhood by the Kauffmann Foundation and Robert Dugger, PhD, in 2012. (http://readynation.s3.amazonaws.com/uploads/db_files/Kauffman-ReadyNation%20PKSE%20Report%2012041922.pdf) The financial model presented in this paper was based on data extracted from the Bethlehem Area School District, a major city in the Lehigh Valley.
- Key members of the task force including the ASD Superintendent attended the ICS/Ready Nation San Diego conference on Pay for Success in May 2015.

The Task Force continues to meet and plan its PFS project. It has drafted a proposed PFS timeline that includes strategy, planning, feasibility and potential construction phases. It has already secured the commitment of at least \$25,000 in matching funds.

Interventions would include:

- Increase the number of slots for high quality early education in the ASD catchment area (Head Start, Pre-K Counts pre-school, STAR 3 and STAR 4 programs) to reach a critical tipping point
 - Concentrate efforts to train and provide technical assistance to existing programs to improve their quality (Keystone STARS program)
 - Solicit additional scholarship funds to increase enrollment for Head Start-model services (private foundations, United Way, business partners in EITC program)
 - Seek additional Head Start, PreK Counts and Child Care Works subsidy (state) funds
 - Work with the City of Allentown and other partners to find or develop as part of a community development project suitable classroom space for the additional high quality slots.

The city has 19 high quality providers in addition to Head Start. They have a current capacity of only 330 pre-k slots. With Head Start's capacity of 475 in ASD, the total currently is 805. Approximately 600 preschoolers are unable to attend a high quality preschool prior to kindergarten in the ASD annually.

Evaluation would be two-fold:

1. Increase in the number of children enrolled in high quality early education programs, and
 2. Improved performance outcomes of enrolled children using evidence-based evaluation methods such as Work Sampling
- Expand home visiting program serving families in ASD area with young children
 - Expansion of Head Start and Early Head Start would increase the number of families receiving home visitations and parent health education

- Expansion of home visitation programs that contain evidence-based health improvement interventions would increase number of families visited
- Both Early Head Start and Nurse-Family Partnerships or other home visiting programs would provide support and education to pregnant women to improve the likelihood of their receiving prenatal care as well as early health and safety education for the newborn.

Evaluation would include the following:

1. Increase in the number of families/children involved in home visitation programs in the ASD area
2. Assessment of health status (body weight/BMI, age-appropriate immunizations/vaccinations, incidence/severity of asthma) of children and especially their status at the time of entering kindergarten (or finishing their pre-kindergarten experience)
3. Monitoring the number of emergency room visits for asthmas exacerbations among those involved in the program
4. Monitoring the percentage of new mothers receiving pre-natal care and giving birth to normal weight babies

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

Task Force Response

The Task Force believes that there are several considerations that need to be taken into account in structuring PFS contracts.

- ***Participation and appropriations risk mitigation***

As the commonwealth develops its approach to developing PFS projects and assisting Pennsylvania communities in developing their own early childhood PFS projects, it is critical that those communities understand their own role as potential PFS payers. It is just as important that interested communities understand the role of the Commonwealth in serving its role as ultimate payer in PFS projects.

Currently, government entities (e.g. state agencies/departments, school systems, authorities, independent districts, counties) are poised to be the PFS payer in the majority of circumstances. However, there are often problems and considerable lack of clarity at the community level with understanding what authority a

government entity has to pay investors in a successful PFS project and how it can be legally encumbered and committed to paying those investors.

The issue described above has its roots in the Commonwealth as ultimate payer for early childhood projects. For instance, as the Task Force considers a PFS project including high quality early education and health interventions, it will look to the local school system and health care delivery network as natural payers. However, this will not necessarily be viable since both these entities receive much of their funding from the PDE and the PA Medicaid system through DHS. That is, the above-named community payers that may serve as “first order” payers need to ultimately be reimbursed from the Commonwealth.

First, it is unclear whether the Commonwealth is authorized to enter into a PFS arrangement as ultimate payer. In conversations with DHS, we have learned that an appropriations process wherein the state legislature allows DHS to set aside a “reserve” for a portion of Medicaid costs may be possible for PFS success payments. Such a set-aside arrangement would then allow PFS success payments to investors under the state’s existing procurement system. Contrasting with this approach, we have also been told by the governor’s office that PFS projects cannot be undertaken in the Commonwealth, in which the Commonwealth is the ultimate payer without express legislation to enable the participation of the state government. This “participation risk” needs to be addressed and resolved before communities can feel comfortable in moving ahead with planned PFS projects in early childhood.

Second, even within the confines of using the current state procurement process to effect payment by the state, it is unclear that money in a set-aside reserve by a state agency would actually be able to be paid with full assuredness. That is, there is a possibility that such funds could be held back by the state and reallocated to other purposes. We know of no current legal basis that would prevent this from happening, which presents “appropriation risk”. In the presence of appropriations risk, communities can never be assured that they will be reimbursed for success payments they make under PFS projects. Appropriations risk must be minimized, and ultimately eliminated, at both the state and community level in order for PFS projects to be viable.

- ***Project outcomes that can be supported with evidence based on experimental or quasi-experimental research***

Outcomes for early childhood PFS projects may be monetizable in the short, medium or long term to identified stakeholders such as the government, private sector, and individuals and families. They include the budgetary costs associated with expenses such as the cost of remedial education, repeated grades and medical intervention. However, there are also outcomes that may be worthy of payer support that are not identifiably monetizable to any particular party. Such

items include reductions in the use of social services, avoidance of criminal activity, higher graduation rates and long-term individual health impact.

The Task Force knows that payers and investors are interested in both types of outcomes since both lead to improved lives. Ongoing research needs to support the impact of all outcomes on the investments made in the PFS project as well as on spending/investments by government on related social concerns not made through PFS projects. Given that less than 1% of federal government spending is backed by evidence of impact, we know that outcomes and their measurement are critical to demonstrating the value of PFS.

As a starting point, Community Services for Children is a data driven organization and in conjunction with state systems has significant data on the educational readiness of children who receive high quality early childhood education. Work has been initiated to track student progress through the PELICAN and PIMS systems. This work will enable a clear, retrospective demonstration of the superior education results of children starting with a high quality early childhood base.

Support of outcomes and their measurement in PFS projects is key to the development of credibility in using PFS to address early childhood. For that reason, we suggest that the state collaborate with PFS experts to develop non-binding practice guidelines that help the commonwealth and communities set and measure outcomes to support their own projects' due diligence for feasibility and ongoing evaluation.

Such non-binding guidance may be helpful in several ways:

1. Guidance will help Pennsylvania communities that wish to embark on their own early childhood PFS projects.
2. Guidance may also be helpful to the commonwealth as it makes PFS-directed appropriations within a legislatively established corpus to fund early childhood PFS projects.
3. Guidance will help in bringing more discipline and process in outcomes definition and measurement to non-PFS commonwealth-financed investments in early childhood.

- ***Role of service providers and intermediaries***

The Task Force feels strongly that only quality and high-quality service providers are included as providers in PFS projects.

- First, the PFS arena is still nascent and the concept of paying for success for results in early childhood preventive and remedial areas is in the process of being tested and proven. It has been demonstrated by OCDEL and other credible sources that only quality and high-quality early childhood education programs have the positive impact on children's lives that improve life

success and save taxpayer money. Since investor and societal return on investment are critical to the success of PFS arrangements, it is important that service providers in PFS projects be able to produce only the best possible results for young children.

- Second, PFS has the opportunity and responsibility to build models for improved interventions in early childhood programs, notwithstanding whether PFS is used or not. Quality and high-quality early childhood programs should be exclusively used to provide health care and education to young children. PFS can be used as a development and proving ground for helping aspiring and existing quality and high-quality providers build their capacity to help more children.

The Task Force feels that capable intermediaries are key to ensuring PFS projects are planned, constructed, implemented and operated properly. Such intermediaries can take several forms, from competent government offices to entrenched capable and engaged community organizations to expert third parties.

The Task Force doesn't think there is a universally correct choice for an intermediary in every PFS project. The Commonwealth and communities need to select the appropriate intermediary (or intermediaries) based on the complexity of the PFS project design model, the contractual terms that will be struck, the community's culture, the presence of credible and knowledgeable community actors, and the complexity of the proposed financial arrangement. It could be that using multiple intermediaries best fits the community's needs in its PFS transaction. For instance, it may be appropriate for the state or a community to use an outside third party that is expert in financial structuring and initial deal construction, while then using a state- or locally-based community organization for the long-term programmatic aspects of the project.

The Task Force is considering working with an expert third-party intermediary (Third Sector Capital Partners) in a capacity yet to be defined as it moves towards feasibility for its own PFS project. Third Sector would bring deep knowledge in project construction, economic modeling, fundraising, and evaluation. The Task Force was named an alternate awardee by Third Sector Capital Partners under the recent 2015 Social Innovation Fund technical assistance competition and the only PFS project considered in the Commonwealth.

- ***Contract durations and payment schedules***

Contract durations and payment schedules are highly customized based on the design model, outcomes promised, length of the project, payer and investor requirements, and other factors.

Therefore, the Task Force does not feel that the Commonwealth should be addressing these issues in PFS contracts. Instead, the Commonwealth should follow emerging practices in project design, analyze the financials of the transaction, understand investor goals, and consider the merits of the project objectives and the capabilities of the providers to negotiate realistic contract durations and payment schedules.

- ***Clearinghouse for data and developing practices in experimental/quasi-experimental research design***

Data and research design will be cornerstones in the foundation of emerging best practice for PFS transactions. In the absence of continuous improvements in the ability to procure, organize and use quality data, PFS projects will be unnecessarily more difficult and more expensive to build and implement.

The Commonwealth should consider its ability to influence high quality research and database development as critical to PFS projects in the Commonwealth, whether they are state or community-sponsored. Recommendations include:

- The Commonwealth currently operates an award-winning early childhood data system (PELICAN) and a K-12 system (PIMS) in place for purposes of tracking student enrollment, progress and achievement. The commonwealth has been planning on integrating these systems but recent progress has been slow or non-existent and local efforts to get the systems to work together are constrained. The Task Force recommends this integration be a high priority for early childhood PFS projects and for measuring the efficacy of our high-quality early childhood programs in general. Such integration is a necessary precursor for building a clearinghouse capacity in mining, collecting and organizing data for PFS projects and could help significantly in establishing Pennsylvania as a national leader in results-driven PFS.
- The Commonwealth should begin to build a strong research clearinghouse capability with selected academic institutions to inform and support PFS projects in early childhood. Several of Pennsylvania's academic institutions are already involved in studying how the PFS arena can be developed more robustly using rigorous methodologies to assess the risks and potential investment returns, and build the measurement capabilities necessary to grow the PFS knowledge base. Institutionalizing this learning process will be absolutely necessary in order to grow the intellectual capital in PFS so that the commonwealth and its communities can make better judgments and decisions about PFS projects that are most likely to succeed.

- ❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

What types of outcomes should payments be based upon and how should they be measured?

Task Force Response

It is paramount that the PFS field evolves using practices and processes that demonstrate value in solving early childhood problems. That value will manifest itself in outcomes that can be accepted as improving the lives of the children included in the PFS treatment group.

As the PFS field matures outcomes may become structured in more complex and integrative ways. For now, however, outcomes should be discrete and individually identifiable as value-added. Therefore, in general the Task Force believes that any outcome used as the basis for payments under a PFS contract meet the following criteria:

1. *The outcome should be directly indicative of improvement in the early childhood condition being measured.* This means the outcome should be grounded in evidence-based practice, as researched and recognized by early childhood experts.
2. *The outcome should be directly or indirectly related to having a causal effect on reducing and/or avoiding costs to society.* Such cost reduction/avoidance may be monetizable in the short or medium term to one or more identifiable stakeholders. Cost reduction/avoidance may also be non-monetizable, in that the attribution of the cost reduction/avoidance may not be readily attributable to identifiable stakeholders. However, the benefits of non-monetizable cost reductions/avoidance are still considered to eventually inure to society.
3. *The outcome should not cause or encourage another separate outcome that may be deleterious to improving children's lives.* That is, an outcome should not be used in PFS whose impact offsets another outcome.

The Task Force also believes that PFS outcomes are dependent on and should be customized to:

- PFS design model for the intervention
- Realistic expectations for what can be achieved within the project scope and timeline
- Recognition of what can be monetized and, alternatively, not explicitly monetized for investor payment purposes
- Dataset availability and systems capabilities
- Inputs necessary to build continuous systemic improvement and quality in the delivery of interventions by the commonwealth and its communities (e.g. early childhood education)

The lead provider organization on the Task Force, Community Services for Children (CSC), measures child outcomes in its Early Head Start and Head Start programs three times annually using the evidence-based method called Work Sampling. The state also requires early education programs participating in its Pre-K Counts programs to measure outcomes using the same methodology. These are all

programs considered high quality early education programs designated as STAR 3, STAR 4 or accredited by the National Association for the Education of Young Children (NAEYC), the gold standard for early education. Evidence-based tools measure a child's readiness for kindergarten by evaluating competence in learning domains including social, emotional, physical health, language/literacy, social studies, art, math and science. Therefore OCDEL and CSC have both baselines as well as the capacity to provide on-going outcome measures of school readiness.

Potential outcomes include the following:

- Reductions in special education at entry in kindergarten and ensuing years. CSC and OCDEL have data demonstrating the achievability of these reductions through the current quality programs offered in the Lehigh Valley. For each year that a child who was predicted to enter special education does not need special education, \$13,000 will be saved by the ASD. ASD has 2,800 students receiving special education services. These savings will provide the basis for primary success payments.
- Reductions in grade retention in K-12. Each time a child repeats a grade it costs the ASD more than \$13,000. Quality early childhood programs have been shown to reduce grade retention. Savings delivered to the ASD from grade retention avoidance will serve as another basis for success payments.
- Other indicators that are monetizable for investors include various kindergarten readiness and primary school reading indicators. The Task Force will explore how these measures may be able to serve as the basis for additional PFS.
- Reductions in emergency room visits for acute asthma exacerbations
- Reductions in flu related hospital admissions
- Reductions in early onset Type II Diabetes Mellitus
- Reductions in the number of very low birth weight/low birth weight babies born in the ASD catchment area
- Improved biometrics for young children that reach and remain at accepted healthy normative values

Success payments in the Lehigh Valley PFS project will be conditioned on cost savings vs. a comparison group not receiving services.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

Describe program structure issues that should be taken into account in the development of such contracts.

Task Force Response

The Task Force believes there are opportunities for the Commonwealth and its communities to partner. The PFS project the Task Force is planning and constructing is such an opportunity.

In that project, the Task Force has defined interventions in the early childhood education and child health areas. The Task Force expects the impact that the combined outcomes from this project will have on the PFS treatment group to be substantial. Success demonstrated from this first project will encourage other similar projects in the Lehigh Valley. To the extent that more children experience better educational opportunities and improved health outcomes from PFS projects, the entire Lehigh Valley community will prosper. The Commonwealth, however, will also prosper along with the Lehigh Valley. Success in the Lehigh Valley will translate directly to cost avoidance in K-12 education through children that are more “kindergarten-ready,” thus saving Pennsylvania taxpayer money. It will also translate to better health for those children, resulting in lower health care costs (i.e. Medicaid and CHIP) for Pennsylvania taxpayers.

The Task Force feels strongly that PFS projects will have the greatest impact on helping the most children and families if the commonwealth partners with communities through local government entities.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

There are several examples of PFS projects, RFPs, contracts, legislative drafts and statutes that the commonwealth should take into consideration. Based on the anticipated features of its own PFS program the Task Force feels the following documents are worth considering:

- Chicago Public Schools Chicago Parent Child Program – Governing document of the early childhood education PFS project implemented late 2014
- Cuyahoga County, Ohio - RFP for reuniting foster children with formerly homeless parents (issued by Third Sector Capital Partners)
- States of Massachusetts, New York, Texas, Utah – Drafted and passed legislation governing PFS and social impact financing projects
- Commonwealth of Virginia – Paper entitled *Early Health PFS Social Impact Finance: Scaling Up Prenatal Health Care in Virginia* (<http://readynation.s3.amazonaws.com/wp-content/uploads/ReadyNation-Pay-for-Success-Report-112114.pdf>)
- State of South Carolina – Feasibility study entitled *Using Pay for Success Financing to Improve Outcomes for South Carolina Children: Results of a Feasibility Study* (<http://www.instituteforchildsuccess.org/publications.php>)



3230 William Pitt Way
Pittsburgh, PA 15238
TEL 412-820-2050
FAX 412-820-2060
WEB fswp.org

April 28, 2015

Dear Governor Wolf,

On behalf of Family Services of Western Pennsylvania, I welcome the Governor's plans to bring Pay for Success to Pennsylvania and have taken this opportunity to contribute to the Governor's request for information. Our agency, Family Services of Western Pennsylvania, has a long history of serving families and individuals in the southwestern Pennsylvania region. Our work is guided by our mission to "Empower People to Reach their Full Potential."

Family Services currently employs more than 525 employees, and serves more than 8,500 persons each year through a diverse range of high impact services, which include more than 42 distinct programs for families and individuals in the categories of mental health, intellectual disabilities, vocational rehabilitation, child welfare, safety net, and older adults' services. Over the years, Family Services has built a very strong relationship with 15 school districts, and we provide an array of behavioral health services including: Student Assistance Program, Partial Hospitalization Program, School Based mental health and substance abuse counseling, behavioral health services in after school programs, and transition-to-work programs for people with intellectual disabilities aging out of the public school system.

Thank you for providing this opportunity to share our perspectives and insights on the strengths and weakness of the PFS model.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Christian-Michaels".

Stephen Christian-Michaels
President and Chief Executive Officer
Family Services of Western Pennsylvania



3230 William Pitt Way, Pittsburgh, PA 15238
TEL 412-820-2050 • FAX 412-820-2060 • www.fswp.org

Family Services of Western Pennsylvania, a United Way agency, is accredited by the Council on Accreditation of Services for Families and Children, Inc. Family Services of Western Pennsylvania is a non-profit organization declared tax-exempt by the federal government under section 501 (C) 3 of the IRS code and the Commonwealth of Pennsylvania. A copy of our official registration may be obtained from the Pennsylvania Department of State by calling toll-free from within Pennsylvania 800-732-0999. Registration does not imply endorsement. All donations to Family Services of Western Pennsylvania are tax deductible to the full extent of the law.

Pennsylvania Releases Request for Information on 'Pay for Success' Opportunities
RFI from Family Services of Western Pennsylvania

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

Pay for Success (PFS) is a particularly exciting model for the area of early childhood care and education. Small investments in supporting children before they enter school can yield huge long-term benefits for both the public and private sectors. For example, a 2005 RAND study of 19 early childhood interventions showed that \$1 of investment yielded between \$2 and \$17 of benefits: these programs directly reduced future government spending on juvenile detention facilities, welfare, and crime prevention. Interventions that decrease the gap between high-income and low-income children early in their lives have enormous potential to increase the standard of living and decrease the need for social spending in Pennsylvania. We at Family Services of Western Pennsylvania have decades of experience working with children and families, and we believe we could deliver solid results as a PFS provider.

One of the areas Family Services promotes for inclusion in the Governor's Wolf's PFS initiative is "early childhood care and education"— including programs that effectively and concurrently address children's and families' health and wellbeing. Growing evidence shows that building a strong healthy childhood is a determinant for a successful and productive life in adulthood. Indeed, the well-being and security of this state (and nation for that matter) depend on ensuring children and their families develop the capacities for contributing to our economy and society.

Family Services currently operates several programs to reach vulnerable children. *ParentWISE*, a program that works with low-income parents to develop child-rearing skills, has reached over 10,000 families in the past 35 years; a similar program called *Incredible Years* engaged and benefitted 109 parents and their children in Westmoreland and Allegheny Counties in 2014 alone. These families and children faces a multitude of risk factors including poverty, drug use/abuse, domestic violence or family conflicts, antisocial behaviors, truancy, poor parenting skills, mental health issues, housing instability, and poor health and lifestyles, among others. There is established evidence that growing up poor is often associated with many of the above risk factors and that these have adverse effects on brain development and contribute to a wide range of negative impacts well into adult life. Through such programs Family Services helps these at risk families and children avoid problems early in the child rearing experience, supports improvements in children's social competencies so that they experience success in early care and family settings, and supports successful transition to school and community life in general.

Moreover, Family Services also works to engage parents and to promote relationship-building and co-parenting education through its *Specialized Family Therapy/AFFECT* program, and has provided intervention for over 500 court ordered parents and 150 co-parenting cases. This type of program recognizes that the quality of the parental relationship within the family and responsive caregiving for children, not the parents' separation or divorce, are the most critical determinants in assuring the healthy development of a child, particularly those children who are at developmental risk. It is the capacity for cooperation and partnership between dissenting adults (especially when children are involved) that this program works to secure and nurture. Relationship-building fosters parental capacity for maintaining "linked lives" and to influence positive trajectories of change both in well-being and the opportunity structure of their children

over the life-course. Without this capacity, both adults and children face the risk of costly cognitive, health, and social consequences of an epidemiological nature. To put it succinctly the benefits and the positive impacts that these types of programs serve to avoid and, when possible prevent, relate to “toxic stress”, which has been identified as one of the most detrimental factors influencing the positive developmental trajectories of children.

While these programs have shown great promise, many eligible children and families remain underserved due to the lack of funding to scale up interventions that have proven effective. We believe that including early childhood care and education programs in Governor Wolf’s PFS initiative would enable us to magnify our impact, creating a more productive and equitable society for years to come.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

As currently structured the PFS is tailored to be similar to a capital investment model in that the “investors” accept the risks associated with running a PFS project, including losses if the project fails to be successful. Similarly, the investors would receive a return-on-investment when the outcomes of the project are successfully met. It is unclear, however, whether the role of the intermediary is indeed needed as currently planned. To clarify, the role of the intermediary as currently used in various PFS initiatives is that of the “middleman” who is paid a percent of the investment when and if the provider attains the stated goals of the funded project. This role includes: stipulating contracts between government, investors and providers; finding and enrolling eligible providers for PFS; searching and acquiring private investors’ capital; and redistributing payments and shares according to the agreement stipulated under the PFS contracts.

As indicated later this functions could be integrated as a new (and innovative) role and responsibility of the local government authorities. What this means is that the advisory role fulfilled by the intermediary could be superseded by a representative advisory board composed by all participating stakeholders, including community representatives, universities, state and local government and the general population. This would provide the following modified management structure for PFS:

- A. ***Government/Investor Entity*** (in this case the State and private investors): selection and issuing of RFPs or grants for services; decision-making on selecting providers/projects for funding; coordination and oversight;
- B. ***Investors***: providing operating capital;
- C. ***Service Providers***: delivery of services to target populations;
- D. ***Participatory Evaluation & Continuous Quality Improvement (CQI)***: This is a critical role and should be embedded in the setting up of the project, not as a post-facto or ad-hoc activity (i.e., the evaluation process should include representatives from the target population and, together with the evaluator entity, they will be coordinating and overseeing the setting up of all the measurements and reporting from the inception to the conclusion of the project, including providing continuous quality improvement action-plans as needed).

The PFS Advisory Board would be instituted to fulfill the intermediary role.

The payment schedule should include up-front start-up money based on the proposed and planned implementation objective of the provider. Typically this will involve the establishment of

all the key components of the proposed projects, including the evaluation and CQI system. The remainder of the payments should be based and contingent on meeting:

1. **The stated outputs of the project:** (e.g., numbers of population served; total hours of services provided, etc.);
2. **The process outcomes:** (e.g., the short term outcomes such as satisfaction with services; improvements in symptoms or behaviors; reduction of target risks; reduction in recidivism; improvement in academic performance, etc.);
3. **The community's and participants' impacts:** (e.g., the final payment at the end of the project or stated period of intervention that is based on the theory of change model as proposed by the provider prior to receiving funds and thereafter as agreed/modified and approved through the participatory evaluation process before the initiation of the project – this will add a confirmatory impact evaluation from the perspective of the targeted population).

This three-tier payment schedule and milestones would also mark the reporting benchmarks for the providers who will have provided, at each milestone, the required data on each of the indicators agreed upon. What remains to be established is the process of deciding the appropriate and acceptable duration of the contract and, most importantly, how to engage the potential investors.

In the first instance, the providers, as part of their submission, will need to state how long it will take to attain measurable progress on the community's and participants' impacts. This decision should be part of a negotiation process between the government, the investors, and the providers. The latter will have responsibility to provide a rationale for the timelines they propose for achieving the stated impacts. A negotiation process will ensure some level of checks and balances, including evaluating the feasibility for the impact to be achieved as projected/proposed by providers, given the resource investments (human and others).

In the second instance, there needs to be a decision-making process on how the investor will be engaged and who is eligible to be an investor (e.g., foundations, corporations, agencies-collaborative, individuals etc.). This process should also be used to establish what will be the return-on-investment rate and the types of "return" that the investor would elect to receive (e.g., tax breaks; monetary, and/or other non-monetary benefits).

Lastly, in order to promote innovations and continued quality improvement, the PFS projects could be divided into Impact and Innovation categories. The Impact category will be funds allocated to expansion and/or improvement of existing services/programs and/or to address inadequacies in existing provision of services. The Innovation category will be funds allocated to projects that intend to test new promising services or approaches. Thus, much like an actual enterprise model, there will be a research and development structure (innovation) beside the product/solution delivered (impact).

❖ **What outcomes should the Commonwealth prioritize in Pay for Success contracts?**

As suggest in the previous section, there are three types of outcomes that need to be considered. This is because each represents a "product" milestone and each addresses a specific and different area of accountability. This distinction between the output needed to achieve the process outcomes and the time needed for the process outcomes to translate in tangible and measurable impacts enables a more fair assessment of the providers' accomplishment. For example, it is well established that the lack of fidelity can neutralize the

effects of any tested intervention. Henceforth, measurement and rewards for maintaining fidelity must be considered, for fidelity is a precursor in translating outputs and outcomes into measurable and tangible impacts for the selected targeted population. Moreover, differentiating across these three level of outcomes also enables lack of confusion (which currently occurs) between improvement in symptoms or behaviors with impacts. That is, the fact that a person might be thought a skill or acquires a desired behavior does not necessarily mean that he/she has the opportunity to perform the skills nor that the improved behaviors alone leads to lasting life changes for the child or the family.

In addition, Family Services believes that instituting a three-tier outcomes structure would neutralize selection biases or the possibility of enrolling and serving individuals and families that are assessed to have higher chance for success. Nevertheless, and given that ultimately the PFS approach is to measure success in terms of the overall impacts, the reward structure for the proposed three-tier outcomes could be weighted and each assigned a percent “success payment”. For instance, the output-outcomes could be assigned a 15% payment weight, the process outcomes a 35% weight, and the community and participants impact a 50% payment weight.

Now, returning to the most important implications of the question about which outcomes the Commonwealth should prioritize, Family Services has indicated that a critical area for investments relates to early childhood care and family services. We have further suggested that an intervention such as improving school readiness, while a worthwhile outcome, must be considered within the larger context of the family’s ecology. The focus needs to shift from outcomes to impacts. Stated simply, building a strong and healthy development for a child cannot be attained without addressing the cumulative disadvantages (e.g., poverty, poor living or housing conditions; lack of cultural capital; unstable relationships; etc.) of the family context within which the child is embedded. The research literature has long indicated that living under conditions of extreme adversity and disadvantages not only dwarfs interventions’ effects, but these seriously undermine the life course and opportunity structure of the developing child. Moreover, continued exposure to adversity and destabilizing life circumstances is the cause of “toxic stress”, which has been linked to adverse biological and genetic consequences in the developing brain of the child.

What Family Services suggests and recommends is for the PFS model be used and applied to:

- Augment, not replace current government funding (including as matching funds);
- Develop and test innovative new poverty reducing strategies/actions;
- Focus on contextual and not only individual outcomes, and;
- Include measures of human well-being as indicators of the social and economic development and societal progress.

The ultimate outcome must be the stability and long-term security and well-being of families.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

At the beginning of this RFI it was suggested that political leadership alone would not work within the context of PFS model. This is because as the leadership experiences changes or turnovers, the political priorities and locus and targets of policy efforts are likely to change. The PFS model must be apolitical and immune from changes in government leadership at all levels. Having stated this, the PFS model also offers an opportunity to transform the role of local government entities in multiple ways.

Currently, the burden of seeking and establishing partnerships with private donors, investors, or philanthropic organizations rests with the providers. The PFS model advances the notion that it is the government entity who enters in a binding relationship and partnership with the investors, thus shifting the role of the local government agencies to act at the local level to seek out and raise PFS funds. In this sense, the local government agencies become the state level intermediary in locating and raising private capital. However, this does not imply, nor gives the local government decision-making authority over, to whom or to which project these funds should be allocated, which, as indicated in this RFI, is a decision that will be a collaborative review process between the state, private investors and community representatives. This would also neutralize some of the biases and preferences that at times are present at the local level in the selection and awarding of contracts to service providers.

Another natural role for the local government agency is that of supporting and coordinating the continuous quality improvements and evaluation activities that the PFS model will require. This gives an opportunity to local government agencies to become true partners and share accountability for the success and failures of funded projects with the providers. Local government agencies already have the resources, technical knowhow, and linkages with local educational institutes and universities to be a natural fit for this monitoring and oversight function. Indeed, local government agencies are a good fit for engaging in a broader and more participatory community evaluation process through which the goals and outcomes of selected PFS projects can be more effectively aligned with the unique situation and circumstance of the community within which implementation takes place.

There are also programmatic structural issues that currently limit the cash flows and efficient allocation of savings and resources. For instance, the current “siloes” funding structure that limits programs to shift, or even share, funds and human capital resources has long represented an obstacle to an integrated system of care. Additional limitations are posed by the current funding arrangement according to which any savings accrued by providers are returned to the local government agency instead of being allowed as capital for programmatic expansions and/or improvements. Taken together, eliminating these traditional funding policies would in itself provide additional savings that could be reinvested or added as a matching funds to the Commonwealth PFS cash-flow.

Last but not least, the State could be positioned to achieve higher cost-savings and benefits to tax payers by requesting and having local government agencies raise matching funds to support their local administrative overhead and operational costs. That is, it is generally agreed that the goal of the PFS model is to enlist private capital funds and engage private investors as partners in addressing and finding solutions to social and public issues. Henceforth, the ability of the

local government agencies to raise capital to support the PFS structure and processes should be included as one of measures of success for the local agencies to receive continued matching funds as well as reward incentives. This would position the Commonwealth to sustain the commitment among the local political leadership for and to the PFS model. Basically, the success of PFS model is intrinsically dependent on the capacity of local agency to fully and actively engage private partnerships and capital and to reduce the fiscal pressure on tax payers.

In closing, the PFS model, in order to be successfully sustained and to be effective in realizing its lofty goals, must include, contractually, measures of success beyond those required to be attained through funded projects. There needs to be systemic and policy changes that would allow for current contractual arrangements and roles of the local government agencies to be redesigned and aligned with the goals and working objectives of the PFS model.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Among the PFS initiatives that we have reviewed were the PFS projects in California, New York, and South Carolina. The California PFS began in May, 2014, and was provided with flexible funding, which included funding for technical assistance to support the government leaders and nonprofits to develop and structure the PFS model (<http://nonprofitfinancefund.org> , last accessed April 2015). This California PFS initiative involved 5 projects, which included the Nurse-Family Partnerships (NFP) program targeted to help mothers living in poverty, and takes a life course approach to family and child development. The New York initiative applied PFS funding to target improvement to the human service safety net and revolved around improving long-term stability of human service providers and increasing their capacity to address present and future community needs. The South Carolina PFS initiative started around 2013 and, after a development phase, applied PFS funds toward expanding the NFP program to address and serve the needs of children from birth through five as well as their families.

These and other PFS initiatives reviewed seem to have a number of common elements including, but not limited to:

- a. Allocation of adequate time for building the infrastructure: e.g., at least 1 to 2 years of resources allocated to development and establishment of their PFS structure;
- b. Execution on a mission and vision: e.g., all selected and rallied behind a specific area of intervention and developed a working mission and vision;
- c. Specificity of scope and reach: e.g., for example, NFP's overarching goal was to reach and serve 2,750 new families over three years, specified the size and types of providers' partnerships that would be required, and what interventions would be delivered according to what criteria;
- d. Detailed and commensurate investments: e.g., based on the outcomes and impacts targeted, the human capital requirement, the numbers of years for the project to accomplish the project's goals, and resources need to bring the project to scale;
- e. Measuring that matters: e.g., this seems to support the point made in this RFI for the need to consider at least three types of outcomes, but with the ultimate community impacts guiding the assessment of the overall success of the project.

The PFS model and initiative must be seen and approached, not as a way for the Commonwealth to replace current government funding support, but rather as an opportunity to increase the capacity and effectiveness of community-based nonprofit organizations to develop and apply new and innovative approaches to tackle and solve larger social problems. PFS has

the potential for transforming the current “welfare” and “means-tested” social policy framework into a unified framework with the capacity to catalyze and integrate the nonprofit and for-profit sectors to work together in generating true and tangible societal benefits. The PFS model in fact eliminates artificial divides by making the health and wellbeing of our communities a shared public and private responsibility.

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

Setting and selecting which priority-areas to address and clearly articulating an effective campaign is critical for the deployment and implementation of the PFS model. For the Commonwealth to make the PFS model a mechanism for true change and transformation, it will need to integrate the new knowledge, social research, and brain science in its priority-setting process. This new research steadfastly shows that our 21st century challenge is confronting and eradicating the human and societal toll of poverty. This is why Family Services supports and promotes for inclusion in Governor’s Wolf’s PFS initiative the “early childhood care, intervention and education”, but in ways that effectively include and concurrently address families’ health and socio-economic wellbeing. PFS can be a critical instrument in mobilizing both the scientific community and public and private stakeholders to build a strong and lasting foundation for improving the life prospects of families, and in so doing, promoting the healthy development and future opportunity structure of their children.

Request for Information # OB 2015-1

Pay for Success Initiative
Commonwealth of Pennsylvania

Overview

Decades of research have demonstrated that public investment can improve the lives of Pennsylvanians while simultaneously strengthening the state's bottom line. From pre-kindergarten – where every \$1 in public funding generates more than \$7 in government savings and benefits – to criminal justice – where reducing recidivism avoids costs and improves public safety – there are opportunities for evidence-based investments across state government.

Pay for Success performance contracts – also known as “Social Impact Bonds” – provide an innovative strategy to finance these proven programs through public-private partnerships. Pay for Success contracts are rigorous, binding agreements based on a straightforward proposition: taxpayers will only pay for services that actually get results and save money in the long-run. The strategy enables the state to fund programs and services that improve economic opportunity, health and safety that it otherwise might not be able to afford in the short-term, and it directs funding toward programs that have a strong evidence base and record of effectiveness.

Pay for Success (PFS) projects on homelessness, early childhood education and recidivism are currently underway in six states, counties and cities across the country, and many more are in development.

Pay for Success in Pennsylvania

Governor Wolf's FY2015-16 Executive Budget includes proposed legislation that would enable the Commonwealth to enter into Pay for Success contracts.

The Governor's proposal further identifies five high-priority areas for possible Pay for Success initiatives:

- **Early childhood care and education**, including pre-kindergarten education and services that address maternal and child outcomes from pregnancy through age 2;
- **Education, workforce preparedness and employment**, including school-to-work programs and alternative education services;
- **Public safety**, including programs that reduce recidivism;
- **Health and human services**, including addiction treatment, chronic homelessness, supportive housing and child welfare; and
- **Long-term living** and home- and community-based services.

These public-private partnerships would be selected on a competitive basis, and payment would only occur after rigorous evaluation and validation by an independent, third-party

evaluator. Payments would be tied to specific and agreed-upon performance-based goals set forth in the contract.

How Pay for Success Works

Under Pay for Success, the State selects the programs and sets the targets; private investors supply the operating funds for service providers; and government repayment occurs only if and when savings and other benefits are achieved:



Important considerations include:

- **The role of the intermediary.** In establishing a PFS contract, states often contract with an intermediary, who is in turn responsible for raising capital and contracting with the mutually agreed upon service provider.
- **A stable expansion path for service providers.** One of the major advantages of a PFS contract is that it provides stable, multi-year funding for a proven service provider. For this arrangement to be successful the intermediary must be able to demonstrate the ability to raise adequate capital and the contract must advance this goal.
- **Appropriate payment terms.** In a PFS contract, investors are repaid only if the pre-determined savings and other benefits are achieved. The threshold for generating investor repayment is set at a level that ensures the state only pays if performance objectives are achieved. Payments increase as the savings/benefits to the state increase, and payments never exceed the savings/benefits that are produced. This approach places the risk on private investors, rather than taxpayers.

Request for Information

The Commonwealth of Pennsylvania is requesting feedback on the following questions:

- ❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***
This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).
- ❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

What types of outcomes should payments be based upon and how should they be measured?

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

Describe program structure issues that should be taken into account in the development of such contracts.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

RFI Schedule

- March 24, 2015: RFI released
- May 8, 2015: Responses due
- June 4, 2015: All responses to be posted for public review

Submission Instructions

Please submit responses electronically to RA-PayForSuccess@pa.gov or to the Contact listed below.

Confidential Information. The Commonwealth is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Respondents' submissions in response to this RFI. Accordingly, except as provided herein, Respondents should not label their submissions as confidential or proprietary or trade secret protected. Any Respondent who determines that it must divulge confidential proprietary information or trade secrets as part of its response must submit a signed written statement to this effect in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests, and must additionally provide a redacted version

of its response, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.

Respondents to this request shall not be deemed to be providing recommendations as an advisor or consultant to the Commonwealth for purposes of the State Adverse Interest Act, 71 P.S. § 776.1, *et seq.* The Commonwealth will evaluate the information presented and determine any subsequent course of action. This course of action may consist of further contracting for implementation of Commonwealth determined work. Such work may be procured through any lawful method available, and respondents to this request may be considered for selection to perform this work.

Respondents are solely responsible for all expenses associated with responding to this RFI.

Questions Regarding this RFI

Please direct all questions to RA-PayForSuccess@pa.gov or to the Contact listed below by April 6, 2015. Questions and answers will be posted for public review on the Office of Budget website by April 13, 2015.

RFI Contact

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th floor
Harrisburg, PA 17101-2210
(717) 787-5311

This is in response to the **Request for Information # OB 2015-1**, Pay for Success Initiative.

- ❖ In regard to the first question in the RFI (*What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?*) we recommend:
 - an intervention known as youth courts (also called teen courts and peer courts)
 - EducationWorks as the service provider, as that organization houses the Youth Court Support Center
 - Youth courts are directly tied to the policy areas of school success and criminal justice.

In brief we make these recommendations for the following reasons:

There is a well-documented, well-defined “school-to-prison pipeline” in this country, particularly in schools serving low-income students.

The front end of this pipeline is the criminalization of student misbehavior in some instances. In other instances, it is suspending or expelling students from school for misbehavior.

Youth courts are an alternative to these school policies. They are an effective alternative for redirecting misbehaving students, based on principles of restorative justice.

In addition, students participating in youth courts develop numerous skills (e.g., determining facts, weighing competing claims, deliberating) which transfer to academic learning and school success. They also develop attitudes (e.g., respect for rules, accepting consequences) which will serve them well in school and beyond.

Independent researchers have documented these educational benefits and found that youth court participants showed increased trust in the justice system itself. This finding has enormous potential to improve relations between minority communities and law enforcement agencies.

May 8, 2015

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th floor
Harrisburg, PA 17101-2210

Re: Pay for Success Request for Information submitted electronically RA-PayForSuccess@pa.gov

Dear Ms. Anderson,

United Way of Greater Philadelphia and Southern New Jersey is pleased to submit our response to the Governor's request for information on Pay for Success for the proposed FY 16 budget process. United Way is a long standing partner in the Philadelphia region on many economic, health and human service initiatives that support the commonwealth's commitment to our residents.

As an intermediary with a strong and connected tradition of convening and engaging corporate and community partners to solve some of the regions most pressing issues we're positioned to engage in future Pay for Success conversations fully, and convene and facilitate further discussion to ensure resources are used in the most powerful and efficient ways.

Pay for Success is a promising model to achieve results at a community level because it's designed and focused on solving problems rather than on simply delivering services. By using private sector capital to incent and scale results-based work with a focus on solving problems rather than providing services there is a focus and intensity on getting results that's not typically present in purchased service or program grant arrangements. Through cross-sector collaboration and catalytic leadership we can take collective, results based initiatives to scale. United Way's experience and position can contribute to the development of a strong and results based Pay for Success model.

Among the Governor's priorities, United Way is particularly interested in and has a community agenda that aligns with:

- **Early childhood care and education**, including pre-kindergarten education and services that address maternal and child outcomes from pregnancy through age 2;
- **Education, workforce preparedness and employment**, including school-to-work programs, apprenticeship and on the job learning models, and industry-driven workforce partnerships;
- **Health and human services**, including addiction treatment, chronic homelessness, supportive housing and child welfare; and
- **Long-term living** and home- and community-based services particularly for seniors.

In response to the growing complexity of community needs and problems, no one agency or partner can solve the deep issues that face many of our state's leaders and communities. Over the last several years, our United Way has evolved a focus on investing in results to improve local communities by:

- Strategically investing Impact Funds in community programs and initiatives

- Implementing a public policy agenda to influence community change as educate, raise awareness and advocate for necessary changes in policy
- Developing capacity and leadership programs across the non-profit sector through the provision of training, technical assistance and support
- Cultivating additional resources to support and leverage our agencies' Impact work

United Way's role is primarily as an intermediary with a value add to "achieving lasting impact that none of us can do alone." We can do the work our provider and community partners don't have the time, capacity or bandwidth to conduct on a day-to-day basis including:

- Understanding regional and local pressing issues that impact the success of our most vulnerable community members
- Organizing quality convening; facilitate discussion amongst our wide network of external stakeholders toward building stronger communities
- Capturing the robust feedback of our wide network of external stakeholders
- Coordinating action-oriented follow-up; help connect dots and leverage agency, community and corporate resources toward driving social change across the region

The issues surrounding individual and family poverty are complex and deep. Our 2-1-1 experience demonstrates over and over from answering our callers' requests; there are typically multiple needs behind the presenting issue. That's why tested interventions that are comprehensive and often two generational are required to tackle some of our region's most challenging problems.

Large United Ways with significant staff and operational infrastructure have been successful in serving as the intermediary in Pay for Success models including Salt Lake City and Boston. United Way brings a strong track record of taking on big social initiatives, convening and managing multiple partners, implementing strong fiscal oversight and managing risk in the non-profit sector with experience in understanding success metrics. Partnership with a strong intermediary with broad corporate and community relationship and the ability to secure capital, act as the fiscal manager and convene a board of managers/partners to oversee and ensure results is important. Use of an intermediary can reduce limitations that governments often encounter in how they conduct business by structure and/or vendor relationships which often prevents igniting and growing new ways of doing business.

Priority should be given to models that incentivize success and limit risk by supporting only tested, evidence based intervention models that include holistic and integrated service delivery such as Nurse Family Partnerships, Home and Healthy for Good and Medicaid expansion, Career Pathways education and job training support for low-income adults on public assistance.

Strong Pay for Success models include*:

- Key partner collaboration on original proposal
- Tested intervention models; evidence based practices
- Recognition by key partners and collective that the model is not about services but about trying to solve problems
- Collectives and solutions includes broad network of partners/providers for comprehensive supports to proposed problem and solution
- Payer sources include government (pay only for success), private (debt capital) and philanthropic dollars – highly leveraged and tie debt capital to philanthropy
- Face forward finance lead – needs to talk with investors and partners

- Tie increased success measure with increased ROI, i.e. in Boston, 80% success rate recovers investors capital, 85% success rate yields 3.3% return and 90% success yields 5.33%
- Deal includes oversight by strong finance team
- Are anchored by a strong intermediary such as UW
- Possible LLC to limit risk and liability
- Community level goal targets from the outset
- Make room for reasonable planning time i.e. from conception to actual implementation
- Strong evaluation partner and common form of measurement across partners

Ongoing challenges to manage include*:

- Time – requires planning time and the results are over 5 years or longer
- Risk
- Legal concerns – requires legal counsel
- Complexity of financial management and oversight
- Need to carefully define and hit success metrics

*includes lessons learned from United Way of Massachusetts Bay and Merrimack Valley and United Way of Salt Lake City at 2015 CLC

Despite the challenges, the Pay for Success model offers an opportunity for PA to get out in front of some of the state's most complex social issues and leverage innovation and resources to drive results at scale. We look forward to continued Pay for Success conversations and the opportunity to build a stronger Pennsylvania with our partners across the state.

Please let us know if you have questions or need additional information. We look forward to continued conversation on this innovative and promising way of incentivizing initiatives that get results.

Sincerely,


Kevin Dow
Senior Vice President, Impact

Copy: Jim Cawley, President and CEO

Good Afternoon,

Manchester Academic Charter School proposes a Pay for Success contract that will fund the Owleus Bullying Prevention Program in PA Schools.

Best,

Ciera

Ciera Marie Young
PULSE Fellow
External Affairs Coordinator
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“Deal with yourself as an individual worthy of respect, and make everyone else deal with you the same way.” – Nikki Giovanni

Request for Information # OB 2015-1
Pay for Success Initiative
Commonwealth of Pennsylvania

Project HOME response:

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

Priority Policy and Service Interventions

- Permanent supportive housing for chronically homeless individuals (who may or may not be “super-users” of physical/behavioral health services, prisons, or other crisis resources)
- Permanent supportive housing or rapid rehousing for young adults who are homeless and/or aging out of foster care or coming from other institutional settings (residential treatment, juvenile justice, group home, and others)
- Long-term living and home- and community-based services for older adults who are aging in place in permanent supportive housing and need additional supports (not nursing home level), but cannot pay for personal care/assisted living because cost is prohibitive
- Supported housing for people who are homeless and medically fragile (may be long- or short-term condition)
- Housing paired with employment for people who are homeless and whose primary barrier is addiction.

We believe that in order to appropriately target individuals in a pay-for-success housing program, a mix of housing and services interventions is critical. These housing interventions should range from safe havens, to scattered site housing first, and facility-based permanent supportive housing in order to meet the unique needs of individuals in the target cohort. An array of services should be offered as well, ranging from free showers to the mental health and addiction specific case management. Further guidance and funding should be made available for Medicaid-reimbursable case management services, specifically those for individuals with a primary substance use diagnosis.

There is evidence that supportive housing saves money across the country. Most recently, a UNC Charlotte Report indicated that creating 85 units of housing serving people who were homeless saved the County \$2.4 million over two years. Moore Place, an 85-unit housing complex for people whose disabilities and long-term addictions keep them living on the streets for years at taxpayers' expense, found that tenants made 648 fewer visits to emergency rooms and spent 292 fewer days in the hospital (at taxpayer expense) after they moved into apartments.¹

While there are myriad potential excellent projects, we are aware of two specific efforts that are ready and interested to engage in a PFS effort more deeply, PPECSH and a partnership among City agencies. Both are described below.

¹ [Charlotte Observer, Mark Price](#)

We propose pairing investors who have already committed to Project HOME through the Middleton Partnership (11 investors, at least \$1 million each, plus any new investors) with our Philadelphia Partnership to End Chronic Street Homelessness (PPECSH), which we believe saves money by permanently housing people with long-term street histories. The Middleton Partnership began with a multimillion dollar private gift, which challenged us to end and prevent chronic street homelessness in Philadelphia.

The Philadelphia Partnership to End Chronic Street Homelessness (PPECSH) includes Bethesda Project, Pathways to Housing PA, Horizon House, and Project HOME. These organizations have identified roughly 1,4000 individuals who we believe comprise the most vulnerable street homelessness individuals and are working to target housing, services, and outreach to them. Together, the partners operate over 1,573 units of supportive housing and represent a range of housing and service models and interventions.

In its first two years of operation, PPECSH permanently housed 411 of its target cohort (with another 197 indoors in non-permanent housing). 90 percent of List individuals housed by partners have retained housing for one year or more.

We propose that evaluation of PPECSH be based on savings from one (or both) of two possible sources. One is the behavioral health managed care organization, Community Behavioral Health (CBH), which is operated under the Department of Behavioral Health and Intellectual disAbilities (DBHIDS). The other is the largest and longest-contracted nonprofit HMO, Health Partners, which works with the City and its behavioral health clients. We would like to explore which has the best potential cost savings as a partner in this plan.

One other current possibility is that the City of Philadelphia is working with the Philadelphia Prisons System (PPS) to integrate data from corrections/prisons with data from the homelessness system to determine the overlap and track/target individuals more appropriate. This collaboration will give the community the opportunity to transform both the homeless and criminal justice systems to increase housing stability, reduce recidivism, break the cycle of multiple crisis service use, and ultimately save public costs as well as lives.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

It is commonly accepted across the country and in Philadelphia that permanent supportive housing is highly cost-effective. University of Pennsylvania professor Dr. Dennis Culhane, is often cited as a national leader in homelessness research. Based on Culhane's research, Project HOME created a report, *Saving Lives, Saving Money*, which demonstrates the cost-effectiveness of permanent supportive housing when compared to other interventions. Dr. Culhane's research found that on average, a person who was chronically homeless used \$7,455 per year in [a narrow set of] publicly-funded behavioral health, corrections, and homelessness services, which totaled approximately \$20 million annually for the chronically homeless population of Philadelphia for 2000–2002. However, the most costly quintile of the chronically homeless population used more than \$22,000 in just these services (a limited subset of all public systems) during this time.

(<http://homeless.samhsa.gov/ResourceFiles/Poulin.2010.pdf>)

(Although these studies indicate significant cost savings with permanent and long-term solutions, some of the savings may not be immediately realized. Chronically homeless individuals may actually incur more health care costs, for instance, immediately after being housed because of an increase in connectedness, insurance, and access to services, but there is a general belief that over a ten-year horizon they will incur fewer costs. An exact return on investment period would need to be explored.)

Careful attention should be paid to minimizing bureaucratic procedures/red tape that may get in the way of successfully implementing a program or pose substantial barriers for organizations to be involved.

Projects that propose savings to multiple systems should be facilitated with support from the Commonwealth to develop data-sharing agreements with municipalities that make this possible. (See “Lessons Learned” below.)

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

The Commonwealth should prioritize providing a high-quality product that successfully and measurably improves the lives of people experiencing homelessness while saving money and improving communities.

Investment in permanent supportive housing and long-term solutions savings money, creates a higher quality of life for participants, and is good for the community. Permanent supportive housing savings cost to public systems by diverting individuals from expensive and cyclical crisis system use. Over time, health costs (physical and behavioral), shelter costs, and criminal justice costs (including police time, court costs, and jail/prison) all decrease. The link between poverty, access to health care, and homelessness is well-established; poor health is both a cause and a result of homelessness. There are fewer adverse health outcomes associated with permanent housing and long-term solutions. Further, long-term costs of families involved in DHS decrease, and the positive outcomes increase as individuals retain housing (at Project HOME, 97% of individuals retain housing for one year or more). ***The Commonwealth should prioritize outcomes that demonstrate an increased linkage to services, overall increase in health, and housing stability.***

In addition to these cost savings, providing housing to people who were homeless benefits neighboring property owners and contributes to enhanced community vitality. As an example of how housing individuals who were homeless has far-reaching effects, a report by Wharton economist Kevin Gillen for Econsult Corporation demonstrated that Project HOME’s neighborhood presence was correlated with positive impacts to the net worth of property owners and to the City’s tax base and revenue². In 2011, Project HOME formally released an update of this report, “Estimating the Local Economic and Fiscal Impacts of Project HOME.” The study shows that during Project HOME’s 20 year history, its expansion and annual operations have generated a cumulative total of \$471 million in additional economic activity in Philadelphia County. The study shows that areas within a quarter-mile of Project HOME facilities enjoy, on average, a \$24,000 increase in housing wealth to neighbors, which translates into a \$10.6 million revenue boost to the City of Philadelphia to fund services. Similar analyses, conducted in the state of Connecticut by Arthur

²<https://projecthome.org/sites/projecthome.org/files/Project%20HOME%27s%20Economic%20and%20Fiscal%20mpact%20on%20Philadelphia%20Neighborhoods.pdf>

Andersen in 2002 and in New York City by New York University in 2008, examining the impact of supportive housing programs, also found a positive correlation between supportive housing programs and property values in surrounding communities.³

For a program targeted at people who are homeless and have a health condition, savings would most likely be realized in city-funded healthcare services and/or through a Medicaid managed care organization (or group of MCOs). We believe that use of services paid for by Medicaid and/or insured by Health Partners – crisis physical and behavioral health services, case management, treatment services, and ongoing physical health costs – would decrease. Though there may be an initial increase, as people become housed, experience stability, and begin to utilize medical and behavioral health services, cost of medical care would decline.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

In order to achieve the fullest savings and ensure a smooth and seamless delivery of programming, the Commonwealth should partner with local government entities. For instance, partnering with housing authorities saves resources at multiple levels of government, as does partnering with Medicaid entities. Specifically, in Philadelphia the Commonwealth should work with the City of Philadelphia and its Office of Supportive Housing (OSH), Department of Behavioral Health and Intellectual disAbilities (DBHIDS), Community Behavioral Health (CBH), Mayor’s Office of Community Empowerment and Opportunity (CEO). CBH, in particular, already represents a national model for partnership between the City and the State and its role in serving people who are homeless – and reinvesting the systems savings that result -- should be increased. The Commonwealth should also work with Public Housing Authorities, and we can explore the overall economic impact of public housing on the health and other systems costs for residents before and after entering public housing.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

- Data integration should be designed up front, with the broadest possible interpretation of “coordination of care” and with the best intention for meeting the multiple needs of program participants. It is especially important to integrate data across systems: homeless, health, and corrections/criminal justice systems and to share with providers bidirectionally to get a fuller picture and provide better coordination of care
- Research partnerships should be explored to provide the greatest evaluation, process improvement, and analysis at the least cost. At times, researchers with local universities have been able to access City-provided data for cost savings or service usage evaluations. Pittsburgh/Allegheny County has some models and lessons learned from these research partnerships.
- Cost savings across systems, not just one system, should be considered. Philadelphia’s integrated data system – CARES – should be able to provide data on a person’s total City-systems cost (shelter, foster care, police/prison, Outreach, behavioral health, detox, etc.) before entering permanent housing and after and able to compare the two.

³<https://projecthome.org/sites/projecthome.org/files/Estimating%20The%20Local%20Economic%20And%20Fiscal%20Impacts%20Of%20Project%20HOME.pdf>

- Invest in programs and solutions that promote healthy communities, are holistic, and lead to sustainable upstream solutions. Leverage this opportunity by investing in solutions that address current homelessness and stem the tide into future homelessness
- The Nonprofit Finance Fund, Corporation for Supportive Housing, and others have been monitoring housing-related activities in other states and could serve as a resource as Pennsylvania designs its program.

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

- The United Kingdom (UK) has robust social impact financing programs. More information, guidance, and examples of their work can be found at http://data.gov.uk/sib_knowledge_box/
- In the United States, the earliest examples of this type of financing were in New York City and targeted recidivism in prisons. However, recently more housing-related programs have appeared in other states. Three promising examples include:

Denver

- City identified 300 homeless individuals who are "high utilizers" of public resources; estimated cost to city of \$11 million per year (hospital visits, run-ins with the police, and detox). Existing evidence from other locations shows that supportive housing "can reduce long-term spending on emergency services such as shelter, emergency hospital services, police, court and jail services -- and get better outcomes for the individuals.
- 6 year initiative targeting 200-300 people (mostly chronically homeless)
- Denver is planning to raise \$8-15 million⁴, but this money is for operating costs -- not for the housing itself⁵

Massachusetts

- Targeted at chronic homelessness. Will provide 500 units of stable supportive housing for up to 800 chronically homeless individuals over 6 years (there are 1,500 chronically homeless in the state); saving shelter and Medicaid costs
- Includes \$1 million in philanthropic funds and \$2.5 million in private capital from Santander Bank N.A., the Corporation for Supportive Housing, and United Way of Massachusetts Bay and Merrimack Valley.
- Success is defined by stable housing for at least one year of chronically homeless individuals in the initiative. Success payments could total up to \$6 million (repay investors and pay for evaluation and intermediary costs). Maximum return to investors is 5.33%
- This is the second initiative launched in Massachusetts; the first was a \$27 million Juvenile Justice initiative (allegedly the largest SIB in the country). They are also proceeding with an adult education SIB.

Cuyahoga County⁶

⁴ <http://www.merage-equitas.org/wp-content/uploads/2014/10/Denver-SIB-Summary1.pdf>

⁵ http://www.denverpost.com/headlines/ci_27388251/denver-homeless-initiative-would-be-latest-tap-social

⁶ <http://payforsuccess.org/resources/details-released-cuyahoga-county-social-impact-bond>

Project HOME RFI Response

- The goal is to decrease the number of children from homeless families entering foster care system by providing housing and mental health support for homeless mothers. The foster care costs are \$35 million annually.
 - 135 families over 5 years will get intensive 12-15 month treatment⁷
- The County hopes to raise \$8-9 million with returns of approximately 2% - \$5 million max in success payments; 5 year term

⁷ <http://www.thirdsectorcap.org/our-work/cuyahoga-county-pfs/>

Request for Information # OB 2015-1

Pay for Success Initiative
Commonwealth of Pennsylvania

Overview

Decades of research have demonstrated that public investment can improve the lives of Pennsylvanians while simultaneously strengthening the state's bottom line. From pre-kindergarten – where every \$1 in public funding generates more than \$7 in government savings and benefits – to criminal justice – where reducing recidivism avoids costs and improves public safety – there are opportunities for evidence-based investments across state government.

Pay for Success performance contracts – also known as “Social Impact Bonds” – provide an innovative strategy to finance these proven programs through public-private partnerships. Pay for Success contracts are rigorous, binding agreements based on a straightforward proposition: taxpayers will only pay for services that actually get results and save money in the long-run. The strategy enables the state to fund programs and services that improve economic opportunity, health and safety that it otherwise might not be able to afford in the short-term, and it directs funding toward programs that have a strong evidence base and record of effectiveness.

Pay for Success (PFS) projects on homelessness, early childhood education and recidivism are currently underway in six states, counties and cities across the country, and many more are in development.

Pay for Success in Pennsylvania

Governor Wolf's FY2015-16 Executive Budget includes proposed legislation that would enable the Commonwealth to enter into Pay for Success contracts.

The Governor's proposal further identifies five high-priority areas for possible Pay for Success initiatives:

- **Early childhood care and education**, including pre-kindergarten education and services that address maternal and child outcomes from pregnancy through age 2;
- **Education, workforce preparedness and employment**, including school-to-work programs and alternative education services;
- **Public safety**, including programs that reduce recidivism;
- **Health and human services**, including addiction treatment, chronic homelessness, supportive housing and child welfare; and
- **Long-term living** and home- and community-based services.

These public-private partnerships would be selected on a competitive basis, and payment would only occur after rigorous evaluation and validation by an independent, third-party

evaluator. Payments would be tied to specific and agreed-upon performance-based goals set forth in the contract.

How Pay for Success Works

Under Pay for Success, the State selects the programs and sets the targets; private investors supply the operating funds for service providers; and government repayment occurs only if and when savings and other benefits are achieved:



Important considerations include:

- **The role of the intermediary.** In establishing a PFS contract, states often contract with an intermediary, who is in turn responsible for raising capital and contracting with the mutually agreed upon service provider.
- **A stable expansion path for service providers.** One of the major advantages of a PFS contract is that it provides stable, multi-year funding for a proven service provider. For this arrangement to be successful the intermediary must be able to demonstrate the ability to raise adequate capital and the contract must advance this goal.
- **Appropriate payment terms.** In a PFS contract, investors are repaid only if the pre-determined savings and other benefits are achieved. The threshold for generating investor repayment is set at a level that ensures the state only pays if performance objectives are achieved. Payments increase as the savings/benefits to the state increase, and payments never exceed the savings/benefits that are produced. This approach places the risk on private investors, rather than taxpayers.

Request for Information

The Commonwealth of Pennsylvania is requesting feedback on the following questions:

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).

High-quality early learning programs in a variety of settings, including family child care, center-based care, and pre-k programs, are proven to prepare children for long-term school success. Longitudinal, peer-reviewed research shows sustained investments in high-quality

(vs. low quality or custodial care) programs are shown to reduce special education costs in K-12 systems, increase high school graduation and college attendance rates, and reduce criminal justice costs.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

A fundamental consideration is how the value of the outcome is determined, what entity/entities have accrued savings as a result of success, and who will pay out. For example, if high quality early childhood education correlates with lower special education placements in public schools in the following years, will the public schools acknowledge the correlation and pay something out of the cost savings they realize? Or will the state lower its contribution to the schools based on the assumption that their costs are now lower? If criminal justice activity decreases in subsequent years, will the state acknowledge that correlation and savings and pay out toward the original investment? If an individual is able to graduate, go to college and earn more, will that person acknowledge the correlation and personal financial benefit and contribute to the payment?

As these issues get worked through, the type of high quality early childhood interventions that would be appropriate for such a funding model may become more apparent.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

What types of outcomes should payments be based upon and how should they be measured?

In terms of the application of the Social Impact Bond concept to investment in high quality early childhood education programs, our main concern centers around how good outcomes are determined. If outcomes were based on standardized tests, this would be an enormous step *backward*; by supporting the growing tide of “teaching to the test”, such an assessment would violate the basic principles of high quality early education, which focuses on developing children’s social-emotional intelligence and executive function skills as foundational to successful learning in the longer term. We would urge that outcomes be determined by attention to the skills and abilities that are outlined in the “Social-Emotional” and “Approaches to Learning” sections of well-regarded early childhood assessments. OCDEL’s Kindergarten Entrance Inventory provides one such model.

We believe that the real “ROI” is not reliably measurable until children transition from early childhood settings to elementary settings, up to and including grade 3 or 4. An Individualized Education Program (IEP) at Kindergarten can serve as one outcome in a child’s early learning trajectory, and highly valued and peer reviewed early childhood

assessments show that at grades 3 and 4 we can clearly distinguish executive functioning capacity which directly impacts a child's academic outcomes. We recognize there are multiple opportunities to assess a child's positive early childhood outcomes and that rigorous discussion will need to occur to determine the most developmentally appropriate course to address ROI for the investing community while sustaining a quality early learning-elementary school transition for all children.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***

Describe program structure issues that should be taken into account in the development of such contracts.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

RFI Schedule

- March 24, 2015: RFI released
- May 8, 2015: Responses due
- June 4, 2015: All responses to be posted for public review

Submission Instructions

Please submit responses electronically to RA-PayForSuccess@pa.gov or to the Contact listed below.

Confidential Information. The Commonwealth is not requesting, and does not require, confidential proprietary information or trade secrets to be included as part of Respondents' submissions in response to this RFI. Accordingly, except as provided herein, Respondents should not label their submissions as confidential or proprietary or trade secret protected. Any Respondent who determines that it must divulge confidential proprietary information or trade secrets as part of its response must submit a signed written statement to this effect in accordance with 65 P.S. § 67.707(b) for the information to be considered exempt under 65 P.S. § 67.708(b)(11) from public records requests, and must additionally provide a redacted version of its response, which removes only the confidential proprietary information and trade secrets, for required public disclosure purposes.

Respondents to this request shall not be deemed to be providing recommendations as an advisor or consultant to the Commonwealth for purposes of the State Adverse Interest Act, 71 P.S. § 776.1, *et seq.* The Commonwealth will evaluate the information presented and determine any subsequent course of action. This course of action may consist of further contracting for implementation of Commonwealth determined work. Such work may be procured through any lawful method available, and respondents to this request may be considered for selection to perform this work.

Respondents are solely responsible for all expenses associated with responding to this RFI.

Questions Regarding this RFI

Please direct all questions to RA-PayForSuccess@pa.gov or to the Contact listed below by April 6, 2015. Questions and answers will be posted for public review on the Office of Budget website by April 13, 2015.

RFI Contact

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th floor
Harrisburg, PA 17101-2210
(717) 787-5311

Dear Traci,

On behalf of the Chester County Intermediate Unit, I am submitting the following response to the Request for Information # OB 2015-1, Pay for Success Initiative.

I am happy to answer any questions or provide additional information.

Best wishes,

Noreen

Noreen O'Neill, Ed.D.

Assistant Director

Innovative Educational Services, "*Innovative Leaders Empowering All Learners*"

Chester County Intermediate Unit

610-235-7629 (cell) or 484-237-5062 (office)

❖ **What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?**

A variety of educational and public service policy areas and interventions would be excellent candidates for Pay for Success contracts. These areas and interventions include:

- Early childhood care and education, including pre-kindergarten education and services that address maternal and child outcomes from pregnancy through age 2;
- K-12 Education services, including workforce preparedness and employment, school-to-work programs
- Educational intervention programs such as alternative education, special education, and other customized educational programs

Pennsylvania's Intermediate Units should be considered as promising candidates for Pay for Success contracts.

❖ **What considerations should the Commonwealth take into account in structuring Pay for Success contracts?**

Considerations that the Commonwealth should take into account when structuring Pay for Success contracts should include:

- track record of success addressing the identified issue
- ability to collect metrics
- ability to implement programs at a scale that makes a significant impact demonstrated expertise
- availability of other resources and partners to support the initiative: educational resources, leaders in the field, public commitment, parental support, etc.

❖ **What outcomes should the Commonwealth prioritize in Pay for Success contracts? What types of outcomes should payments be based upon and how should they be measured?**

Prioritized outcomes related to Pay for Success contracts focusing on education could include:

- higher test scores
- number of students who continue to next grade
- number of academic summer programs
- decreased drop-out rates
- increased graduation rates
- increased attendance
- lower teacher turnover
- parent engagements (PTA size, attendance at parent-teacher conferences)
- teacher qualifications (number of certifications, level of educational achievement)
- School Performance Profile score
- public educational events

❖ **Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?**

Yes! There are multiple opportunities to partner with local governments, including county and municipal governments. These areas of impact could include educational delivery, property taxes, chambers of commerce, police, sanitation departments, hospitals and healthcare, welfare, public housing, and unemployment.

❖ **What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?**

Yes. Some examples are listed below:

- This successful PFS initiative in Chicago for pre-kindergarten: <http://payforsuccess.org/sites/default/files/chicago-sib-fact-sheet.pdf>
- This program for incarcerated youth in NY: <http://payforsuccess.org/new-york-state>
- This Salt Lake City preschool program: <http://payforsuccess.org/resources/goldman-pritzker-united-way-team-latest-sib-pilot>

❖ **What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?**

In recent years, Pennsylvania's Intermediate Units have intentionally modeled successful partnerships with private sector partners. These partnerships may be leveraged to develop Pay for Success agreements.



CLARE OF ASSISI HOUSE
33 Moore Rd, Mohnton, PA 19540
610-856-1402
robinbal@dejazzd.com

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th floor
Harrisburg, Pa 17101-2210

Dear Ms Anderson:

Secretary John Wetzel afforded our organization the opportunity to participate in the **Request for Information (#OB 2015-1)** on "Pay for Success" opportunities.

As the Director of Clare of Assisi House, I believe our mission is directly in line with the goals of the Pay for Success initiative and our organization would be very interested in responding to a Request for Proposals as a service provider or subcontracted provider once the initiative rolls out

Clare of Assisi House is a faith based non-profit organization located in Berks County. It is the county's first facility dedicated to the successful re-entry of women ex-offenders and the only one providing long-term transitional housing. The goals of the organization are to reduce recidivism and build a stronger, safer community. We plan to achieve these goals by first providing long-term supportive housing to non-violent women leaving prison who frequently find themselves homeless and without the necessary support systems to achieve independent self-sufficient lifestyles.

In order to achieve these goals, we are building a strong community coalition by partnering with county and non-profit community agencies, thereby leveraging existing resources that will provide participants with a spectrum of services ensuring their success. This coalition will provide comprehensive employment training and job placement services, opportunities for furthering education, case management and human services for those needing counseling or addiction support, and assistance to clients reuniting with their children and families. Clare of Assisi House is also developing a strong collaboration with other congregations representative of the multiracial and multiethnic population of the city of Reading and the greater community of Berks County.

In response to the Commonwealth of Pennsylvania's request for information, please consider our answers to the following questions:

1. *What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?*

One critical policy area already identified as a “high priority” by Governor Wolf is that of public safety. In order to improve public safety, Pay for Success initiatives should include adult re-entry programs, specifically those demonstrating or having the potential to reduce recidivism, build stronger communities and lead to further economic growth. Service providers would naturally include state and county agencies, but might benefit by the participation of community agencies including non-profit, faith-based organizations either as direct contractors or sub-contractors on an award.

Evidence supporting this recommendation can be found in the U.S. Department of Justice *Guide for Developing Housing for Ex-Offender* <https://www.ncjrs.gov/pdffiles1/203374.pdf> which uses as a case study Harriet’s House located in Raleigh, North Carolina. Harriet’s House was created in 1992 by women in Raleigh’s faith community and provides housing and support services for women leaving prison who have realistic goals of regaining and maintaining physical custody of their children. The overall goals are self-sufficiency and reduction of recidivism. The program includes three phases: a pre-release component, while women are still in prison; a one year transitional component during which the women receive housing subsidized by the program and support services; and an after-care component.

Harriet’s House became part of a much larger endeavor in 1993 now known as Passage Home Incorporated <http://www.passagehome.org/>. The Passage Home mission is to bring area churches together to help strengthen low wealth families and neighborhoods using a community economic development strategy that includes helping families in transition, developing affordable housing including home ownership opportunities, creating economic opportunities that build family self-sufficiency and assets in low wealth neighborhoods and by encouraging the spiritual well-being of the communities served.

We believe that the Pay for Success initiative will provide organizations like the Clare of Assisi House and its growing coalition of county, community and church partners to accomplish similar results and become a model for success in the Commonwealth of Pennsylvania.

2. *What considerations should the Commonwealth take into account in structuring Pay for Success contracts?*

One consideration should focus on eligibility to apply. While individual service providers could apply, it might better serve this initiative to give higher priority to proposals submitted by a collaboration representing state and county agencies, community agencies, educational partners, and non-profit service providers. In order to achieve a successful transition from prison the contract duration should be for at least 36

months with an option to renew for another 36 months based upon success. This would allow for at least 18-months per participant or the ability to allow two cohorts to complete the recommended program and achieve self-sufficiency. Contractors and subcontractors should complete reports every six months for the duration of the contract with a final report at the end of the three-year contract. Milestones and benchmarks of success should be outlined for each six-month period and contractors should be able to demonstrate a high percentage of participants reaching these benchmarks in order to renew the contract at the end of the three year period.

Payments should be processed quarterly based on achievement of identified milestones. Milestones for a re-entry program might be evaluated in phases with Phase I (30 days), Phase II (30 – 90 days), Phase III (3 – 12 months), Phase IV (12 – 18 months), and a period of Aftercare (18 – 24 months). Milestones for each phase would be agreed upon between contractor and awardee before the contract begins.

3. *What outcomes should the Commonwealth prioritize in Pay for Success contracts?*

A community-based re-entry program rich with intense supervision and therapy can cost as little as \$5000 - \$7000 per participant and payments should be based on achieving specific outcomes. Potential outcomes for the Clare of Assisi House program or another adult re-entry program might include:

- Increased awareness for the special concerns facing women ex-offenders as they transition into and become contributing members of our community and responsible citizens.
- Strengthening our existing coalition and together with our community stakeholders developing a long-range plan that makes best use of existing resources and expands our capacity to deliver exceptional support services.
- An increase in the number of female ex-offenders who successfully find gainful employment providing a livable wage with opportunity for further advancement.
- A reduction in the county percentage of women re-entering the community who are in need of safe and affordable transitional housing while increasing the level of independent living achieved by program participants.
- A lower percentage of physical and mental health related obstacles to success for program participants such as sexually transmitted diseases, drug dependency and hepatitis C, depression, poor nutrition and dental hygiene.
- A reduction in the recidivism rate and the number of parole violations among program participants in comparison to non-participants.

Outcomes should be measured using both quantitative and qualitative data collection strategies. Ideally an external program evaluator should assist with the data collection measuring these outcomes, and should also perform the final program assessment to be submitted to the State.

For example, Clare of Assisi House plans to measure the project's impact in several ways. Monies spent, in terms of cash and in-kind contributions to support the program

outcomes will be compared to current local costs associated with incarceration for the same period. In addition, program reporting will provide comparisons between participant outcomes and local and nationwide data related to health related obstacles and recidivism. Potential outcomes will also be measured by tracking the number of participants, who develop a work/education plan, secure employment, become financially responsible as evidenced by partial or full payment of rent, and setting up savings/checking accounts. Participant sobriety and attendance at 12-step recovery program will also be tracked, as will the number of participants discharged. Increased community awareness will be measured by the number of participants attending community focus groups and their level of involvement in developing a long-range plan for program sustainability. Secondary impacts will be able to be noted in less measurable, but definable areas such as participants' re-engagement with their children and families, other healthy support networks, and within the local community.

4. *Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?*

The Commonwealth would benefit from partnering with local government entities and agencies for contracts involving partners that leverage already existing resources. For example, the Board of Directors and Executive Director of Clare of Assisi House have been meeting County officials and with key constituents within the community to build support for our project. We envision that our coalition will be broad based and involve many stakeholders and service providers. Those expressing preliminary support include but are not limited to the Berks County Department of Corrections, Berks Connections/Pre-Trial Services, Berks Women in Crisis, Berks County Children and Youth Services, Berks Drug and Alcohol Council, Berks Coalition to End Homelessness, Berks County Housing Authority, Berks County Transitional Housing Corporation, Neighborhood Housing Services of Reading, Saint Joseph Regional Health Network, Catholic Charities, Centro Hispano, Alvernia University, Reading Area Community College, Penn State Berks, Berks Career Training Institute, Mary's Shelter, St. Peter's Parish (Reading), St. Benedict's Parish (Mohnton), and Christ Episcopal Church (Reading).

5. *What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?*

There are several examples of Pay For Success projects including Requests for Proposals that might provide valuable insight and should be taken into consideration as the Commonwealth develops its program. For example, the state of Michigan issued a Request for Proposals in August 2014 which includes a timeline for submission, information about the pre-proposal meeting and details outlining the initiative and information regarding the review and award process. This and several others can be located on the Nonprofit Finance Fund website and US Activity page for the Pay For Success Initiative <http://payforsuccess.org/pay-success-deals-united-states#mi>

6. What other information would be useful to the Commonwealth of Pennsylvania in preparing for a formal request for proposals for Pay for Success contracts?

The Commonwealth might want to consider including a ranking system in its Request for Proposals that rates proposals or uses a points system based on how many of the “high priority” areas will be addressed as well as the strength of the collaboration or partnership. The Commonwealth may also want to consider whether awards will be made to individual applicants or require partnership and collaboration. It should also allow faith-based organizations to participate as either contractors or subcontractors given the important role they play in transforming communities

We appreciate the opportunity to respond to the Commonwealth’s Request for Information regarding Pay for Success Initiatives and would like to be included on further communications regarding planning for this important program.

Respectfully,



Robin Ball
Director/Board President
The Clare of Assisi House

Pay for Success

As an operator of a for-profit childcare and early education center in existence since 1989, I believe service providers engaged, primarily, in subsidized schooling and daycare, and interested in expanding their operations, should receive the bulk of financial aide provided they can pass muster after being scrutinized by objective, third-party evaluators. More on this vetting procedure later in this piece.

In the twenty-six years we've been doing this, our company has grown steadily. Our Mission has always been to furnish state-of-the-art early education and childcare to at-risk families and their children. We aimed to develop the type of facility normally found only in more affluent areas. We were well aware many providers ran their subsidized operations like factories, more concerned with keeping operating costs at a minimum rather than being willing to trade profits, when necessary, for quality care. Call them baby-sitting services, call them baby mills, they are mainly concerns operated by people tightly focused on profits for their investors, rather than attempting to raise the level of childcare and early education for low incomes families. Dipping into the subsidy money trough, as I'm certain you are aware, is an attractive lure for profiteers, no shortage of which exists.

I pledged my personal fortune, gathered after having been in an unrelated business in the Philadelphia area since 1970, to this mission. I managed, over that time, to acquire commercial real estate which I threw into the mix. The result is a twenty-four thousand square foot facility in a single building on an acre and a half of ground in the West Hunting Park section of Philadelphia, entirely devoted to the Mission. We presently service approximately three hundred forty children from ages five weeks to grade four, although we're licensed to grade five. We own the building; our COO runs the facility; I managed the finances, and together we have had great success.

Appreciating how badly our version of this business is needed in this area [Greater Philadelphia Metro], we developed a plan to enlarge the existing facility and build four more strategically-placed centers. The plan was to purchase defunct industrial properties, renovate them into Supercenters, each servicing seven to eight hundred children, more if space permitted, and make a real difference by applying this basic business logic: given enough volume, subsidized schooling and childcare could be self-sustaining and still deliver high-quality childcare, hence the Supercenter concept.

During that time, we came to understand private investors simply weren't primarily interested in building great schools; only in making great profits, so attracting investors became a futile effort. Banks and other financing entities were willing to lend money, but only with personal guarantees. It did not matter, however, because our model could only service so much debt, as profits are necessarily limited by the high cost of actually delivering high quality services.

Early in the twenty-first century, we tried approaching large area corporations for grant money. After all, these behemoth companies are always in need of top notch people to hire, and a good way, we reasoned, for that to happen was for them to have a hand in developing these future new hires by investing in their early education. We spoke to many people. No one was interested.

"Pay for Success" sounds like a version of our plan with the added attraction, if I understand the concept correctly, of using public funds to pay the corporations and other large investors a financial return on their investments, provided there was a way to prove it was, in fact, a worthwhile venture.

Critical to this process, we believe, is stringent vetting of providers, in an effort to insure they possess the correct motivation and ability to pull off such development. They must prove through their track records they possess not only considerable experience in the childcare/early education field but also the ability to manage medium scale construction and renovation projects as well as grant proceeds. Too many projects financed with public or grant funds wind up down the drain due to mis-management by inexperienced or ill-intentioned individuals. Much effort would need to be expended before the first dollar is granted to insure against this sort of outcome.

What the State needs, what Philadelphia residents needs, what Philadelphia needs is to build more schools, not necessarily to produce investor-luring profits, but to place learning facilities, large enough to produce sufficient revenue to be self-sustaining, where most needed; to service the less fortunate families in ways previously only available to the affluent. To produce the necessary volume, the facilities need to be large, hence the Supercenter concept.

The Philadelphia area, once the industrial center of our nation, has a preponderance of industrial properties left to rot. We feel these could be recycled into Supercenters. I felt five or six facilities around the City would actually make a difference, each facility handling seven to eight hundred children. We even went so far as to design one for a property in an area of Philadelphia

designated as “greatly in need,” the conceptual designs for which accompany this letter. I was able to interest area banks and other lending institutions, but the proposed facilities could not generate enough profit to service that kind of debt. Profits would exist, enough to generate reserves in cases of unforeseen emergencies normally encountered in a childcare/early education operation, but not enough to lure serious investors or to service serious start-up debt.

So, it is the opinion of the writer, “Pay for Success” proceeds could best be used by funding the development and startup of these Supercenters. Those who have been involved in serious attempts to bring quality early education to underprivileged population centers, and who have taken a serious hit in recent years because of the foundering economy but have soldiered on, should be targeted first for assistance from “Pay for Success.” These are the folks who have attempted to provide quality care first, ahead of generating big profits. They are the serious ones.

But that’s not all it will take. Hand in hand with building facilities is staffing them. As a provider with twenty-six years of experience in this field, we have become sorely aware how difficult it is to find credible teaching staff, and a concerted effort to correct that situation needs to be part of this plan. We see that goal as feasible, but it will take money and training to make it happen. We feel teachers need badly to be educated, motivated and elevated, not only to make the field more attractive to potential educators, but to retain them, once arrived; to stop the transience so present in the field at this time, and to pay them on a par with the importance and the dire need for their teaching abilities.

Our plan includes creating training facilities within each Supercenter. The result would not only increase our ability to insure prospects actually receive the training, but also to allow the training to occur in the actual setting for which it is intended. Mentoring, oversight, fostering of new ideas empirically, not theoretically, is part of this plan. But more importantly, rewarding realistic compensation for teachers must be part of the financing mix. Just as “Pay for Success” intends to invest in long-range opportunities for children, it needs also invest in similar opportunities for teachers because without them, this project cannot work.

Early education teachers and TA’s need to know the training to which they commit will have rewards, not only the reward of learning to teach youngsters but real financial rewards, and not just by boosting salaries. Folks willing to embark on this worthwhile endeavor need their efforts to be rewarded with tax breaks and other perks created through legislation – legislation with teeth

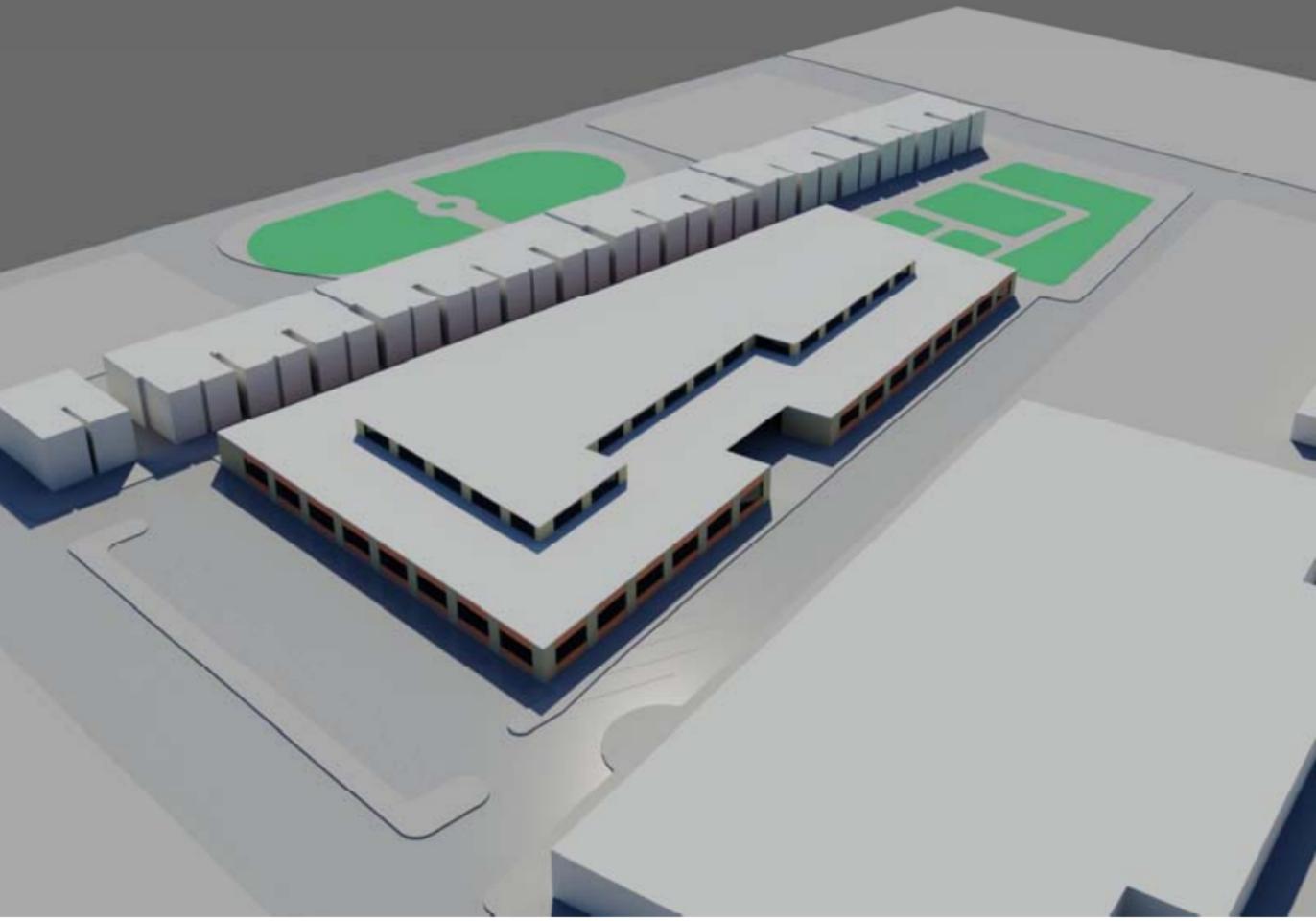
designed to be permanent, provided anticipated outcomes can be quantified, so that people who take part in the training and come to believe in the importance of the permanence of their position, never find themselves out in the cold because a subsequent administration decided to reverse all the good work. I am not a political animal and do not embrace what motivates politicians, but whatever can be done to insulate from the shifting winds of politics the good work you are attempting to accomplish with "Pay for Success" deserves to be done. Education is never not important; perhaps an amendment to the State constitution? One that mandates funding for quantifiable, quality early education, driven by serious, experienced people in concert with motivated educators.

We also feel part of the "Pay for Success" concept should be ongoing communications between grantors and recipients of those grants. They should be encouraged, not only to give money, but to get involved in the ensuing process; to stay in touch with the result of their investments; to show children and educators alike, money isn't simply pouring out of the ground but comes from concerned individuals and corporations willing to help improve the condition of early education.

As folks concerned with quality early education and childcare, finding ourselves embroiled in trying to survive in an often hostile financial and political environment, I can state from personal experience, serious granted funds for the purposes described here would be a Godsend. It would also benefit the grantors in the long run by developing a pool of young, educated, socialized would-be staff for their organizations, something I'm certain their HR departments would greatly appreciate.

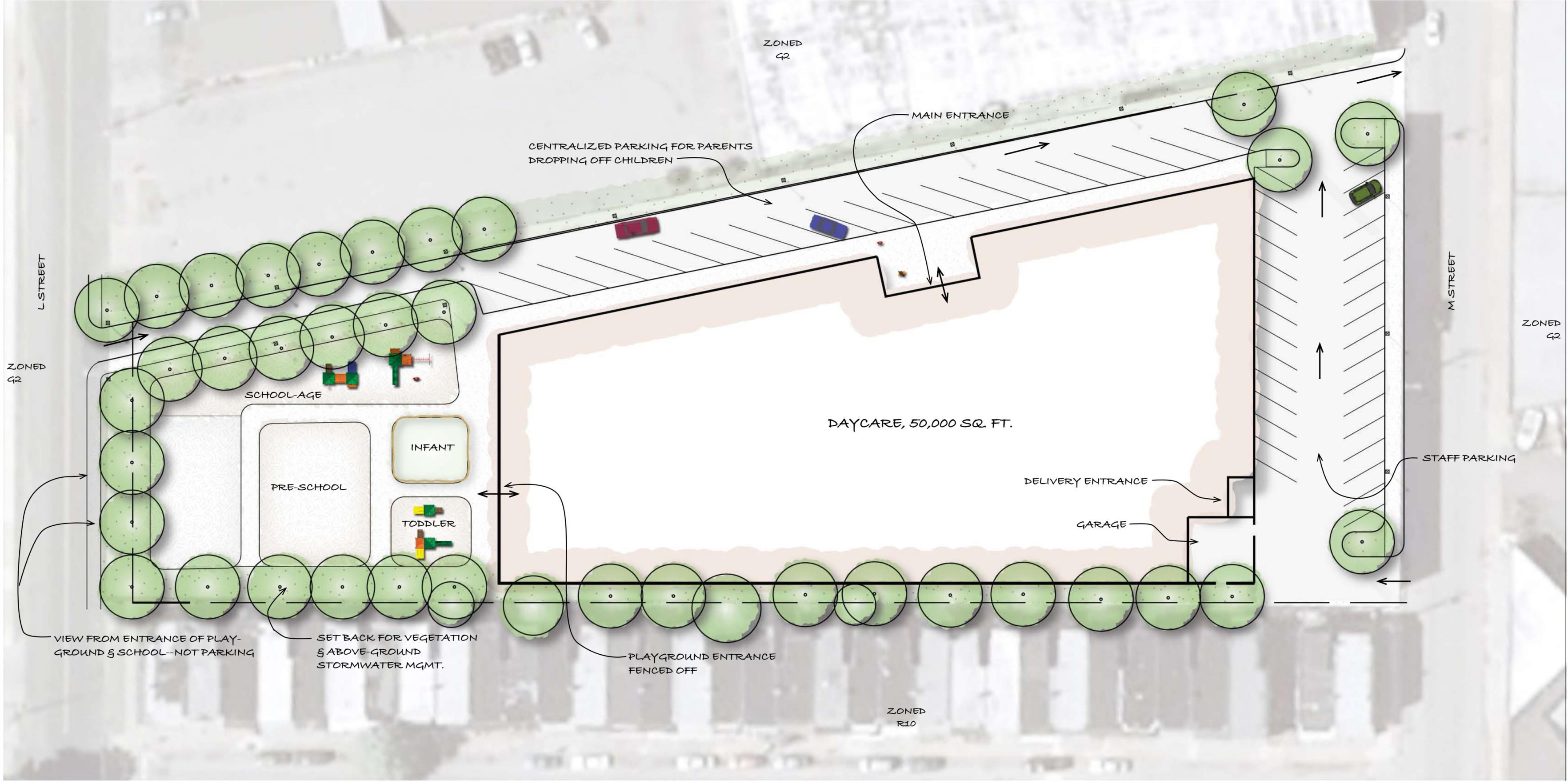
Peter Altman & Christine Viteo
Total Childcare Systems, Inc. dba
Prodigy Learning Center
3345 West Hunting Park Avenue
Philadelphia PA 19132

School Tel: (215) 228-7678
School Fax: (215) 228-9258
Mobile: (610) 389-0371
eMail: PAltman@AOL.com
www.ProdigyLearningCenters.com









ZONED G2

MAIN ENTRANCE

CENTRALIZED PARKING FOR PARENTS DROPPING OFF CHILDREN

L-STREET

M-STREET

ZONED G2

ZONED G2

DAYCARE, 50,000 SQ. FT.

SCHOOL-AGE

INFANT

PRE-SCHOOL

TODDLER

DELIVERY ENTRANCE

GARAGE

STAFF PARKING

VIEW FROM ENTRANCE OF PLAYGROUND & SCHOOL--NOT PARKING

SETBACK FOR VEGETATION & ABOVE-GROUND STORMWATER MGMT.

PLAYGROUND ENTRANCE FENCED OFF

ZONED R10

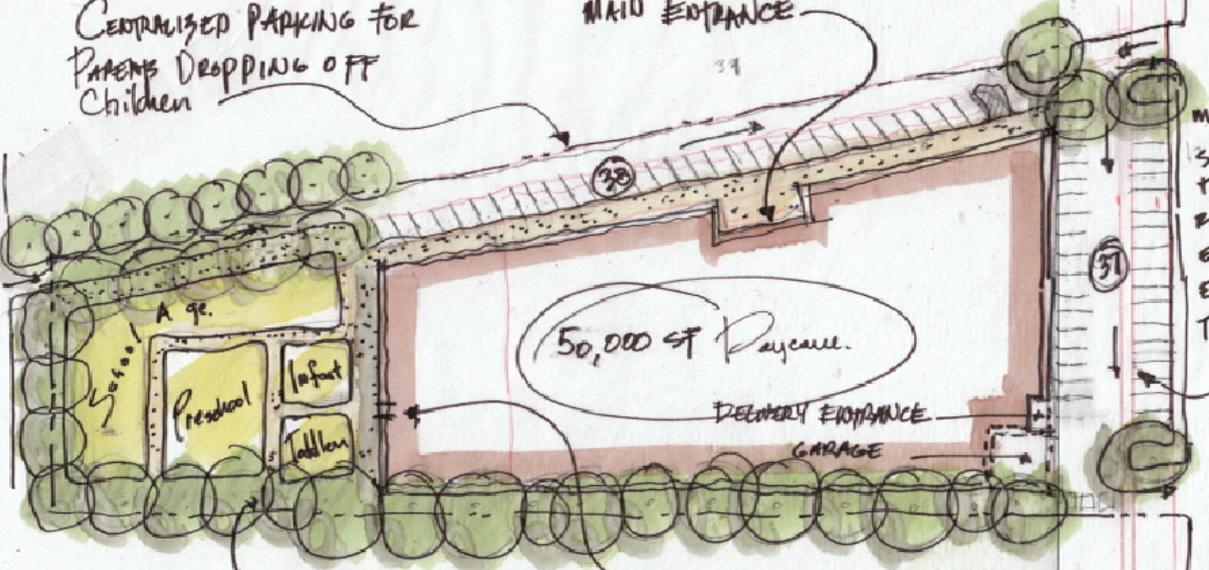
CENTRALIZED PARKING FOR PARENTS DROPPING OFF CHILDREN

MAIN ENTRANCE

L STREET

M STREET

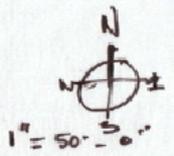
SMALL PARKING



VIEW FROM ENTRANCE OF PLAYGROUND & SCHOOL - NOT PARKING

SETBACK FOR VEGETATION & ABOVE GROUND STORM WATER MGMT.

PLAYGROUND ENTRANCE FENCED OFF



SPECIFICATIONS

PLAYING = 50,000 SF
 PARKING = 75 SPACES

INFANT PLAYGROUND = 35' x 35' OR 1,225 SF
 JUNIOR PLAYGROUND = 35' x 35' OR 1,225 SF
 PRESCHOOL PLAYGROUND = 55' x 65' OR 3,575 SF
 SCHOOL-AGE PLAYGROUND = 6,600 SF

Sketch Plan # 8
 FOR PROJECT L.C. #2

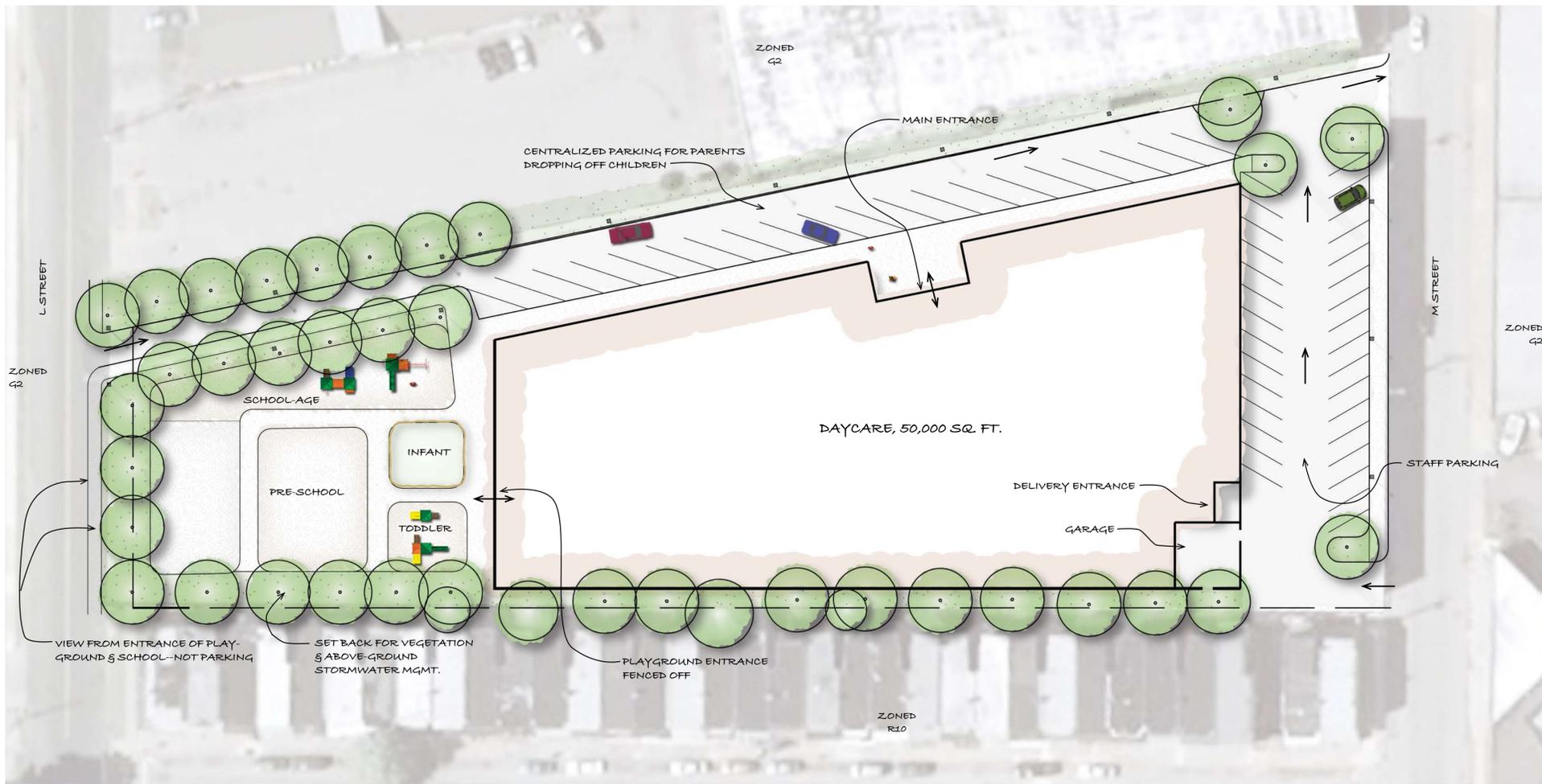
L STREET & CHESE AVE
 PHILADELPHIA, PA

Prepared By:

Ellen Studio
 300 Quarry Rd., Haverhill, MA
 01830
 978.854.7270 | ellenstudio.com

August 6, 2009



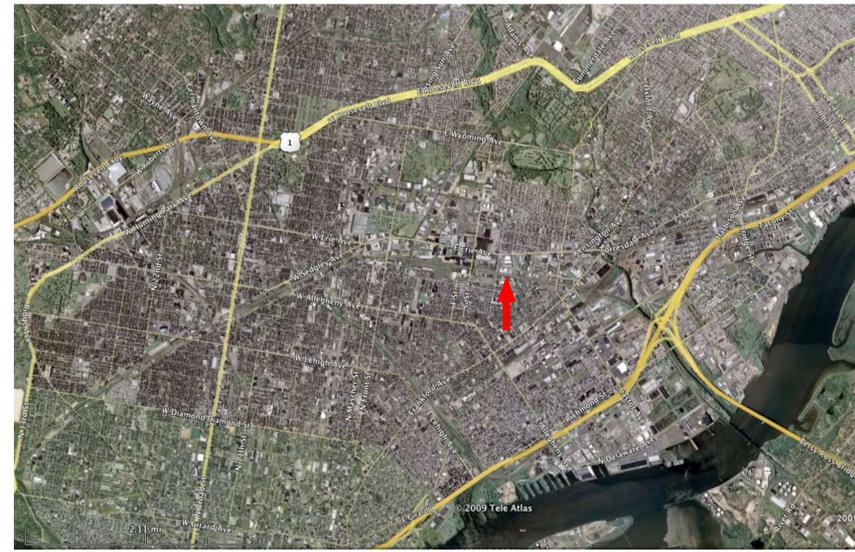


MASTER SITE PLAN

SCALE: 1" = 30'-0"



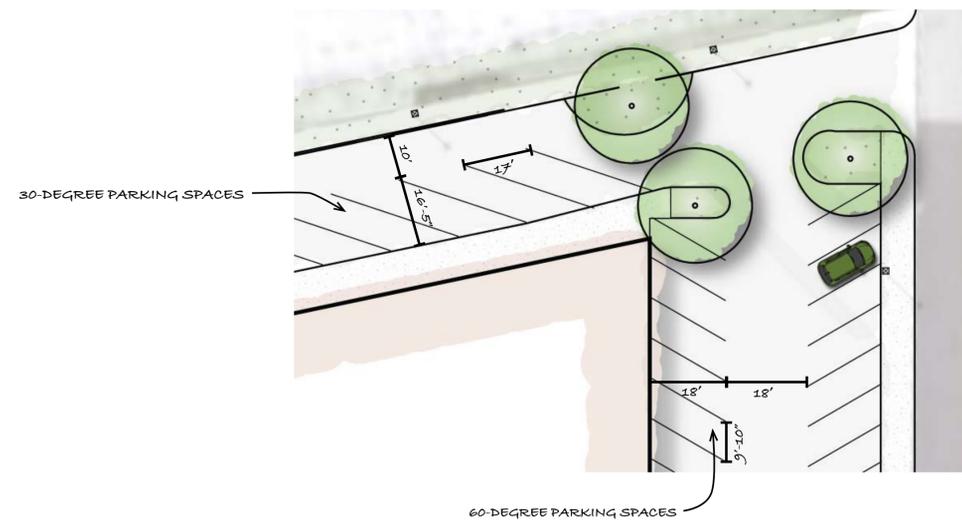
EXISTING SITE CONDITIONS



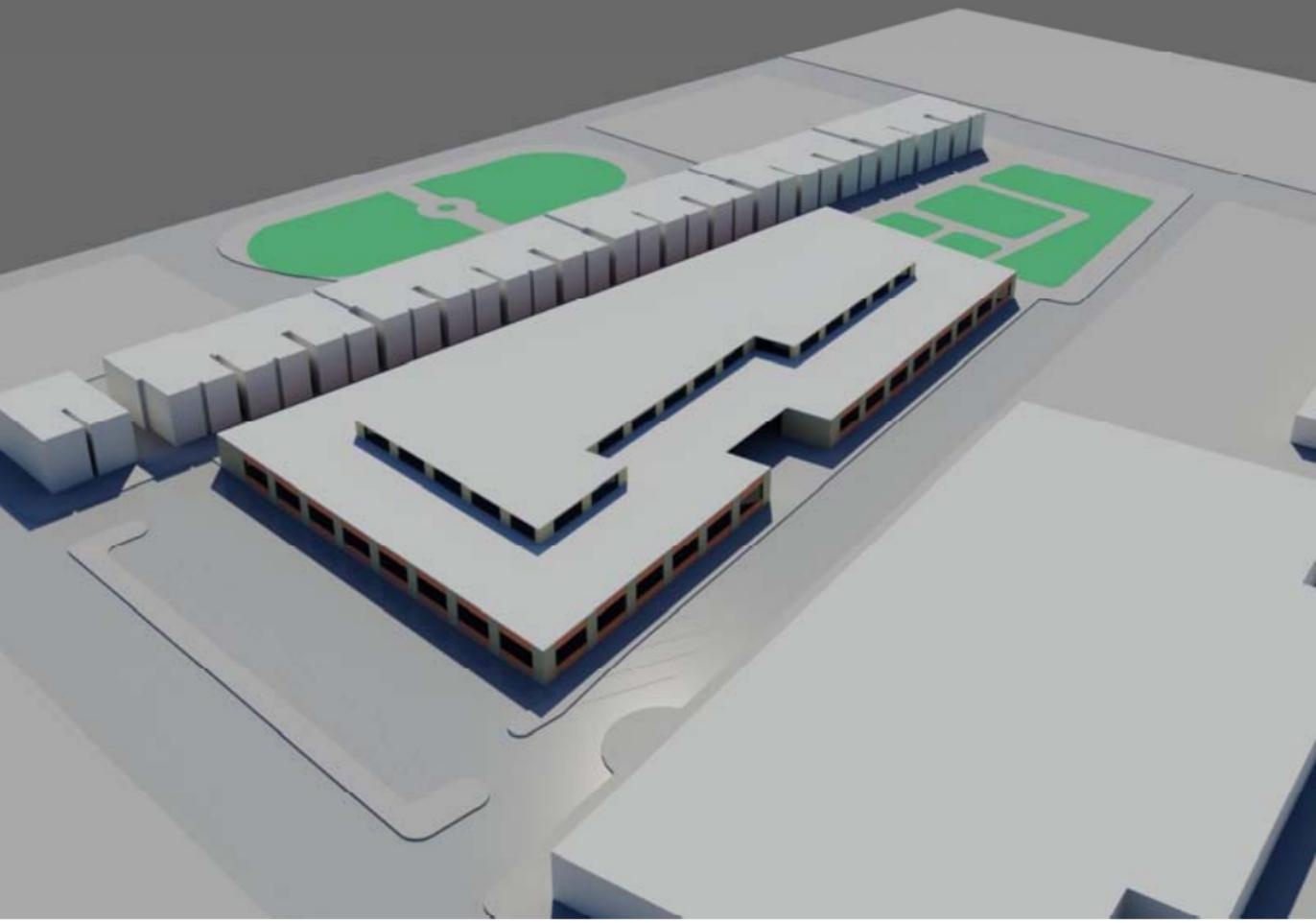
LOCATION MAP

ORDINANCE CHART			
Chapter/Section	Uses Permitted	G2-General Industrial	Institutional Development District
			14-1100 (d) Schools, colleges, universities, and other institutions of learning, adjunct residential dwellings, including dormitories, and adjunct play and recreational grounds or facilities;
14-508 (4)	(4) Area Regulations		14-1103 (a) District Area and Boundaries. The minimum Institutional Development District area shall be three acres of contiguous property. Boundaries shall be so designated to afford a reasonable line of division between the district and adjacent uses consistent to carry out the purposes and scope of this Title
14-508	(a) Occupied Area	Buildings can occupy 100% of the lot area.	14-1103 (c)
	(b) Building Set-back Line	No building set-back line shall be required.	(d) No front, side, or rear yards shall be required in this district.
	(1) Front	Not required	
	(2) Side	Not required, but if used, minimum 6' width	
	(3) Rear	Not required, but if used, minimum 8' depth	
	(5) Height Regulations	No height regulations except may be limited by the other provisions of this district BUT no buildings shall have a gross floor area greater than 500% of the area of the lot.	14-1104 There shall be no height regulations in this district except as height may be limited by the other applicable provisions of this Chapter.
14-508 (9)	Off-street Parking	One off-street parking space for each 1,000 square feet in such building	14-1105 parking areas containing one parking space for each 3,000 square feet of cumulative gross floor area of the buildings within the Institutional Development District area
			(a) Location. Off-street parking areas shall be located within a distance of 1,000 feet from the building or buildings which they propose to serve;
14-1401 (8)		Parking for Persons with Disabilities.	Parking for Persons with Disabilities.
		Total Parking 1 to 5 6 to 25 26 to 50 51 to 75 76 to 100 101 to 150 151 to 200 210 to 300 301 to 400 401 to 500 501 to 1,000 more than 1,000	Total Parking 1 to 5 6 to 25 26 to 50 51 to 75 76 to 100 101 to 150 151 to 200 210 to 300 301 to 400 401 to 500 501 to 1,000 more than 1,000
		Accessible Spaces 1a 1 2 3 4 5 6 7 8 9 2% of total 20 plus one for each 100 over 1,000	Accessible Spaces 1a 1 2 3 4 5 6 7 8 9 2% of total 20 plus one for each 100 over 1,000

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 TODDLER PLAYGROUND: 35' X 35' OR 1,225 SF
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 SCHOOL-AGE PLAYGROUND: 6,600 SF

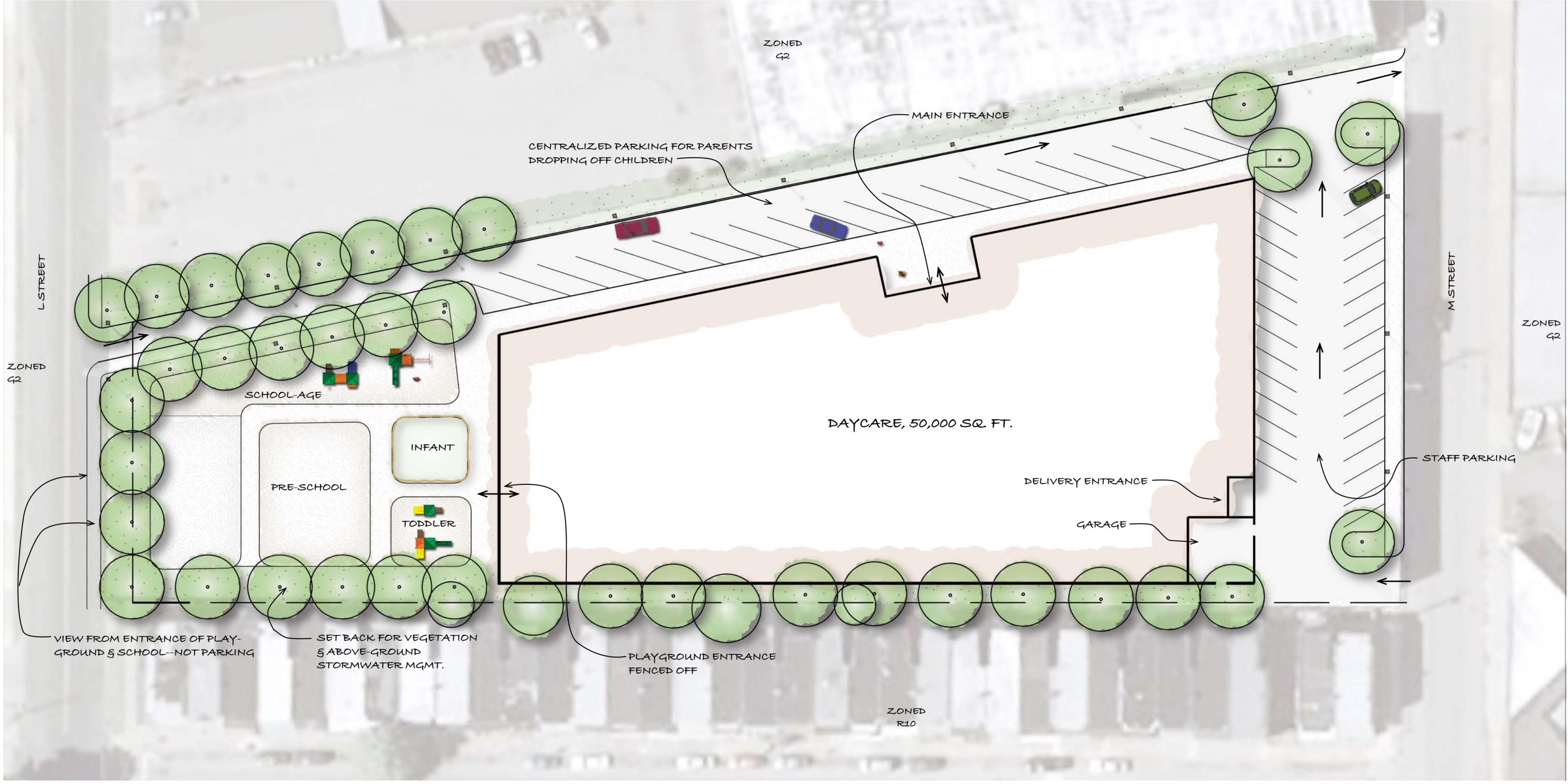


PARKING DIMENSIONS









ZONED G2

MAIN ENTRANCE

CENTRALIZED PARKING FOR PARENTS DROPPING OFF CHILDREN

L-STREET

M-STREET

ZONED G2

DAYCARE, 50,000 SQ. FT.

SCHOOL-AGE

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DELIVERY ENTRANCE

GARAGE

VIEW FROM ENTRANCE OF PLAYGROUND & SCHOOL--NOT PARKING

SETBACK FOR VEGETATION & ABOVE-GROUND STORMWATER MGMT.

PLAYGROUND ENTRANCE FENCED OFF

ZONED R10

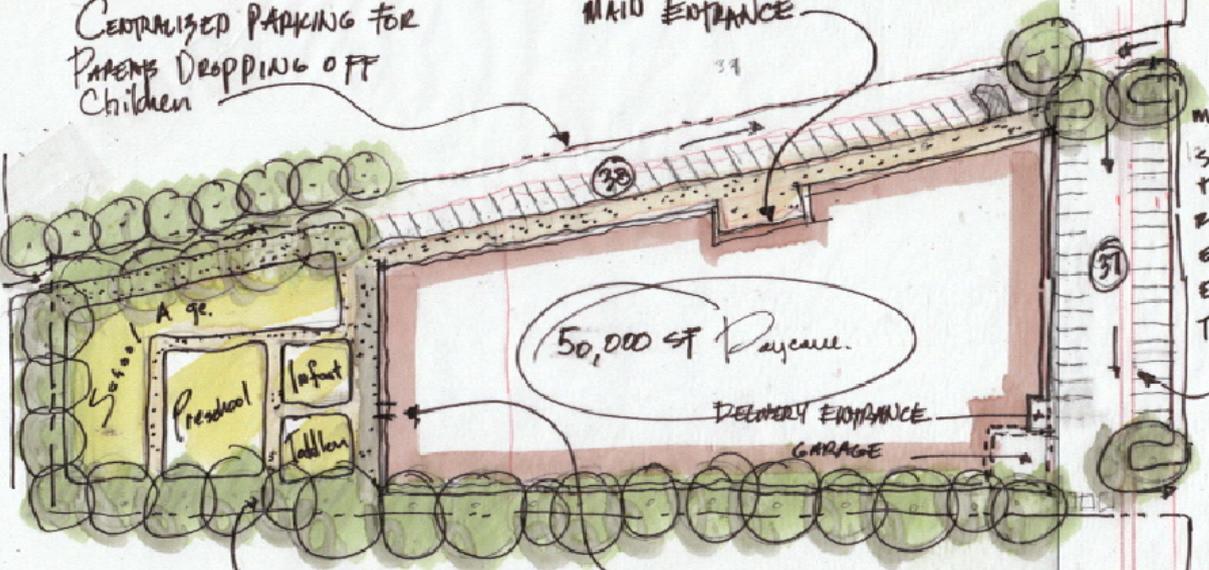
CENTRALIZED PARKING FOR PARENTS DROPPING OFF CHILDREN

MAIN ENTRANCE

L STREET

M STREET

SMALL PARKING



VIEW FROM ENTRANCE OF PLAYGROUND & SCHOOL - NOT PARKING

SETBACK FOR VEGETATION & ABOVE GROUND STORM WATER MGMT.

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Site Plan # 8
FOR PROJECT L.C. #2

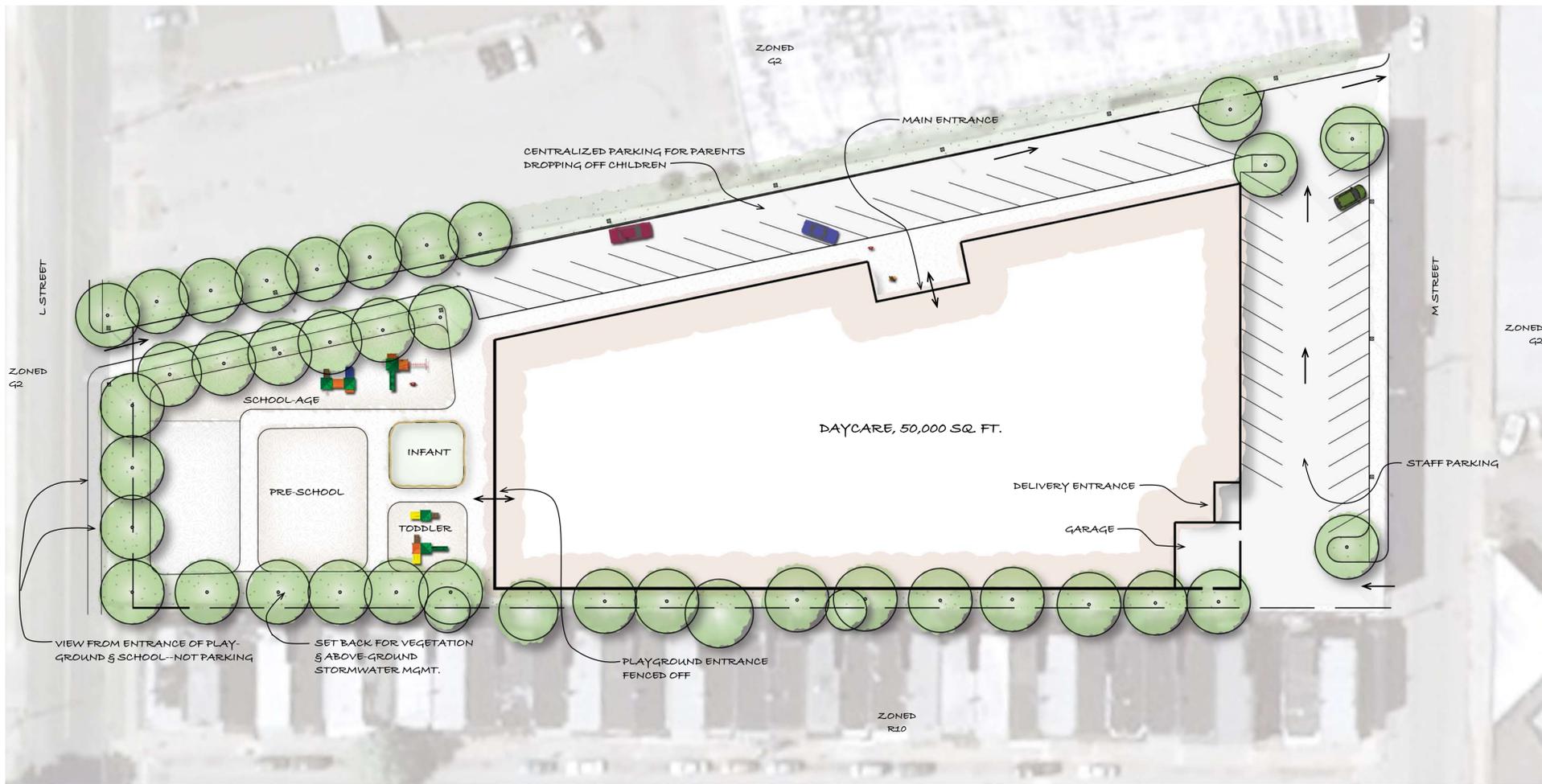
L STREET & CHESE AVE
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Prepared by:

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300 Quarry Rd., Haverhill, MA
01830
938.814.7270 | ellenstudio.com

August 6, 2009





MASTER SITE PLAN

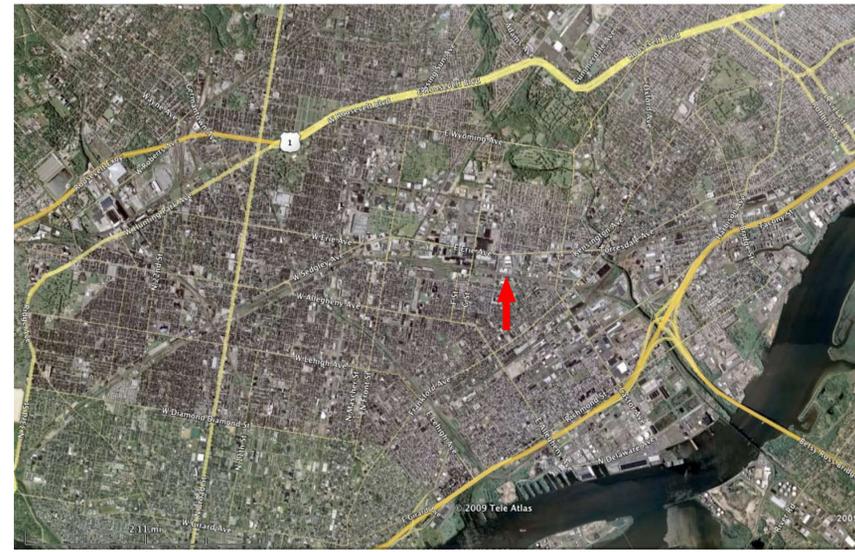
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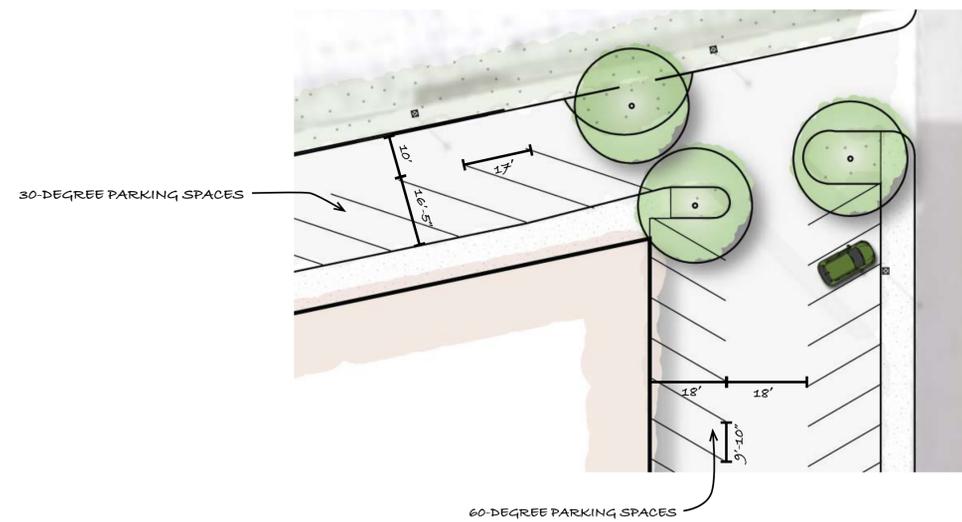
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EXISTING SITE CONDITIONS



LOCATION MAP



PARKING DIMENSIONS



Pennsylvania Homecare Association

May 8, 2015

Re: PHA Response to RFI OB 2015-1

Traci Anderson
Assistant Counsel
Governor's Budget Office
333 Market Street, 18th Floor
Harrisburg, PA 17101-2210

Dear Ms. Anderson:

I write on behalf of the Pennsylvania Homecare Association's 700 homecare and hospice agencies. Thank you for the opportunity to submit feedback on the Pay for Success Initiative. Some of our members who have individual program ideas will be submitting separate responses. Our comments are general and reflect the collective thoughts of our broad membership.

First, we applaud the Governor for his efforts to improve long-term care and home and community-based services through the implementation of a Pay for Success (PFS) model. The long-term care delivery system must be redesigned to accommodate the increasing population of older Pennsylvanians and alleviate the rising cost of the Medical Assistance (MA) program. Healthcare redesign is a daunting and expensive task, but through the use of social impact bond (SIB) financing, providers and consumers can test new innovative models of care without affecting the state funds that consumers need. By using public-private partnership funds, providers will be able to take the first important step toward a new long-term care landscape without upsetting this status quo.

To date, very few states have applied SIB models in the healthcare arena; most programs focus on more easily measured outcomes such as juvenile recidivism and homelessness. Even where health outcomes have been targeted—Michigan (outcomes for new moms on Medicaid) or South Carolina (prevention of premature births)—the programs have not encompassed all of long-term care. This March, when the Harvard Kennedy School SIB Lab awarded technical assistance to Pennsylvania, it also selected a cohort of states (New York, New Mexico, and Washington) to test a SIB model that would provide housing opportunities to persons receiving care in institutions who can be served in the community. This is the first example that PHA could find of a SIB model with a focus on long-term care or HCBS, but like the PA initiative, it is still in the very early planning stages.

Our responses to the questions provided in the RFI appear on the following pages.

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www.pahomecare.org

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

One health concern that leads many older adults and people with disabilities who do not require skilled care into nursing facilities is the current prohibition against homecare aides and attendants handling medications in the home. Under current regulations, homecare aides may only remind the consumer to take his pill, open the container of medications or read the label of the container to the consumer. The aide may not, for instance, verify the dose the consumer should be taking that day or physically count out the consumer's daily medications to fill a weekly pill box. A nurse must visit the consumer's home to accomplish these tasks. PHA and other groups continue to advocate for a change in this area, and a PFS model is a great option for illustrating the financial benefits of expanded homecare aide duties and competencies. A potential program would include a select group of nursing staff and homecare aides who provide care to a controlled group of homecare consumers. The nursing staff would train the aides to administer oral medications or provide low-level wound treatment for only this select group of participants. The commonwealth could then evaluate the program by measuring against a control group the number of consumers who were able to avoid nursing home placement by receiving medications or wound treatment at home. This would allow the commonwealth to test expanded homecare aide skills and understand the difference it could make in MA spending and keeping a patient at home.

As demonstrated by the Nursing Home Transition program and the Money Follows the Person program, a PFS funding model would be easily applicable to community transition efforts. Private funding can help set up housing and service opportunities for institutionalized individuals once it is determined they can safely be cared for at home. The PFS partners can work with service coordinators to identify individuals residing in institutional settings who no longer need that level of care. Then, community housing authorities and homecare service providers can coordinate a care plan for the individual in the community.

Another barrier to more widespread use of in-home care is the lack of support for home improvements and other modifications that would enable individuals to stay at home longer. PFS contracts might be used to form a collaborative team that would identify the needed modifications, secure a reputable and knowledgeable contractor, and provide funding to the individual to aid in the cost of construction. For instance, this collaborative could include the Area Agency on Aging (AAA), a short list of local contractors who specialize in accessible home modifications and a homecare provider who would be best equipped to identify the changes needed for the individual to receive care at home. A PFS program like this can easily measure how the money spent on modifications compares to what the commonwealth would have paid for the individual to receive care in a facility. So many times, the only thing preventing an individual from staying home for their care is a simple modification like a ramp or the relocation of a bedroom or bathroom.

We also encourage the Governor to explore how the PFS model could collaborate with the global not-for-profit organization known as The Eden Alternative® founded by Dr. Bill Thomas, a Harvard-educated geriatrician who works to improve the care provided to older adults. Dr. Thomas is the creator of The Green House®, a model that challenged the institutional model of care by

creating a small, home-like setting that provides its residents with integrated professional and personal care.¹ The Eden Alternative organization proved that substantive change in the field was possible through the Green House model which fosters person-centered cultures that deliver better outcomes and greater patient satisfaction. Over the past two decades, Dr. Thomas' organization has spread this innovation throughout 27 states and 19 countries. He recently announced the addition of the new Evermore Wellness Center to be constructed near Pittsburgh, which will combine a portfolio of some of his organization's proven person-centered care innovations (Eden Alternative, Green House, Wellspring, Heroes in Prevention and Village to Village) with a commitment to community-based care and care coordination. Past funding for these models has come from a 10-year, 30 million dollar commitment from the Robert Wood Johnson Foundation. Pennsylvania can use PFS funding to spread these innovative models throughout the commonwealth and help providers develop new ways of thinking about long-term care in the community.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

PFS contracts for long-term care should be structured in a way that measures short- and long-term outcomes. Some health improvements will not be apparent for months or years. Others, such as diabetes control, might not be measurable until decades later when clinicians are able to determine whether the patient's health declined in the same way as a control group. However, improvements in state spending could become apparent much sooner. The PFS contract can measure any decrease in dollar spent by the commonwealth on institutional care, taking into account the funds that instead went toward providing on home-based services or home modifications.

If a PFS contract is used to keep individuals in their home and avoid nursing facility care, the MA program might not show savings until the point where those individuals would have needed skilled nursing care if all other factors were equal. Determining outcomes for PFS contracts in the HCBS context will be a matter of comparing possible futures. For that reason, the independent evaluator measuring contract milestones should consult with clinicians who understand how the patient's illness or injury would have progressed with and without the program's interventions. This includes objectively measuring social and clinical health outcomes for the program participants against a control group.

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

As the Governor considers quality metrics for evaluating the effectiveness of PFS programs, we encourage you to review a new report from the Institute of Medicine (IOM), *Vital Signs: Core Metrics for Health and Health Care Progress*,² which addresses the major opportunities and current problems in the health care measurement enterprise. The document identifies a set of standardized measures

¹ See <https://sites.google.com/site/25kby25/>; <http://changingaging.org/>; and <http://www.edenalt.org/>

² Accessible at

http://jama.jamanetwork.com/article.aspx?articleID=2288464&utm_source=Silverchair%20Information%20Systems&utm_medium=email&utm_campaign=JAMA:OnlineFirst04/28/2015#jvp150074r2

required at national, state, local, and institutional levels and recommends the steps necessary to implement and refine those measures. The report's authors were charged with conducting a study of the current status of healthcare measurement; identifying the measures most reliably reflective of overall health status, care quality, engagement and experience of people, and costs of care for individuals and populations; proposing a basic, minimum set of core metrics; and making recommendations on how the core set could be implemented, maintained, and improved and related to more detailed measures tailored to different conditions and purposes. The report identifies 15 measures as the core metrics for better health at lower cost, ones that can easily translate into outcome measures for PFS contracts in the long-term care and HCBS field.

Outcome measurement in the HCBS arena could be as simple as measuring the decrease in nursing facility utilization in the target area or the increase in persons being served at home who normally would have gone without care or used emergency room services.

Contract performance that is measured by the consumer's individual health status may not fit into the PFS model. There are many factors that contribute to a homecare consumer's health status such as age and chronic illness that cannot be controlled by the contracting parties.

In addition, it can be difficult to find programs that can "pay for themselves;" some only yield budget savings up to 70% of their costs but generate significant nonmonetary social benefits. While budget savings are certainly the primary goal, the contract should be able to account for and award performance based partly on non-measurable factors such as improved quality of life or social benefits realized from increased community engagement. This could take the form of a one-time plus or minus in the contract evaluator's calculations or it can be measured according to a scale established by a participant satisfaction survey.

Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

Homecare and hospice agencies can be valuable partners in PFS contracts, bringing years of experience and success in utilizing multi-disciplinary care teams to care for people with multiple conditions spread throughout the community. These organizations are staples in their local community and provide services to both Medicare and Medicaid consumers. Contractors should consider partnering with local providers to serve as an entry point for services in the PFS program.

The network of AAAs is another great choice for facilitating a community-based program, since so many residents already turn to their local office for guidance on care options. In addition, partnerships can use the expertise of the local housing authority to assess the need for housing options for seniors and locate local home contractors with whom to partner for home modification programs.

Since savings are not easily achieved in the majority of the bell curve of MA recipients, the commonwealth should look at the small percentage of high cost utilizers, such as the dual eligible. This is where home health agencies can really help. As the over 60 population is moved into

Managed Care Organizations (MCOs) this is the population that the MCOs will struggle with the most. Many of the MCOs will be offering both Medicare and Medicaid plans and should have some coordination between the two for the duals. Currently, the only program available that combines Medicare and Medicaid is for nursing home eligible duals and is the Program of All-Inclusive Care for the Elderly (PACE), or LIFE as it is called Pennsylvania. By combining home health services, the AAA network (and/or specialized care managers at the MCOs), with the MCO health plan(s), a PACE-like model can be created to address the difficult issues associated with supporting frail, elderly dual eligibles *before and after* they become nursing home eligible.

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

In our research, we found that most of the financing for PFS projects comes from either philanthropic foundations, non-profits or large financial institutions like the program with Goldman Sachs in New York City. We suggest the commonwealth encourage large health insurance providers to get involved in a long-term care/HCBS program. We could not find evidence in other states of insurance plans investing in PFS programs. This is likely because not many other states have tried to apply this model to long-term health outcomes. Many of these companies already have tools in place to measure population health outcomes. Not only would the philanthropy benefit the company's public persona, a successful PFS program would improve the health of the population they serve and in turn trim their future costs.

An important thing to consider when creating a PFS partnership is its potential for large scale impact. The Harvard SIB Lab recommends PFS programs should have the ability to easily evolve into a statewide initiative. The innovations achieved must be able to translate to other programs and populations or else the state budget cannot realize the financial benefits.

What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

PHA strongly agrees with the Harvard SIB Lab recommendation that the commonwealth have broad support from the legislature in the early stages of the PFS initiative. Most states require legislative action to allow a state agency to spend appropriated funds outside of the current fiscal year. It is very important that the commonwealth maintain full funding for the long-term care budget items for the duration of any PFS project so there is no risk to individuals being served either by traditional services or the PFS program. Medical Assistance providers cannot afford lost reimbursements from the General Fund or Lottery due to unsuccessful PFS contracts. The Governor must work with the legislature to fully fund the MA program so participants receiving care outside of the PFS model will not see a decrease in care or quality. It should also keep funds available to care for the PFS participants in the event the program ends or the investments are not enough to continue providing care.

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Thank you again for the opportunity to offer our comments. PHA looks forward to working with the Governor to craft a PFS program that can be successful for long-term care and HCBS. Homecare and hospice agencies are uniquely qualified to determine the needs of consumers living in the community and identify current funding and service gaps that are preventing people from receiving care at home where they want to be.

Sincerely,

A handwritten signature in black ink, appearing to read "Vicki Hoak". The signature is written in a cursive style with a large initial "V" and a long, sweeping tail.

Vicki Hoak
CEO

To whom it may concern,

Positive Recovery Solutions (PRS) intends to implement a modern approach of medication assisted therapy via mobile units and strategically placed office space. PRS is a private physician group dedicated to improve the chances for a successful recovery to those suffering from alcoholism or opiate dependence. We have recognized a need for a revised approach to attacking chemical dependency. We have come up with an innovative solution to deal with the lack of provider services available to those who are in need. Traditionally thus far a patient can receive Vivitrol medication in an institution such as an inpatient rehabilitation center or from involvement in the judicial system. When a patient leaves such a facility they have no available resources to continue care. With our mobile unit we can provide ambulatory detox protocol with a qualified medical professional as well as follow up care for those already induced on the medication. PRS believes strongly that medication alone is not the answer. We currently work closely with behavioral health entities to ensure that each individual receives the appropriate level of care. We currently work with the high level officials from the governor's cabinet as well as the single county authorities throughout the commonwealth. We are launching our pilot program at the county level on July 1, 2015. We believe we will unburden the tax payers by offering an alternative to incarceration for non violent drug offenders. By stopping the vicious cycle of recovery, relapse, and re-entry into institutions the state of our hope is to play a part in creating dramatic decreases in the current costs associated with housing and rehabilitating chemically dependent populations. Recent studies show the commonwealth spends approximately 33,000 per inmate annually totaling 1.7 billion for the state. PRS would like to play a part in reducing "the greatest budget crisis since the Great depression" as quoted by Mr. Wagner. (see article <http://paindependent.com/2011/01/prison-population-corrections-spending-swell-with-drug-offenders/>)

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Planned Parenthood Pennsylvania Advocates

Planned Parenthood Pennsylvania Advocates (PPPA) is pleased to provide the following feedback for the Request for Information for the Pay for Success initiative. PPPA has not weighed in on all questions as we defer to the expertise of the state in the logistics and administration of grant programs.

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

The identified high-priority area of early childhood care and education, particularly maternal and child outcomes from pregnancy to age two, is of critical importance in Pennsylvania. Contraception offers women the ability to plan when and if to have children as well as to plan the spacing of multiple children. Modern contraception methods and aspects of the Affordable Care Act pertaining to coverage of those methods have in theory enhanced women's access to highly effective contraception. Despite this, however, many women find it challenging to effectively utilize contraception for the entirety of their reproductive lives, resulting in more than three million unintended pregnancies throughout the US each year.ⁱ In Pennsylvania alone in 2010 there were 115,000 unintended pregnancies (53% of all pregnancies)ⁱⁱ costing the state and federal governments \$726.8 million.ⁱⁱⁱ

Many of the births resulting from these unintended pregnancies end up resulting in short interpregnancy intervals (IPIs), defined as less than 18 months between a birth and a subsequent pregnancy. Short IPIs result in adverse outcomes for mothers and children, such as low birth weight and premature birth, and can be avoided through postpartum provision of contraception.^{iv} An ideal form of contraception to help prevent short IPI is a long acting reversible contraceptive (LARC). LARCs include intrauterine devices (IUDs) and birth control implants. They last for several years once in place and in the long term, are twenty times more effective than birth control pills, the patch or the ring.^v

Most women who obtain publicly funded family planning services, like contraception including LARCs, do so at safety-net health centers like Planned Parenthood. These family planning providers are particularly critical for those most likely to fall through the cracks of the U.S. health care system, such as teenagers and women seeking confidentiality in their reproductive health care.^{vi} These safety net providers are also well-versed in LARC usage and well-trained in their administration.

A program that would promote the use of postpartum LARCs would decrease unintended pregnancies and short IPIs, creating healthier birth outcomes for mothers and children. **Proposals that explore marketing, partnerships between pediatricians and family planning providers, or methods for increased access to LARCs for postpartum Pennsylvania women would be of particular significance to the Commonwealth in both cost savings and promoting health outcomes.**

Furthermore, a project of this nature would tie in incredibly well with the [Maternal and Child Health Initiative](#) currently being done by CMS. Given that one of the two goals of the project is to increase the percentage of the most and moderately effective contraception methods in at least twenty states during a three year time period, this would also create opportunities for broader partnerships and innovation development.

ⁱ Finer LB and Zolna MR, *Shifts in intended and unintended pregnancies in the United States, 2001–2008*, *American Journal of Public Health*, 2014, 104(S1):S44–S48.

ⁱⁱ Kost K, *Unintended Pregnancy Rates at the State Level: Estimates for 2010 and Trends Since 2002*, New York: Guttmacher Institute, 2015, <<http://www.guttmacher.org/pubs/StateUP10.pdf>>, accessed Jan. 26, 2015.

ⁱⁱⁱ Sonfield A and Kost K, *Public Costs from Unintended Pregnancies and the Role of Public Insurance Programs in Paying for Pregnancy-Related Care: National and State Estimates for 2010*, New York: Guttmacher Institute, 2015, <<http://www.guttmacher.org/pubs/public-costs-of-UP-2010.pdf>>, accessed Feb. 23, 2015.

^{iv} Thiel de Bocanegra H, Chang R, Howell M, Darney P. Interpregnancy intervals: impact of postpartum contraceptive effectiveness and coverage. *Am J Obstet Gynecol* 2014; 210:311.e1.

^v Long Acting Reversible Contraception: IUD and Implant <http://www.acog.org/Patients/FAQs/Long-Acting-Reversible-Contraception-LARC-IUD-and-Implant>

^{vi} Facts on Publically Funded Family Planning Services; Pennsylvania <http://www.guttmacher.org/statecenter/family-planning/PA.html#3>

PPPA works in partnership with the three Planned Parenthood Affiliates in Pennsylvania to achieve maximum public, governmental and media support for reproductive health care – including family planning – by developing, implementing and facilitating a statewide strategy

Youth Villages, Inc.

Request for Information #OB 2015-1

Pay for Success Initiative

Commonwealth of Pennsylvania

May 8, 2015



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**Request for Information # OB 2015-1
Pay for Success Initiative
Commonwealth of Pennsylvania
Youth Villages, Inc. Response**

❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).

The areas of Child Welfare and Juvenile Justice are two areas that are very appropriate for Pay-for-Success contracts. As of 2013 (the most recent reporting period) there were nearly 15,000 children in foster care in Pennsylvania, 20% of whom were ages 16-18,¹ soon to be emancipated from state custody with little natural support. Coupled with this, 3,075 children and teens were living in a residential treatment facility,² which can cost an average of \$400 per day per bed. In addition, there were over 85,000 juvenile arrests in Pennsylvania in 2010, which is a rate of 6,510 out of 100,000 children ages 10-17.³

A Pay-for-Success or Performance-Based Contract centering on improving outcomes in the areas of Child Welfare and/or Juvenile Justice sectors for the Commonwealth of Pennsylvania could lead to improved effectiveness of programs, while at the same time generating cost savings that could be reinvested or reallocated to assist with other areas.

Youth Villages, Inc., a nonprofit organization headquartered in Memphis, TN, has experience contracting with states to improve the wellbeing of youth and families by using evidence-based interventions and delivering lasting results.

Youth Villages serves youth involved with, or in danger of involvement with, the Child Welfare, Juvenile Justice, and Mental Health systems. Annually, we serve more than 21,000 youth and their families across 12 states and the District of Columbia. While we offer a continuum of services – from secure residential facilities to intensive in-home services to foster care and adoption services – in order to serve youth with any level of need, our most scalable and most impactful programs are our community-based Intercept and YVLifeSet programs.

¹ Administration for Children and Families: Child Welfare Outcomes Report Data. (2013). *Demographics: Child Welfare Summary: Pennsylvania*. Retrieved May 4, 2014, from http://cwoutcomes.acf.hhs.gov/data/tables/demo_stats?states%5B%5D=39&state=®ion=

² Children's Defense Fund. (May 6, 2014) *Children in the States Factsheets: Pennsylvania*. Retrieved May 4, 2014, from <http://www.childrensdefense.org/library/data/state-data-repository/cits/2014/2014-pennsylvania-children-in-the-states.pdf>

³ Children's Defense Fund. (May 6, 2014) *Children in the States Factsheets: Pennsylvania*. Retrieved May 4, 2014, from <http://www.childrensdefense.org/library/data/state-data-repository/cits/2014/2014-pennsylvania-children-in-the-states.pdf>

Youth Villages' Intercept program is an intensive in-home services program designed to divert youth from a higher, more costly level of care, and/or to reunify youth returning home from an out-of-home placement. YVLifeSet is a transitional living program for youth aging out of state custody that teaches young adults the skills they need to be successful members of the community. Both programs are strength-focused, community-based and center on the natural supports that can contribute to long-term success. Interventions used are evidence-based and research-informed, and outcomes are rigorously evaluated. In addition to cost savings generated from diversion from other state-funded services such as foster care or residential treatment facilities, both Intercept and YVLifeSet show positive outcomes in the areas of criminal involvement and educational attainment – statistics that improve community well-being and save state dollars down the road.

All of Youth Villages' programs are outcomes focused, and are supported by a robust performance improvement department and in-house research team. Outcomes are tracked at discharge and at six, 12, and 24 months post-discharge. In child welfare systems across numerous states, Youth Villages' programs have been shown to have a measurable impact on care day utilization, exits to permanency, and reentries into care.⁴ Our own data indicate that one year post-discharge from our Intercept program, more than 80% of youth served are still living at home with family. Our programs are likewise impactful in the juvenile justice sector; many of our youth are referred through the juvenile justice system, and at 1 year post-discharge, 80% report no trouble with the law.

Although all of the services in Youth Villages' continuum have demonstrated positive outcomes, immediate return on investment can be most easily realized through the Intercept in-home services program. In line with Governor Wolf's proposal, Intercept has an impact on each of the five high-priority areas identified for possible PFS initiatives, perhaps most visibly in the Health and Human Services area. For these reasons, the remainder of this RFI response will focus on intensive in-home services and how they can improve outcomes for children and families across the child welfare, juvenile justice, and mental health systems, in turn producing recognizable cost savings for the Commonwealth and ROI for investors.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

It is recommended that the Commonwealth first establish a baseline based on existing agency data. Then, establish clear and realistic targets for outcomes you wish to achieve.

⁴ Casey Family Programs. (2010) *Tennessee and Youth Villages Common Knowledge Case Study*. P. 12

For instance, regarding child welfare, targets for Pennsylvania’s DHS might include reducing foster care placements by X percent annually, reducing foster care reentries by X percent, and/or reducing lengths of stay in out-of-home placement by an average of X months. Using the daily cost and average LOS for children in foster care, the savings generated by achieving these goals is easily measurable. When considering alternative placements in congregate care (such as juvenile detention or residential treatment facilities), the savings are even greater.

Below is an example of the savings generated by use of intensive in-home services as opposed to a residential treatment facility. Assuming a \$400 cost per day and 50% success rate in a residential setting, compared to a \$100 cost per day and 80% success rate for in-home services, use of a program such as Youth Villages’ Intercept could save the Commonwealth nearly \$9.5 million for 100 youth. Depending on the structure of the PFS project, these savings could equal the return on investment to the financial intermediary, they could be reinvested by the state into other outcome-producing programs, or they could be awarded to the provider(s) as incentive bonuses.

<i>Cost Analysis - Detail</i>	Residential Treatment (PRTF)	Reunification	Diversion
	<i>Assumes 6 month average length of stay</i>	<i>3 months of residential treatment with 5 months of Intercept both during transition and after youth's return home</i>	<i>4 months of Intercept services</i>
Cost of Services			
<i>6 Months PRTF (Daily Rate - \$400)</i>	\$72,960		
<i>3 Months PRTF (Daily Rate - \$400)</i>		\$36,480	
<i>4 Months Intercept (Daily Rate - \$100)</i>		\$15,200	\$12,160
Total Cost Per Child	\$72,960	\$51,680	\$12,160
<i>Projected Success Rate (12 months post discharge)</i>	50%	80%	80%
<i>Additional costs assuming unsuccessful youth return for another full course of service</i>	\$36,480	\$10,336	\$2,432
Total Cost Per Youth Including Returns to Care within One Year	\$109,440	\$62,016	\$14,592
Total Cost for 100 Children Including Returns to Care	\$10,944,000	\$6,201,600	\$1,459,200

Another recommendation is to contract with multiple service providers, and compare each of their outcomes against the state agency’s baseline(s). This will allow the agency to determine the effectiveness of a range of services and a number of programs based on cost and outcomes. Data should be collected by the agency or a neutral third party – not self-reported – and outcomes as well as scoring should be transparent and public. Additionally, the agency should be clear about the scoring mechanism used at the inception of the project, rather when results are announced.

If the agency contracts with multiple providers to achieve targeted outcomes, it is recommended that providers are allowed latitude in the programs or services delivered. Focus should be on outcomes, not inputs. Youth Villages has had experience contracting in

one state, where the parameters for inputs (including number of contacts per week, duration of visits, and qualifications of staff) are so stringent that time, attention, and resources risk being diverted away from serving children and families due to focus on contract parameters. Other states specify adherence to a particular intervention model, rather than allowing providers to use the model of their choice and then evaluating results. If input parameters are indeed specified, we recommend that those parameters are an *average*, rather than a *minimum*. For example, for intensive in-home services DHS could require an average of ten face-to-face contacts each month, giving providers the flexibility to make up missed sessions due to family no-shows or other unforeseen circumstances in a given week.

With regards to payment structures, it is recommended that the Commonwealth consider allowing the service providers to take on financial risk in return for achieving outcomes and producing financial return. If this option is considered, we also recommend that the funding stream for the services remain separate from the incentive payment. Under this model, the provider would be paid for the cost of providing services, but would risk paybacks if targets were not met.

The simpler the model used for scoring and payment, the more efficient the PFS project will be for all stakeholders. One way would be to specify a per-diem rate for contracted services delivered, then specify additional bonuses or paybacks based on performance against benchmarks and targets. This structure could be used in the absence of a financial intermediary, by allowing the provider to assume contract risk in return for potential performance bonuses. Bonuses/ROI would consist of all or a portion of funds generated through savings over current costs. Conversely, if the provider were carrying the risk of providing services, as opposed to a financial intermediary, paybacks could occur in the event of failure to deliver specified outcomes. Depending on administrative capacity, it may be most logical to pay monthly for contracted services, and assess performance, cost savings, and ROI over a broader horizon such as a fiscal year or a multi-year window.

In our experience, contract durations of three years typically allow the state enough time to realize significant return on investment through use of our Intercept program. Long term improvements to social well-being become evident over time. Recognizing that year-on-year cost savings are only sustainable for a limited time, and that long term benefits are often not directly measureable by cost alone, it is strongly recommended that budget allocations are considered so that services can continue after the conclusion of the PFS project. One suggestion would be to design a three year PFS project with multiple providers participating and being evaluated each year, with the intention of establishing a long term contract with the providers that show the best performance. Similarly, Pennsylvania could set up the PFS project in a way that allows the Commonwealth to build capacity within its government agencies to contract based on outcomes for a wide array of services.

- ❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***
What types of outcomes should payments be based upon and how should they be measured?

With regards to the five priority areas in the Governor's budget, and considering a youth-and-families serving program such as Youth Villages Intercept, there are a number of outcomes the Commonwealth could consider. In the Health and Human Services sector, the Commonwealth could prioritize entries into and exits from foster care, as well as length of stay in out-of-home placement. In the Public Safety sector, the number of juvenile arrests and rate of recidivism could be measured. Regarding Education, Workforce Preparedness and Employment, grade completion, graduation rates, and unemployment rates of young adults could be measured.

Post-discharge data is the most important factor in determining programmatic success. We recommend using objective administrative data that are collected by the Commonwealth and/or a third party and made transparent. Data used in the evaluation of performance should be consistent across providers of similar services, so that the success of different programs can be accurately measured. For example, the Commonwealth could track post-discharge outcomes and measure whether a youth receiving services from a particular provider returned to state custody, was arrested, graduated high school, and/or is unemployed. A third party technical assistance partner, such as Third Sector Capital Partners, could assist with developing the capacity to track and measure outcomes across different government entities.

One important issue to address within any PFS contract would be to account for case mix variations across providers. A transparent, consistent method for assessing level of need and severity of issues that may impact outcomes must be integrated into the contract. The Commonwealth likely already has administrative data that could be used for this type of case mix adjustment, such as common assessments or ratings of case severity or need.

- ❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?***
Describe program structure issues that should be taken into account in the development of such contracts.

The savings and benefits of providing intensive in-home services to troubled youth and their families are immediately evident. Youth referred to such programs present with issues including behavioral disorders, substance abuse, emotional disorders, victims of abuse and/or neglect, suicidal ideations or gestures, and legal issues. In Youth Villages' Intercept program, nearly 80% of youth served have multiple presenting issues. Intensive in-home services address the drivers causing these issues using evidence-based and research-informed interventions, thereby avoiding placements in more costly residential facilities,

improving probability of long-term success, and reducing risk of recidivism. In turn, programs such as Intercept provide direct cost savings across the Child Welfare, Juvenile Justice, and Mental Health sectors, as well as corresponding benefits in the Education, Housing, and Employment sectors.

Savings in the Child Welfare, Juvenile Justice, and Mental Health sectors can be immediately realized through the use of in-home services, as shown in the cost-savings example for question two above. Additionally, long-term benefits due to increased employment and graduation rates, resolution of underlying trauma, and reduced recidivism rates will continue to be realized by the Commonwealth for years to come. Youth Villages' post-discharge outcome data indicates that at one year post-discharge from Intercept, more than 80% of youth are still living at home with family, more than 80% have reported no trouble with the law, and more than 90% are in school, have graduated, or are working towards their GED.

In designing a PFS project, the Commonwealth of Pennsylvania has the opportunity to build capacity to capture and share data across local government entities so that true success can be measured objectively. In developing the PFS program structure, the Commonwealth will need to consider data-sharing agreements and privacy laws so that data is fluid and is shared between agencies in the most efficient way possible. A third party such as Third Sector Capital Partners can provide technical assistance in developing system capacity to collect and share this data, in accordance with privacy laws.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

The State of Tennessee is currently nine years into a Performance Based Contracting system for a continuum of services in its child welfare system. The goal of Tennessee's PBC initiative has been to move children to permanency more quickly. Since its inception in 2006, Tennessee Department of Children's Services (DCS) has succeeded in reducing the number of days children spend in state custody, while simultaneously increasing permanent exits from care, without an increase in reentries to care, and while remaining budget-neutral. The initiative has also expanded from a five provider pilot, to now encompassing all child welfare and juvenile justice providers across the state.

Youth Villages has published a review of our experience with the Tennessee Performance Based Contracting system, outlining successes and barriers, as well as lessons learned. This review, entitled "Making Performance-Based Contracting Work for Kids and Families," was published by the Federal Reserve Bank of San Francisco, and can be accessed at <http://www.frbsf.org/community-development/files/making-success-work-kids-families.pdf>.

❖ ***What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?***

Youth Villages recommends identifying an outcome objective the Commonwealth wishes to achieve, then thinking about the services that could be used to achieve this target. What is needed may be a multitude of providers, even across a variety of services. Pay-For-Success contracts can be used to reform payment systems at a large scale, thereby eliminating inefficient practices, weeding out providers who do not deliver results, and overall improving the quality of care for an entire population.

Another suggestion would be to consider using the PFS project to build capacity within existing government agencies to do more risk-based and performance-based contracting. Examples of steps towards this would be paying providers based on targets they hit rather than fee-for-service, assuming some government risk, and allowing providers to receive incentive payments for generating financial savings for the government. Performance-based contracting ultimately improves overall services, while remaining budget-neutral or even generating savings.

The Commonwealth would benefit from partnering with strong providers that are able to show evidence of continuous performance improvement and positive long-term outcomes. Although such providers are likely to have sophisticated data systems, it is strongly recommended that all data used for evaluation under PFS come from administrative systems of record within the state agency.





May 6, 2015

Traci Anderson
Assistant Counsel, Governor's Budget Office
333 Market Street, 18th Floor
Harrisburg, PA 17101-2210

Subject: Request for Information # 0B 2015-1
Pay for Success Initiative

Dear Ms. Anderson,

The Lewin Group, Inc. and its affiliate partners, Optum and UnitedHealthcare Community & States, (Lewin Team) are pleased to provide the enclosed response to the subject RFI.

We look forward to the opportunity to assist the Commonwealth of Pennsylvania with this important initiative. Please contact Sue Bembers, Director of Contracts, at 703.269.5684 or sue.bembers@lewin.com, if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Lisa Chimento".

Lisa Chimento
Chief Executive Officer



HEALTHCARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING—WITH REAL-WORLD PERSPECTIVE.

Pay for Success Initiative

RFI #OB 2015-1

Prepared for: Commonwealth of Pennsylvania

Submitted by: The Lewin Group, Inc.

May 6, 2015

Responses to RFI Questions

System transformation to improve individual health, quality of care, and systemic efficiency lies at the heart of health care and social service reforms. The Commonwealth of Pennsylvania seeks an innovative organization to help it leverage private sector investments to foster positive change in its social and health programs. The organization will need to respectfully partner with the Commonwealth and other stakeholders and provide support and expertise to enable Pennsylvania to achieve its vision.

The Lewin Team represents a partnership of the following organizations:

- **The Lewin Group** is a premier national health care and human services consulting firm that has delivered objective analyses and strategic counsel to prominent public agencies, nonprofit organizations, industry associations and private companies across the United States for nearly 40 years. Our clients include, but are not limited to, federal, state, and local governments, and insurers, providers and provider organizations. The Lewin Group offers clients expertise in policy analysis and evaluation of mental health and substance abuse programs, including strategic planning, monitoring, and evaluation of new and innovative approaches to improving care. Our team has the depth and breadth of experience that leaves us well-suited to support the Commonwealth of Pennsylvania on this unique approach to private / public partnerships. Lewin is affiliated with Optum and United Health Group, which add value and bring on-the-ground expertise to improve health, social outcomes, and cost-effectiveness of health and social services.
- **Optum** is a health services and innovation company that combines data and analytics with technology and expertise to improve modern health care. Optum Government Solutions, Optum's public sector arm, supports 35 state Medicaid agencies with an array of effective complex population health services, advanced analytics, policy and program consulting, program integrity services, and health information technology solutions. Optum Government Solutions works with states and counties to build and deliver effective medical and behavioral care services, as well as establishes integrated medical-behavioral health homes for persons with complex conditions including mental illness. Optum combines innovation with proven, collaborative approaches to help state governments reduce costs, improve population health and well-being, and enhance the members' care experience.
- **UnitedHealthcare Community & States** is the premier provider in the United States of high quality, personalized public sector health care programs, serving more than five million people in Medicaid, Medicare and Children's Health Insurance Programs in 24 states and the District of Columbia, including individuals with complex health conditions. UnitedHealthcare Community & State invests in systems and people to successfully provide quality service to state customers, and designs health plans that meet the unique needs of the diverse populations it serves. UnitedHealthcare Community & State's unique Personal Care Model® uses direct member contact by clinical staff to build a support network of family, physicians and government and community-based organizations for chronically ill members. UnitedHealthcare Community & State contracts with community-based networks, and employs a diverse

workforce with varied backgrounds and extensive practical experience that gives it a better understanding of the members and their needs.

Each organization brings complementary strengths to create an effective team in the health and human services and public safety policy areas. The Lewin Group brings strong consulting and data analytic capabilities, including expertise in Medicaid, program implementation, and program evaluation. Optum provides a range of services, including behavioral health and case management services in health homes and other settings for persons with mental illness and substance use disorders. UHC Community & State provides direct services, including personalized care, support, and case management to more than five million Medicaid, CHIP, and Medicare members in 24 states and the District of Columbia. All three organizations are part of United Health Group.

In the following sections, we provide answers to the questions posed in the Request for Information (RFI) Questionnaire.

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).

The Affordable Care Act (ACA) provided a rare opportunity to improve access to health care for millions of people. Less well-recognized are some hidden opportunities in the ACA that could be tapped to help improve health care and cut the costs of other social services, including for example the costs of local incarcerations, emergency shelters and other safety net support services. One of the most promising areas is the potential for states and communities to leverage the Medicaid expansion to reduce the cost burden on other State and local agencies that have developed a patchwork of programs to support a subset of high need individuals who are now eligible for Medicaid coverage.

For example:

- The creation of a Jail Diversion Program (JDP) that seeks to influence local jail utilization and expenditures through selectively providing immediate access to necessary healthcare and social support services. Such a program would enable local government to free up scarce resources by reducing jail days and improve both health outcomes and health care delivery quality.
- Collaborative partnerships with Medicaid and/or Exchange health plans, local public housing authorities, county governments, and supportive housing providers to develop prioritized access to supportive housing and wrap support services for the chronically homeless with complex and pervasive behavioral health needs. Because many of the wrap-around support services are Medicaid covered benefits for eligible individuals, public housing authorities would be relieved of the cost burden of providing duplicative supportive services such as service coordination, thereby freeing resources to invest in affordable housing infrastructure. States would also be able to receive 90-100% federal match for Medicaid covered services for the expansion population.

These programs would also drive greater alignment and much needed coordination between key State agencies serving the criminal justice-involved or chronically homeless individuals and community stakeholders, such as re-entry organizations, Medicaid and Exchange health plans, and social support entities to work towards improved outcomes.

Pennsylvania's adoption of Medicaid expansion under the ACA has for the first time provided comprehensive coverage for childless adults. A percentage of this newly eligible population churns through the Commonwealth's emergency rooms, county jail systems, safety net mental health system and community based social support organizations. The Medicaid eligibility creates a common linkage and access to healthcare coverage that can be leveraged as the vehicle for understanding and addressing the needs of this population. Prior to 2014, single adults were ineligible for Medicaid unless they were determined to have an incapacitating disability.¹ Further, those with substance abuse disorders were ineligible for disability coverage unless they had another co-occurring condition.² However, starting in 2014, most low-income single adults in Medicaid expansion states now qualify for Medicaid coverage and can receive a broad range of medical and social services.³ States and localities can leverage high federal matching rates to create specialized programs serving at risk populations. Under the ACA expansion, these programs receive 100% federal matching funds through 2017, declining to 90% matching funds in the out years for individuals eligible under the Medicaid expansion. If programs such as the JDPs or housing stabilization programs are successful at reducing unnecessary utilization (e.g. jail, emergency shelters, crisis management, etc.), savings would largely accrue to the local jurisdiction, as local jurisdictions are required to pay for both the costs of jail utilization and medical care during the period of incarceration and other social supports as individuals move in and out of the criminal justice system. In contrast, medical services for Medicaid-eligible individuals diverted from the jail system and other safety net systems would be covered by the 90 - 100% federal matching funds or a mix of state and federal funds.

Evidence suggests that jail diversion programs reduce jail utilization and expenditures, as well as improve health outcomes and access to needed health care services. These studies have found that jail diversion programs reduce the time spent in jail, lower criminal justice costs for jurisdictions that employ the programs, and lead to positive mental health, substance use, and treatment outcomes for offenders.^{4,5} Other studies reinforce that jail diversion programs reduce time spent in jail and increase access to needed community-based health care services without threatening public safety.^{6,7} In addition, pretrial diversion programs that do not convict offenders prior to diversion improve offenders' chances of obtaining gainful employment in the future.⁸ Similarly, programs targeting housing stabilization for high risk, chronically homeless

¹ Social Security Administration Office of Policy. (2006). Addressing the Challenges Facing SSA's Disability Programs. Accessed January 28, 2014 from: <http://www.ssa.gov/policy/docs/ssb/v66n3/v66n3p29.html>

² Code of Federal Regulations § 416.935. n.d. Accessed January 28, 2014 from: http://www.ssa.gov/OP_Home/cfr20/416/416-0935.htm

³ Groups not covered by the ACA Medicaid expansion include illegal aliens and legal aliens who have been in the U.S. less than 5 years.

⁴ <https://www.bja.gov/Publications/PretrialDiversionResearchSummary.pdf>

⁵ http://www.rand.org/content/dam/rand/pubs/technical_reports/2007/RAND_TR439.pdf

⁶ <http://www.addictioncounselor.com/articles/101367/assessing.pdf>

⁷ <http://www.jaapl.org/content/37/4/461.full>

⁸ <https://www.bja.gov/Publications/PretrialDiversionResearchSummary.pdf>

individuals with wrap around physical, behavioral and social support services demonstrate significant cost savings. In 2006, the Colorado Coalition for the Homeless demonstrated that supportive housing led to the following⁹:

- 72.95% reduction in total emergency related costs
- 34.3% decrease in emergency room costs
- 66% reduction in inpatient costs
- 82% reduction in detox visits
- 76% reduction in incarceration days

In Pennsylvania, local governments pay approximately \$65 per day to house an inmate in a local jail, which increases to \$100 per day when housing inmates in a mental health “pod”^{10,11}. When multiplied by the average jail sentence for this offender population, this produces considerable savings – especially if 90-100% Federal match funds most of the costs for diversion services. The Commonwealth and local governments would consider the following elements of a jail diversion program in achieving the goals of reduced incarceration, reduced correctional costs, and improved health:

- Inclusion criteria for offering jail diversion to offenders (e.g., nonviolent misdemeanors or minor offenses, history of substance abuse and/or mental illness, mandatory participation in behavioral health services for charges to be dismissed, prior criminal history, scores on risk assessments, etc.)
- Diversion staff, including crisis intervention experts, eligibility workers, and case managers, to conduct individualized needs assessments and develop plans of care.
- Immediate determination of Medicaid eligibility by in-person assisters or navigators who have direct access to the Pennsylvania Health Option exchange website. To further streamline the process, the Commonwealth could implement “presumptive eligibility” so the individual can start receiving services immediately.
- A wide array of Medicaid-covered services, including medical services, behavioral health case management, and social supports. In many cases, a person may require immediate medical treatment, assistance returning to a previous living situation, or help connecting to social support networks. These case management services should be nuanced and tailored to the individual.
- The State may also want to consider establishing health homes that are designed to uniquely meet the needs of individuals targeted by diversion programs. These may include health homes for individuals with serious and persistent mental illness, substance abuse and treatment, HIV/AIDS, or opioid abuse. The State will also receive enhanced federal match for health home-related services.

⁹ Perlman, J., Parvensky, J. *Denver Housing First Collaborative – Cost Benefit Analysis and Program Outcomes Report*. Colorado Coalition for the Homeless. December 11, 2006

¹⁰ http://www.rand.org/content/dam/rand/pubs/technical_reports/2007/RAND_TR439.pdf

¹¹ http://www.rural.palegislature.us/documents/reports/rural_county_jails_2012.pdf

The housing stabilization collaborative partnerships can either build on the JDP or act as a freestanding program. Program participants can be identified through a JDP or other safety net systems using specified criteria and rapidly housed with coordination of wrap support services to holistically manage the individual's needs. Developing programs that work in concert will deepen the long-term cost savings across the safety net system. The following are core elements for consideration by the Commonwealth when establishing a program of this nature focused on housing stabilization.

- The program design should include the use of a dedicated housing navigator to assist with rapid housing eligible individuals. This should include the use of warm transfers of individuals at the time eligibility is confirmed, to begin the process of obtaining permanent supportive housing.
- Clearly defined partnerships with the appropriate housing agencies and/or landlords – this includes an approach to obtaining project based housing subsidies for the program to assist with rapidly housing eligible individuals.
- Careful defining of the target population (e.g. top ten percent of health care utilizers), establishing collaborations with the safety net system to identify eligible participants and supporting information technology infrastructure to assist with determining eligibility for public assistance.
- Coordination with the existing Medicaid managed care organizations to ensure continuity and leveraging of existing care coordination.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

The Commonwealth of Pennsylvania should consider the following when structuring a Pay for Success contract for a jail diversion program:

- **Stakeholder engagement:** Thoughtful engagement of key stakeholders, including law enforcement, judicial, social and health care systems. Given the high visibility and local concerns about permitting some offenders to remain in the community, it will be critical to raise and address concerns about public safety and community well-being;
- **Collaboration:** The level of collaboration that will be required between relevant stakeholders, including but not limited to the Commonwealth of Pennsylvania; local governments (judicial and corrections) that participate in the program; the intermediary; the planning, implementation, and monitoring contractor; and the direct service delivery providers;
- **Planning:** participating parties will need to develop a clinical approach and business plan that defines the implementation steps, anticipated funding and expenditures, etc.
- **Seed money.** While the program is likely to realize significant savings to local authorities, there will be a need for start-up funding to establish the program, hire staff, secure space, administration, and evaluation;

- **Shared savings:** The parties will need to consider both the risks and potential for savings and determine how to share savings obtained from reductions in jail expenditures;
- **Timing:** The length of time after the program begins until outcomes are realized and the intermediary will start receiving returns on investment (due to the immediate diversion of offenders and funds in this program, this time would likely be shorter than other programs);
- **Administrative:** Memoranda of understanding, business associate agreements, data use agreements, and/or IRB approval necessary for implementation and evaluation;

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

What types of outcomes should payments be based upon and how should they be measured?

The primary outcomes that the Commonwealth should prioritize are:

1. Reduced human costs of incarcerating people in jails who may otherwise be better served in the community;
2. Increased community safety as fragile, at-risk individuals receive case management and medical services that reduce public disruptive behaviors and encounters with law enforcement;
3. Savings from reduced jail expenditures for the population with mental illness or substance use disorder. As the evidence suggests, diverting this offender population into community-based treatment neither increases risk to public safety nor recidivism.¹² For this reason, jail diversion programs are primarily a strategy to streamline correctional operations through more cost-effective rehabilitation. The Commonwealth should consider prioritizing this outcome due to the high costs of incarceration, as described above. In addition to these local cost savings that could be realized in a pay for success contract, the Commonwealth could save money indirectly by no longer paying reimbursements to local jails that house state-sentenced inmates and who may also be eligible for the program.¹³ The evaluation contractor could collect data on cost savings in collaboration with local and state finance offices, as well as other stakeholders that could inform the analysis. In addition, the evaluation should also examine the impact of the project on health care utilization, including hospitalizations and ED visits

Other outcomes that directly affect the lives of taxpayers in the Commonwealth include increased access to behavioral health care and preventative services– as measured by encounters and client satisfaction surveys – and improved health outcomes, including rigorously tested, valid, and reliable assessments of mental health, substance use, and quality of life. Our team is well positioned to leverage their expertise in health care policy and service delivery to ensure these outcomes are met and exceeded.

¹² <http://www.napsa.org/diversion/library/No%20Entry-%20A%20National%20Survey%20of%20Criminal%20Justice%20Diversion%20Programs%20and%20Initiatives%20-%20CHI%202014.pdf>

¹³ <http://www.vera.org/sites/default/files/resources/downloads/price-of-prisons-updated-version-021914.pdf>

Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

Describe program structure issues that should be taken into account in the development of such contracts.

Yes, we would encourage the Commonwealth to target some of the efforts of Pay for Success with local government entities. The proposed jail diversion program would target local governments that administer and finance local corrections. This would include many large urban cities and counties, as well as rural areas in the Commonwealth. The Commonwealth could consider a statewide, state-sponsored diversion program or a targeted pilot in one locality. Much of the savings would naturally go to local governments; but savings could also accrue to the Commonwealth in the form of reduced appropriations for local jail services.

The Commonwealth may also consider a model for prison diversion program for low-level repeat offenders that would benefit from Medicaid-reimbursable treatment. If successful, this program should be of interest to DHHS and DOJ agencies who work with this target population.

For the housing stabilization collaborative partnerships, the Commonwealth should consider partnering with the local entities, such as Public Housing Authorities (PHAs) and CDCs. PHAs would not only be a vital partner in program development and allocation of housing subsidies but will also likely receive cost savings through the shifting of the cost of support services to Medicaid. The same would apply to other county lead agencies that are providing safety net services now eligible for coverage under Medicaid (e.g. county mental health system).

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

The proposed jail diversion program and housing stabilization opportunity are new areas of interest based on the ACA's expansion of Medicaid to childless adults. However, the Commonwealth can learn from the experiences of other states and local governments that have implemented jail diversion or other similar housing stabilization collaborative programs.

According to the National Association of Pretrial Service Agencies in 2010, there were 298 pretrial diversion programs in 45 states and the District of Columbia.¹⁴ Surveys from these diversion programs have revealed a number of promising practices that the Commonwealth should consider in its development of a pay for success diversion program. These include, but are not limited to, formalized cooperative agreements among involved stakeholders; broad, equitable, and objective eligibility criteria across the state for offenders entering the program; maximum protection of participants' privacy; proximity of diversion program locations to correctional

¹⁴ <http://www.napsa.org/diversion/library/Promising%20Practice%20in%20Pretrial%20Diversion%20-%20NAPSA%202006.pdf>

facilities (encourages law enforcement use of diversion option); and independent program evaluation. In addition, the Commonwealth could consider resources and collaboration with the Harvard Kennedy School Social Impact Bond Lab, which has helped state governments develop pay for success contracts.

Related to housing stabilization, there are several states that have tested the value proposition of permanent supportive housing for certain high risk individuals through pilot program in California, Colorado, Maine, Massachusetts, New York, Oregon and Illinois.

What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

Jail diversion programs that leverage expanded Medicaid eligibility under the ACA present a unique opportunity for state and local governments to reduce incarceration costs and improve health outcomes. With this unique opportunity comes a need for implementation contractors and service delivery providers who have expertise in the changing health care environment and specialized knowledge in health care services and operations (i.e., billing and reimbursement). The partnership of the Lewin Group, Optum and UnitedHealthcare Community & States, offers the implementation, monitoring, and service delivery experience needed to effectively manage health care payments and ensure high quality health care delivery for vulnerable populations.

**Request for Information # OB 2015-1
Pay for Success Initiative**

**District Attorney's Office of Philadelphia
May 8, 2015**

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

Since taking office as Philadelphia's District Attorney in 2010, R. Seth Williams has made being "Smart on Crime" a priority. Central to this effort is diverting non-violent cases out of trial rooms and into problem solving and restorative justice programs. In so doing, District Attorney Williams has attempted to address the underlying causes of what leads a defendant to breaking the law, with the goal of helping to significantly reduce the chances the individual will be arrested in the future. Services to reduce recidivism include community service, substance abuse treatment, trauma support, clinical interventions and, notably, pre-entry social services diversion.

Intervention Recommendation:

State and local governments are increasingly funding and developing programs designed to help provide a successful transition for ex-offenders who are returning to their communities. The need is critical: without good, evidence-based wrap-around services and other reentry support, ex-offenders have a significant risk of reoffending upon returning to their communities. Crime reduction can be accomplished by reducing recidivism rates; therefore, good programming is a crime fighting tool.

We believe, however, that public safety can be enhanced and valuable tax dollars can simultaneously be saved by implementing and sustaining pre-entry programs. By pre-entry, we mean targeting certain offenders before trial and conviction. Doing so has the potential for enormous success by ensuring that certain offenders avoid having to do time in prison if they comply with program requirements and receive the help they need to address their criminogenic needs. Yet doing so also has a risk because the types of offenders who could be subject to state prison time may be higher risk than those not subject to state prison time.

To that end, in 2012, we helped launch The Choice is Yours (TCY) program in Philadelphia's Municipal Court. TCY is an innovative alternative-to-incarceration pre-entry program with the goal of diverting young non-violent felony drug offenders away from prison and instead providing them with social services support, educational enhancements and job skills training. As Philadelphia's criminal justice system is inundated with drug cases, TCY seeks to reduce recidivism rates and address the problem of prison overcrowding without compromising public safety. At the same time it offers its participants the opportunity to avoid a felony conviction and gain necessary skills that will allow them to become productive members of their communities.

TCY functions under the jurisdiction of the Philadelphia Municipal Court. It operates as a partnership between the Philadelphia District Attorney's Office, the Defender's Association of Philadelphia and JEVS Human Services (JEVS). Once participants are identified and approved by the criminal justice partners, they enter a Nolo Contendere plea and a final verdict is held in abeyance by the court while the defendant is in the program. The participants then work with JEVS over a 13 month period with a goal of securing full-time employment, completing educational achievements such as graduating high school, trade/vocational school or securing their GED. Upon successful completion the felony charges are withdrawn and if the graduate remains arrest free one year later, the case may be expunged.

From its inception in 2012 through as recently as April 30, 2015, over 150 individuals have been offered the opportunity to participate in TCY. The initial pilot group consisted of 92 individuals, 67 voluntarily entered the program, while 25 did not enroll in TCY. 59 participants who enrolled successfully graduated from the program and had their charges withdrawn (88% success rate). A year post graduation, the recidivism rate is less than 12% for that group. Strikingly, of the 25 defendants from the initial pilot group that did not enroll in TCY, 19 were convicted of their felony charges and had a subsequent rearrest rate of nearly 60%.

Beyond the education assistance, job training and employment benefits that graduates receive, there are financial benefits as well. Participants from the original cohort of TCY were all potential state mandatory one-year minimum cases. The cost to support a TCY participant is slightly more than \$5000 annually compared to nearly \$35,000 the state would spend to house a similarly convicted felony drug offender over that same period. As dramatic as the savings are on a single case basis, looking at the long-term benefits is even more staggering. Comparing the 67 enrolled TCY pilot participants to the 25 who rejected TCY, the latter group has spent over 2000 more days in county custody (and counting) due to sentences, rearrests and violations of probation, resulting in over \$200,000 more in prison spending by the city.

Importantly, this type of program is not limited by size or geography. Any jurisdiction in the Commonwealth can replicate it. All that is necessary is a financial investment in wrap-around support and social services at the start of the arrest process, as opposed to paying for prison, parole, and probation at the end. Depending on eligibility criteria, the financial impact could stretch beyond local spending and have an impact on the number of offenders going into state custody as well. Potentially saving the state hundreds of thousands of dollars as well.

TCY has a proven record of successful intervention into the lives of some of the criminal justice systems' most hard to reach participants. The benefits to a TCY graduate may be incalculable; however, what can be certain is that a graduate is more likely to be employed, arrest free and a contributor to society. What is calculable and documented is that governments will spend less on law enforcement and prison costs as a results of TCY.

We believe that this program can be replicated in other parts of the Commonwealth, particularly in areas with robust social services and leaders willing to implement this kind of program that targets a population facing serious consequences.

Traci Anderson
Assistant Counsel
Governor's Budget Office
333 Market St
18th Floor
Harrisburg, PA 17101 2210

Re: Request for Information #0B 2015-1

Dear Ms. Anderson:

Per a request from Senator Wiley's office received last minute, we respectfully submit the following information for your consideration in response to the RFI referenced above. Below is information on a growing national movement known as *Community Paramedicine* that addresses three of the high-priority areas; namely Public Safety; Health and Human Services; and Long-term living and home and community-based services.

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

Given the unsustainable growth in healthcare expenses and the consistently poor healthcare outcomes in the US relative to other developed countries, several states are exploring policies to redefine the limited services currently provided by the emergency medical services (EMS) workforce. Traditional healthcare policies only reimburse EMS agencies for the medical transportation they provide, despite the potential savings and improved healthcare that could be achieved if these highly skilled clinicians were deployed to help patients avoid preventable emergency department (ED) visits and hospitalizations. Several states have already passed legislation exploring the concept of *community paramedicine* as a new role for these community-based, public safety providers.

The concept, pioneered in Pittsburgh more than a decade ago, is to provide additional training to EMS providers to help them address the medical, mental health, social, environmental, economic and community factors that may be influencing the patient's health. Known as the social determinants of health, growing evidence supports the belief that the frequent hospitalization and 911 calls by "super utilizers" is often driven by non-medical barriers to them receiving necessary healthcare. Community paramedics are trained to assess these social determinants, then use evidence-based counseling techniques like Motivational Interviewing to help the patients obtain needed resources, improve medication adherence and adopt healthier lifestyles. By incorporating other evidence-based interventions such as care transitions models, EMS providers can help reduce hospital readmissions in the most vulnerable populations.

The Agency for Healthcare Quality and Research highlights similar programs on their Innovations Exchange website. Highlighted programs are described in California (<https://innovations.ahrq.gov/profiles/data-driven-system-helps-emergency-medical-services-identify-frequent-callers-and-connect>), Arizona (<https://innovations.ahrq.gov/profiles/referral-system-allows-responders-connect-911-callers-needed-community-based-services>), Missouri (<https://innovations.ahrq.gov/profiles/specially-trained-paramedics-respond-nonemergency-911-calls-and-proactively-care-frequent>) and Texas (<https://innovations.ahrq.gov/profiles/trained-paramedics-provide-ongoing-support-frequent-911-callers-reducing-use-ambulance-and>). In Pennsylvania,

community paramedic programs in Pittsburgh and Harrisburg have successfully reduced 30 day readmission rates for COPD and CHF patients by 50% or more. States such as Minnesota, Idaho, Washington and others have already adopted legislation credentialing community paramedics within the EMS laws and regulations and at least three states have already adopted legislation allowing community paramedic services to be reimbursed through the state's Medicaid plans. In the first round of funding of the healthcare innovation funds from the Centers for Medicare and Medicaid, the Regional EMS Authority (REMSA) in Reno, NV received \$9.9 million in funding to explore community paramedicine and other EMS-based healthcare innovations. The most recent report from REMSA shows the combined program has generated \$15.7 million in avoided healthcare charges, already exceeding their targeted savings despite having several months left in the grant. We believe the Pay for Success contract model could facilitate a similar return in the Medicaid program in Pennsylvania.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

Provide seed funding and allow demonstration programs within Medicaid

While many community paramedic programs across the Commonwealth are in various stages of development, broad scale implementation has been delayed due to the lack of initial start-up funding. Organizations such as Emergycare have self-funded the program in order to demonstrate the benefit. The Emed Health and CONNECT Community Paramedic program in Pittsburgh continues to rely heavily on philanthropic funds to sustain their operations. Payment policy changes in Medicaid would likely not only be an immediate benefit to Medicaid recipients, but would also likely generate a significant cost savings to the Medicaid program as patients are navigated away from EDs to more appropriate resources. We recommend Medicaid be allow to fund demonstration projects to determine the outcomes on the most vulnerable residents in Pennsylvania.

Solicit large EMS agency participation, and county or regional EMS collaborations

While evidence of the financial and impact of such programs is growing, strong consideration needs to be given to the size and quality of the EMS agencies participating in these programs. EMS agencies servicing multiple municipalities or large geographic areas will be more likely to service a population capable of demonstrating the success of the interventions. EMS agencies serving smaller communities will likely not be able to generate enough patient volume in their own catchment areas to provide high-quality and reliable services. In those cases, small EMS agencies should be encouraged to collaborate in county or regional systems capable of sustaining quality programs.

Create a lead agency to coordinate Community Paramedic initiatives

Combining and analyzing standardized data from multiple, large population-based community paramedic programs will help demonstrate the cost-efficacy of these initiatives and help to generate a sufficient data set to demonstrate their value to hospitals, ACOs and health insurance companies looking for better ways to manage their population's health. Identifying a lead agency to coordinate community paramedicine initiatives will provide the standardized training, documentation and evaluation metrics necessary to ensure programs are delivering the highest quality services. Most individual EMS agencies will not have sufficient expertise in program design and evaluation, information technology or access to subject matter experts to coordinate these programs on their own.

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

Pay for Success contracts in Pennsylvania should adopt the outcome metrics promulgated by the Institute for Healthcare Improvement; to improve population health, lower per capita cost and improve the experience of care. Fortunately, a national team of the Community Paramedic leaders from Texas, Reno and Pittsburgh have created a standardized program evaluation tool to serve as a program guide for the structural and outcome metrics necessary to operate and demonstrate the value of Community Paramedic interventions. The document has been vetted by dozens of national stakeholder groups and continues to evolve as programs across the country continue to flourish. The evaluation document recommends the following structural and outcome metrics as core measures for any Community Paramedic Intervention.

Structural Metrics

- Executive Sponsorship
- Strategic Plan
- Healthcare Delivery System Gap Analysis
- Community Resource Capacity Assessment
- Integration/ Program Integrity
- Organizational Readiness Assessment- Medical Oversight
- Organizational Readiness Assessment- Health Information Technology
- HIT Integration with Local/ Regional Healthcare System
- Public and Stakeholder Engagement
- Specialized Provider Education

Outcome Metrics

- *Quality of Care and Safety Domain*
 - Primary Care Utilization
 - Medication Inventory
 - Unplanned Acute Care Utilization
 - Adverse Outcomes
- **Outcome Metrics (continued)**
- *Experience of Care Domain*
 - Patient Satisfaction
 - Patient Quality of Life
- *Healthcare Utilization Domain*
 - Ambulance Transports
 - Hospital ED Visits
 - All-cause Hospital Admissions
 - Unplanned 30-day Hospital Readmissions
- *Cost of Care Domain*
 - Ambulance Transport Savings
 - Hospital ED Visit Savings
 - Unplanned 30-day Hospital Readmission Savings
 - Total Expenditure Savings
 - Total Cost of Care
- *System Balancing Domain*
 - Partner/ Stakeholder Satisfaction
 - Primary Care Provider Utilization

- System Capacity- ED Utilization

We believe the Pay for Success contracts should mirror the structural and outcome metrics already created and vetted by the national workgroup.

Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

EMS agencies that respond to 911 services throughout the Commonwealth are already closely tied to their local government entities. We believe a Pay for Success contract enabling more communities to implement a Community Paramedic program has the potential to help ensure that local governments can continue to receive EMS services by creating new revenue streams for these valuable public safety organizations.

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

We are not aware of other states that have used the Pay for Success contracts to help implement their Community Paramedic initiatives, however as mentioned earlier, several states have already implemented legislation credentialing and providing Medicaid reimbursement for similar programs. We believe the legislation from these states may be useful templates as Pennsylvania considers how to implement Pay for Success contracts for this promising new service.

What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

EMS agencies throughout the Commonwealth are struggling with the changes in healthcare reimbursement. Shifts in commercially insured patients towards high deductible health plans have increased the uncompensated care these community-based organizations have to provide. Medicaid compensation has not been increased in more than 12 years, despite the EMS agencies incurring significantly higher costs driven by improvements in patient care technology, medical therapies and patient and provider safety initiatives. Many communities across the Commonwealth are in jeopardy of losing their local ambulance service unless significant changes are made in the near future. Community Paramedicine projects like those described above hold significant promise in generating new revenue streams for community EMS organizations. As importantly, these programs demonstrate great potential to improve patient care while reducing overall healthcare costs. Former Medicare Administrator Don Berwick recently described community paramedicine as a “productive new healthcare role” in his March 2015 opinion article in the *Journal of the American Medical Association*. We hope you will consider models utilizing this promising new role in your Pay for Success initiatives.

Thank you for your consideration. If you have any questions about our proposal, please contact us via email or phone as below.

Respectfully submitted,

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Response to Pay for Success RFI

May 8, 2015

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What promising policy areas, service providers and interventions could be candidates for Pay for Success (PFS) contracts in Pennsylvania?

The successful design, renovation and construction of public schoolyards, parks and other civic commons can provide multiple catalytic effects on a city. The Big SandBox is proposing a pay for success model to reduce childhood obesity, revitalize neighborhoods, reduce crime, expand economic opportunities, reverse watershed degradation, and improve the physical health and well being of Philadelphia. With a grant from the Knight Foundation, The Big SandBox is currently building a civic movement to renovate 300 public schoolyards and other public spaces, and promote healthy environments for physical activity, community engagement, green stormwater infrastructure, urban agriculture, nutrition and wellness. With the average child spending 1300 hours at school each year, schools can be a valuable physical environment and social resource in the fight against childhood obesity. But the social and built environment of most public schools fails to support healthy development, and limits access to outdoor play opportunities for sports and physical activity. Safe outdoor play environments can provide physical activity, reduce childhood obesity, and catalyze a neighborhood.

What considerations should the Commonwealth take into account in structuring PFS contracts?

Investments in research, feasibility studies, green stormwater infrastructure, and green schoolyard construction can provide the needed platform from which to launch successful Pay For Success programs. Design, implementation and dissemination of effective school-based prevention programs, for example, is critical to addressing the childhood obesity epidemic. Presently, few successful models exist for the prevention of childhood obesity; current programs typically involve just one influencing factor, do not have the desired effect on a child's related behavior, and are not integrated with other individual, social and environmental changes. To effectively address the health and well being of a child, a nutritional, physical, social, and psychological approach is needed that combines a proven program with strong evaluation in a built environment providing active opportunities for engagement, learning and play.

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

The Big SandBox is working to establish 12 pilot schoolyards in Philadelphia, from which investigators with expertise in epidemiology, psychology, pediatric nursing, biostatistics, the built environment, policy analysis, nutrition, landscape architecture, elementary education, green infrastructure and school health can develop evidence for "social impact" or pay-for-success financing models. The Big SandBox is drawing on its experience with the Learning Landscapes program in Denver, which renovated 96 schoolyards over a 12-year period. With nationally-renowned expertise in both evidence-based and applied research, TBS can build schoolyards in Philadelphia that provide critical data and implementation strategies for a Pay For Success program in school districts throughout Pennsylvania and the country.

Are there opportunities for the Commonwealth to partner with local government entities...?

TBS is pursuing grants from the Philadelphia Water Department for green stormwater infrastructure improvements on schoolyards; the water department is an ideal partner for prospective PFS models. Philadelphia is developing entrepreneurial public-private partnerships and community engagements to design and build comprehensive outdoor play spaces, but those efforts are sporadic. In a recent meeting with an international social impact bond finance company, TBS was advised that, as is the case with all social impact bonds, it would be much easier to attract the investors than it would be to track, illustrate and verify the "cashable savings" from its social impact programs. Research, feasibility studies, and pilot schoolyard projects are critical to the successful launch of a Pay For Success program.

Response to Request for Information # OB 2015-1

Pay for Success Initiative
Commonwealth of Pennsylvania

Submitted by Ann Hoskins-Brown on behalf of

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❖ ***What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?***

Chronic health conditions and other serious illnesses affect hundreds of thousands of people throughout the community. The U.S. Department of Health and Human Services reports that half of Americans have at least one chronic health condition and represent 80% of all health care spending. Pennsylvania's rates of chronic illness tend to be higher than the national average, including obesity (28.1% vs. 26.9%) and hypertension (31.4% vs. 28.7%). According to the Philadelphia Department of Public Health, Philadelphia has the highest rate of obesity (32%), hypertension (34.5%), and diabetes (12%) of the 10 largest cities in the US.

Individuals battling such illnesses have compromised immune systems and are more prone to developing severe co-conditions and increased nutritional risk factors than the general population. For example, people with HIV/AIDS are at high risk of developing diabetes because HIV medications increase blood glucose levels. Cancer patients undergoing chemotherapy can become malnourished due to nausea, reduced appetite or changes in metabolism causing them to stop treatment before completion. Dialysis causes protein loss, and the complicated renal diet can lead to infrequent eating. It is estimated that up to 70% of renal disease patients undergoing dialysis are malnourished for these reasons.

Volumes of evidence indicate a strong correlation between malnutrition and poor health outcomes including higher infection rates, increased mortality, longer hospital stays, higher rates of institutionalization, and increased medical costs. Malnourished hospital patients may also have reduced independence, as they are also more likely to be discharged into a care facility or need home care, spend more time in physician consultations, and rely more heavily on prescriptions. Indicators of malnourishment include low albumin levels, low muscle mass, wounds that will not heal, severe appetite loss, inability or limited ability of the body to absorb nutrients, anemia, and abnormal weight loss.

The elderly population – representing more than two million Pennsylvanians – has an increased risk for malnutrition compared with other adult populations. A case study published in *Clinical Interventions in Aging* estimates that up to 35% of community-dwelling elderly and 65% of hospitalized older patients are nutritionally deficient in minerals,

vitamins, protein and calories – deficiencies that put them at increased risk of costly institutionalization.

Although the Commonwealth of PA already supports programs that help to offset these issues for those who are elderly or qualify for certain waiver programs, these programs typically are not capable of addressing the needs of people with either chronic or acute illnesses who require dietary modifications. For example, the Philadelphia Corporation for the Aging delivers meals for people over 60 who are homebound or lack the income to purchase food, however they do not provide specific diets for people with renal disease, also known as chronic kidney disease (CKD). Based on a systematic review of published data, the prevalence of CKD in the elderly population can be as high as 36%, representing a significant portion of individuals who require substantial dietary restrictions. Meals on Wheels has both age and income limitations and, as a result, cannot serve most vulnerable adults. Local food banks rely on donations of food with long shelf lives and high preservatives that do not meet the nutritional needs of people with diabetes, heart disease or other chronic conditions.

And yet these underserved populations are the source of a huge strain on both Medicaid and Medicare, often as a direct result of improper nourishment. For example, according to the American Diabetes Association, people with diagnosed diabetes incur average medical expenditures of about \$13,700 per year, of which about \$7,900 is attributed to diabetes. People with diagnosed diabetes, on average, have medical expenditures approximately 2.3 times higher than what expenditures would be in the absence of diabetes. In Pennsylvania, diabetes alone is estimated to result in \$7.43 billion in direct health care costs.

What if there was a way to reduce those costs? A mechanism for saving as little as 1% would potentially result in savings of more than \$73 million a year for just the diabetic population. Similar cost savings for other diagnoses could raise that savings even higher.

The Metropolitan Area Neighborhood Nutrition Alliance's (MANNA) comprehensive food and nutrition services model is that cost saving mechanism. MANNA's model is an elegant and replicable "Food as Medicine" approach that supports individuals of all ages and incomes with serious illnesses during times of acute risk by providing medically tailored, home-delivered meals and nutrition counseling provided by Registered Dietitians (RDs). MANNA's standard meals are heart-healthy and low in sodium, and 11 different dietary modifications accommodate specific dietary requirements for certain health conditions, such as low potassium, low fiber, low lactose, diabetic, no pork, etc. This focus on nutrition is what sets MANNA apart from food banks or other meal delivery or hunger relief programs.

In 2013, a ground-breaking research study of MANNA's program was published in the peer-reviewed *Journal of Primary Care & Community Health*. Three years of health care claims were analyzed to track average monthly health care expenditures of MANNA clients the year before and during the service period. Those costs were compared to a control group

with similar health conditions and demographic variables who had health claims during the same period. This research found that MANNA's clients' **average monthly health care costs decreased by 62% over three consecutive months, the number of hospital visits were cut in half, their length of stay was 37% shorter, and they were 20% more likely to be released from the hospital to their home rather than a health care facility.** Among people living with HIV/AIDS, the monthly costs had an even more significant drop – 80% in the first three months and 66% lower in the six months following initiation of services.

Because the service is available to clients only during a period of acute nutritional risk, MANNA works to ensure that clients develop a complete understanding of how to manage their disease in the long term through proper nutrition. Each client is first enrolled in the program for a period of six months, after which they are reassessed to determine improvement in nutritional health and quality of life indicators in order to track program impact. With limited funding sources and increased demand, the recertification process is critical to evaluating success and ensures that MANNA clients are connected to primary care and that nutritionally stable clients are cycled off the program so others in need can receive services and to ensure that the programmatic costs do not escalate.

Every year, MANNA administers an annual survey to gather clients' feedback on food quality and delivery services. With a research project currently underway in partnership with researchers at Drexel University's College of Nursing and Health Professions to develop a validated outcomes tool based on the Performance Outcome Measurement Project (POMP), MANNA decided to pilot the POMP toolkit and included several questions in our revamped survey. This past year over 95% of respondents stated that we provide quality, healthy food that meet their medical needs and 96% are satisfied with the meal program overall. The majority of clients stated that MANNA has helped them achieve/maintain healthy weight (87.8%) and decrease hospitalizations (74.39%). When compared with data from the 2012 National Survey of OAA Program Participants, obtained from the U.S. Administration on Aging's Aging Integrated Database (AGID), MANNA's client outcomes are comparable or better than the AGID outcomes.

Over its 25-year history in the greater Philadelphia region, MANNA has tested and shaped its program model to best meet clients' needs and promote improvement in health and wellness. Through the implementation of outcome-tracking standards and research, MANNA has shown that the ill effects of malnourishment on people with chronic and severe illnesses can be alleviated through proper nutrition in conjunction with nutrition counseling by RDs and medical treatment by the client's physician. These services ultimately save individuals, insurance companies, the Commonwealth and the nation substantial medical costs.

Based in Philadelphia, MANNA has no peers in other cities across Pennsylvania, however there are similar programs in other cities across the United States, demonstrating that this is a replicable intervention model that could have a significant positive impact if expanded. By expanding the MANNA intervention model to other parts of Pennsylvania, a return on

investment would be realized by generating both direct health care cost savings and by increasing the number of seniors with chronic illnesses who are able to remain in their homes. The model, not only offers potential for significant cost savings to the Commonwealth, but also holds potential for ongoing sustainability through insurance reimbursement and/or hospital community benefit program support. In Philadelphia, Health Partners Plans has already begun to reimburse for the intervention for their at-risk diabetic members and other insurers have expressed interest. Including the MANNA intervention model in the Pay for Progress bond program would enable this intervention to expand to other areas within Pennsylvania and bring its success to scale.

❖ ***What considerations should the Commonwealth take into account in structuring Pay for Success contracts?***

The Commonwealth should consider the structure highlighted in the journal Health Affairs that suggested “using public-private structures as payers that are capable of absorbing diffuse benefits through a global budgeting process.” This would enable cost savings to be realized through multiple levels of government.

❖ ***What outcomes should the Commonwealth prioritize in Pay for Success contracts?***

Outcomes could be based on the number of people served and/or the number of expansion programs/sites established.

❖ ***What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?***

The Commonwealth should consider the article entitled “Using Pay-For-Success To Increase Investment In The Nonmedical Determinants Of Health” which was published in the journal Health Affairs in November of 2014 doi: 10.1377/hlthaff.2014.0741 HEALTH AFFAIRS 33, NO. 11 (2014): 1897–1904

**RESPONSE TO REQUEST FOR INFORMATION #OB 2015-1
SOCIAL IMPACT BONDS
FOR THE COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S BUDGET OFFICE**

Submitted by:

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May 8, 2015

**Response to Request for Information #OB 2015-1: Social Impact Bonds
For The Commonwealth of Pennsylvania - Governor’s Budget Office**

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Response to Request for Information #OB 2015-1: Social Impact Bonds For The Commonwealth of Pennsylvania - Governor's Budget Office

NARRATIVE

Roca is pleased to provide a response to this RFI and a proposed programming opportunity for the Commonwealth of Pennsylvania that would address the Governor's high priority area of public safety: a comprehensive, cognitive-behavioral intervention targeted to young adults involved in the criminal justice system and proven to significantly reduce recidivism. Relevant to the cost of incarceration, this intervention stands to produce substantial savings to the Commonwealth and can be used as either a direct alternative to incarceration, as a tool for diversion and/or as a critical tool to reduce recidivism rates for very high risk young men.

As the architect of this model, Roca has been chosen to lead a first-in-the-nation "Pay for Success" effort in Massachusetts. Roca is prepared to bring this successful model to the Commonwealth of Pennsylvania, generating savings through decreased incarceration while engaging high risk young men in an intervention that will set them on a positive and productive life course.

What promising policy areas, service providers and interventions could be candidates for Pay for Success Projects in Pennsylvania?

Promising Policy Areas

When it comes to corrections reform, the facts are clear: it is not only possible, but it is long overdue. Every year, Pennsylvania spends more than \$2 billion in prison expenditures. According to the Vera Institute, in FY 2010 the Department of Corrections spent approximately \$1.6 billion in prison expenditures with an additional \$463 million in prison related costs spent outside of the Department's budget. The on-budget portion of these costs alone has grown to over \$1.8 billion more recently. This number does not reflect other public safety and law enforcement costs associated with crime and violence. As of 2012, the Department of Corrections spent roughly \$42,339 per prisoner on a yearly basis.

In 2013, 50,512 people were incarcerated in the Commonwealth's prisons and, of those, 19.2% were under the age of 25 (note: this does not include those in the county jail system.) The number of people being incarcerated in PA continues to climb with 19,769 admissions to state prison in 2013, up from 14,008 in 2003. Of these, 10,486 were court commitments, 7,666 were parole violators, and the bulk of both groups were men. A large concentration of these commitments, 23.1%, were in Philadelphia County. Philadelphia also leads the state in Court Commitments (2,605 in 2013) followed by Delaware County (6.5%) and Allegheny County (5.2%). Further, according to the American Legislative Exchange Council, Pennsylvania institutions are currently at 109.7% of capacity.

In addition to high rates of incarceration, Pennsylvania has extremely high rates of probation and parole, with more than 144,275 under some form of supervision statewide. According to the National Institutes of Corrections, as of 2013, 1,705 individuals per 100,000 were on probation (15% higher than the national average) and 1,029 per 100,000 were on parole (285% higher than the national average). These rates are concentrated in specific areas. For example, 34,771 of these individuals reside in Philadelphia County, 16,559 reside in Allegheny County and 12,191 reside in Montgomery County. Risk levels for

those in custody within the community vary greatly across the Commonwealth. For example, while statewide 32.1% of those on probation or parole have committed felony offenses, 66.9% of those in Philadelphia County, 38.5% of those in Allegheny County, and 36% of those in Chester County have committed felony offenses that resulted in their supervision.

Pennsylvania's prisons fail to effectively rehabilitate prisoners, and the Commonwealth's community corrections program, designed to provide probationers and parolees comprehensive rehabilitative services, have failed to prevent re-offense and recidivism. According to the PA Department of Corrections, an estimated 43% of offenders are back in prison within three years of release. "More than half of those who return to prison within three years after release will do so within the first year of release. The first year is by far the most risky period for recidivism." Further, according to the Department, "Younger released inmates are more likely to recidivate than older inmates. A released inmate who is under 21 at the time of release from prison is more than twice as likely to recidivate within three years than a released inmate who is over age 50 at the time of release from prison."

However, the success of community corrections programming in other states, primarily generated by utilization of evidence-based rehabilitative practices, has proven vast cost savings. In many cases, states have saved tens if not hundreds of millions of dollars through diversion to these evidence-based community corrections programs. If Pennsylvania is committed to reducing corrections costs, and more importantly, increasing public safety, it must invest in new, evidence-based community corrections and rehabilitative diversion programs.

Pay for Success contracts offer a viable funding mechanism for new, evidence-based community corrections programs that drive toward reducing re-offense, recidivism, and revocation of participating offenders. Through this reduction, the Commonwealth of Pennsylvania can produce immediate cost savings by avoiding initial incarceration and eliminating repeat incarceration. Repeat incarceration is one of the most significant drivers of corrections spending and prison overcrowding and construction. By reducing prison beds, the Commonwealth can reinvest the associated savings into the expansion of community-based supervision and evidence-based rehabilitation practices, as well as crime prevention and intervention programming.

Service Provider Description

Organizational Background: Roca's mission is to disrupt the cycle of incarceration and poverty by helping young people transform their lives. Our evidence-based Intervention Model engages the highest risk, 17-24 year olds in a long term process of behavior change and skill building opportunities. With two years of intensive engagement and two years of less intensive follow up, Roca's Intervention Model provides a robust combination of services, including relentless street outreach, data-driven case management, stage-based education and employment training.

Roca is demonstrating a powerful solution to violence and poverty and is unique in the work that it does. Roca's services are designed to work with young people who are not prepared to participate in traditional programming and all program components address issues of relapse, using failure as a tool to help young people learn. Roca seeks out the most difficult, challenging individuals for whom other programming has failed, and systematically works to establish positive, consistent relationships built on trust and respect. These relationships are then used as a vehicle to push young people towards goals of social and educational engagement.

Since its inception in 1988, Roca has helped more than 20,000 young people make positive, profound changes in their lives, creating a nationally acclaimed model of transformational relationships as a vehicle for youth development, pioneering effective local, regional, and national relationships with government, state, religious, health, and community partners.

Roca has spent nearly seven years looking at evidence-based practices and programs in an effort to more effectively serve our communities' highest risk young men who, without an intervention, face a reality of jail, violence, and poverty. Due to the lack of programs targeted specifically for this target population, Roca felt the need to create an effective intervention model that consistently drives this group of young men toward positive outcomes. Roca intentionally developed its model by:

1. Studying, adapting and implementing elements of evidenced based programs and approaches based on foundational theories of behavior change; and,
2. Working to align the Intervention Model and Roca's organizational practice with the Eight Evidenced Based Principles of Effective Intervention identified for community corrections.

As a result of this learning, Roca now operates a clear, single-service Intervention model that offers two years of intensive services and two years of follow up support. Roca has made significant progress with the design and coaching of the model and the development of a performance management system, detailed later in this narrative. Roca has also spent a significant amount of time over the last few years evaluating its efforts and outcomes in order to continuously improve the model.

Understanding that we cannot and should not do this work alone, Roca partners with an important array of leaders and institutions from the criminal justice field, government, business, and social service sectors, to create systemic improvements in the way our society responds to the crises of crime, poverty and over-incarceration of young people.

Roca, a 501(c)(3) corporation, has extensive experience in receiving, managing and expending large federal, state and private foundation grants and contracts, including multi-year contracts and grants ranging from \$5,000 to \$2,400,000 (a two year grant from the US Department of Labor.) Roca has administered several successful capital campaigns and a \$20 million multi-year fundraising campaign.

Currently, Roca manages a \$10 million annual operating budget (for FY 15), with no debt, and has consistently maintained clean audits on an annual basis. Roca maintains all accounting, contract management, purchasing and recordkeeping functions in accordance with generally accepted accounting procedures.

Roca is committed to being a high-performing and adaptive organization that uses real-time data for continuous improvement and evaluating our impact. Roca utilizes evidenced-based practices combined with experience in working with this target population to effectively intervene with very high-risk young people. Roca's Intervention Model has been touted as a *national best practice* by many governments, advocates and services providers, and sought after nationally and internationally.

In the past five years, Roca has started two direct program replications, one in Springfield and one in Boston, both of which are already seeing positive results. We have also prepared the organization to move forward, developing the skills of the staff and Board of Directors, and continuing to build our internal capacity to support further replications of our model nationally.

Experience in Developing Pay for Success Contracting: Roca is currently the sole service provider in the largest pay for success project in the country, the Massachusetts Juvenile Justice Pay for Success (PFS) Project. This project serves as a catalyst to take Roca to the next level, demonstrating a solution to the cycle of incarceration and poverty for high risk young men while at the same time moving Roca forward on the path towards financial sustainability by creating the possibility of a long-term public revenue source. Roca is working with the government to transform funding for critical programming - ensuring that resources are allocated based on outcomes. Through this exceptional public-private partnership, Roca will further demonstrate effectiveness of its Intervention Model through a rigorous program evaluation, while scaling its impact across the Commonwealth, and will implement a clear road for governments in both Massachusetts and across the country to avert and/or reduce incarcerations.

Roca's participation in the PFS Project, the largest project of its kind, allows us to provide Roca's Intervention Model to a minimum of 929 high risk young men from across the Commonwealth, including an estimated 327 young men from Springfield and the surrounding communities in Hampden County, 327 young men from Boston, and 227 young men from Chelsea and the surrounding communities. Young men are referred to the project from the Office of the Commissioner of Probation, the Massachusetts Parole Board, the Department of Youth Services, and the Hampden, Middlesex, Suffolk and Essex County Houses of Corrections.

This \$28.5 million project represents the first and largest government investment of its kind to serve our nation's highest risk youth and offers Roca an unprecedented opportunity to demonstrate that we help these young men change their lives. The innovation is in the structure of the contract; **the government only pays for the services provided if and when better outcomes are achieved**, thereby removing the financial burden from the public and generating long-term cost savings. In a time when prison costs are soaring across the nation and there are few solutions for high risk young men, the national implications for this project are boundless.

As a 15% investor in this project, Roca has committed to raising between \$3.5 and \$4.7 million in program support (depending on the success of the project over time) and an additional \$1.1 million in capacity building resources. Roca's investment is added to support from Goldman Sachs, Inc., Living Cities Foundation, the Kresge Foundation, the Boston Foundation, New Profit, the Laura and John Arnold Foundation.¹

The project is a partnership of the Commonwealth of MA's Executive Office of Administration and Finance, Roca and Third Sector Capital Partners, who serves as the project's intermediary through their special purpose vehicle, Youth Services Inc. The project is being independently evaluated through a random control trial study, being administered by the Urban Institute and is supported by work from the Harvard Social Impact Bond (SIB) Lab and Public Consulting Group (the project's validators.)

Prior to project launch, Roca spent 18 months researching the most effective tools, and has developed extensive modeling tools around how to structure and finance pay for success contracts from the perspective of a service provider.

¹ Roca should also note that its investment in the project is supported by the Kresge Foundation, the Barr Foundation, State Street, the Hyams Foundation, Jane's Trust, the Jacobson Family Foundation, the Bennett Family Foundation, the Yawkey Foundation, the United Way of Pioneer Valley, the Tower Foundation, as well as many others.

Launched in January 2014, Roca has just completed its first year and a quarter of operations on this project. As of March 31, 2015, Roca is on track to meet and/or exceed every expectation set for the project. Roca is excelling in engaging and working with this group of very high risk young men. As of that reporting, Roca has enrolled 329 young men and has retained 289 of those young men in services (a 90% retention rate). This is significantly higher than projected. In addition, Roca is meeting and/or exceeding all of its projected outcomes for the project to date as illustrated in the table below (all data as of 3/31/15). For example, Roca has had only 3 young people terminated from the project because they were incarcerated, this represents only 25% of the number we expected to have incarcerated.

	Plan	Actual	% of Plan
Referrals	733	721	98%
State Referrals	531	531	100%
Self-Recruits	202	190	94%
Pending (Registered and Pending End of Sentence)		103	
Registered (being assessed for eligibility)		69	
Pending End of Sentence Date		34	
Enrolled	413	329	80%
Active (Enrolled Only)	358	289	81%
Attrition Rate (Enrolled Only)	16.90%	12.77%	N/A
Incarcerations	12.1	3	25%
Billed to YSI for Quarterly Payments	125.3	94	98%
Billed to State		29	
Fundraising Goal	\$2,866,228	\$2,767,875	97%
Additional Concerns and/or Notes:			
1. Numbers are based off of revised projections included in new contract revision.			
2. Planned numbers are for the end of Q6 (MAR 2015).			
3. Roca bills for young people who are enrolled as of their referral date and/or their end of sentence date.			
4. Includes projected billing for Q6. Actual billing will not occur until April 21st and may vary slightly.			
5. Roca was intentionally behind in self-recruiting in Q6 but will catch up on enrollments in Q7.			

Experience with Other Governmental Partnerships: In addition, Roca’s experience in collaboration includes both its highly successful engaged institutions strategy and its diverse range of partnerships to serve young people.

Roca’s Engaged Institutions strategy, the fourth component in the Roca Intervention Model, includes establishing partnerships to develop and implement informal and formal practice, policy, and systemic change. The institutions that are in a young person’s life—schools, local government, criminal justice and state systems, agencies, and organizations—are just as influential to the needs and growth of a young person as Roca. In recognizing this, Roca sought to create partnerships with these institutions, open the lines of communication, benefit from each other’s expertise, and create more effective responses to young people and their families. Our engaged institutions work has resulted in initiatives such as: a statewide task force on transitional employment in partnership with the Lt. Governor’s Office and two secretariats, the creation of an Intervention Manual with 3 Police Departments and the MA Department of Youth Services, a shift in area gang intervention practices, an unprecedented ongoing partnership with the Hampden County Sheriff’s Department in Springfield where Roca began its first replication, and several area employers that are working with Roca to develop a range of pre-vocational curriculum and a pipeline to transitional employment and full-time employment.

This work has allowed Roca to take a lead on advocating for the needs of very high risk young people across the state. In the past year alone, Roca has engaged: in a on-going learning exchange with the Department of Youth Services; worked with the cities of Chelsea and Springfield on their Safe & Successful Youth Initiatives including facilitating theory of change processes; and successfully had legislation passed to allow for the operation of alternative community corrections programming.

In addition to our work in Massachusetts, Roca works nationally to engage key partners in our work. Roca has also developed extensive relationships with government and nonprofit partners in Pennsylvania, with a particular focus on Southeastern PA and Philadelphia that we believe would help us quickly move forward with our work if we were fortunate enough to be selected as a pay for success service provider. In addition, Roca has strong ties to local philanthropy and educational institutions, including Penn State, Lincoln University, the University of Pennsylvania, the Pew Charitable Trusts, Green Light Fund and many others, and we will build on these relationships for support and assistance as we move forward.

Plans for Growth and Expansion: Roca is uniquely positioned to successfully implement this project. Roca has been preparing itself to do this work for the past several years and this project directly aligns with our Strategic Business Plan. Through this business plan, Roca proposes to continue to focus the delivery of its Intervention Model to address the needs of 17-24 year old young men who demonstrate a strong propensity for violence, crime and/or adult incarceration, who are either: 1) aging out of the juvenile justice or juvenile probation systems; 2) connected with the adult justice system; or, 3) are high risk youth from the community being served².

Roca is in an *early-stage growth* for impact that meets the criteria of “organizations that have demonstrated a significant level of effectiveness and are increasing their capacity for scale readiness.”³ Roca has planned for this early stage growth by focusing on national best practices for scaling and replication. Roca has demonstrated program quality and effectiveness (including the comparison of results and costs to similar programs). Roca has also generated evidence of demand in the marketplace and a comprehensive scaling plan. Supported by a strong leadership team, Roca also has developed a financial model that will promote programmatic stability and has developed the systems to track, monitor and assess program performance and growth.

Roca is proposing to scale social impact through an increase in direct services and indirect influences through increases in:

1. the **quantity of services** and **geography** through expansion of services at our existing locations and two additional program replications, growing from serving 795 to 1,630 young people per year;

² Roca will continue to serve high risk young women and young parents through its site in Chelsea as a secondary target population.

³ As defined by the Social Impact Exchange and found at http://www.socialimpactexchange.org/bpc_overview.cfm, organizations prepared for early stage growth: 1) offer a clear understanding of key program elements and processes required for scaling; 2) have piloted in at least one site for a minimum of one year; 3) have collected data [inputs, activities, outputs] and documented early results indicating effectiveness and the potential for impact at scale, using data from the actual implementation, not general research data that states a certain method works; and 4) have a well-defined strategy for further expansion.

2. the **quality of services** through expanding the organization's delivery capacities and demonstrating the Intervention Model as an evidence based practice; and,
3. **influencing public policy and practice** through demonstrating alternative programming models, advocacy, the engaged institutions strategy, networks, and a knowledge development/sharing agenda.

Roca's Intervention model is a profound solution to the cycle of early incarceration and recidivism for high-risk young people. As we clarify Roca's model, we understand that we must also begin to share it and determine the greatest impact strategy for implementing the model within the community. Roca will increase the number of young men it serves, position itself to impact more young people and make broader scale system change, move from proven to demonstrated success – highlighting the Intervention Model as evidence based, and increasing organizational capacity. Specifically,

Goal 1: Increase Scale and Impact of Young Men's Programming

1. Implement the Massachusetts Juvenile Justice Pay for Success Project and expand services in Massachusetts
 - Continue to expand services in all local communities (Boston, Charlestown, Chelsea, East Boston, Everett, Lynn, Malden, Medford, Revere, Winthrop, Springfield, Holyoke, Chicopee, Agawam, Ludlow and West Springfield.)
 - Third Party Evaluation Program Outcomes (Compared to a Control Group and/or Historic Data) reducing future incarcerations by a minimum of 40% and increasing employment by a minimum of 30% (based on earnings of \$1,000 or more per quarter)
 - Create and Implement a customized Cognitive Behavior Therapy (CBT) component for criminal justice system involved youth
 - Expand and enhance Roca's engaged institutions policy with a particular focus on police, probation, parole, courts, other criminal justice partners and employer partners.
2. Replicate in Another State(s)
 - Exploration of Potential States Based on Roca Replication Criteria
 - Launch one to two out of state program replications within the next 36 months
3. Further Demonstrate evidence of the Intervention Model for Young Men and Operations Needed for Replication
 - PFS Random Assignment Random Control Trial Evaluation to be conducted for 7 year period (beginning 1/29/14 – 1/28/21)
 - Complete 3 year Impact/Outcomes Evaluation of Intervention Model for young men with Abt Associates as a companion to PFS Evaluation.
 - *Evaluation will build off of administrative data made available through the PFS project, but will assess Roca's impact on all participants.*
 - *Evaluation will assess each element of the intervention model to determine which are critical to success in replication.*
 - Complete evaluation of updated CBT curriculum, as noted above.
 - As appropriate, engage in violence prevention research.
4. Develop Long-Term Plan for Scale and Impact
 - Work with an experienced partner on developing an appropriate plan for long term scale and impact

- Develop and implement replication plan for Intervention Model for High Risk Young Men
- Develop and implement replication plan for customized CBT Curriculum for Criminally Involved Youth
- Exploration of options for sharing Roca model and/or portions of Roca model (i.e. outreach and/or other programming components) outside of full replication structure
- Continue to research and investigate expanded options for programming
- Position the organization for the future

Goal 2: Demonstrate Intervention for High Risk Young Mothers

1. Create a national model to serve high risk young mothers and their children through behavior change and employment
2. Create and Implement a customized Cognitive Behavior Therapy (CBT) component for high risk young mothers
3. Develop long term strategy for work with high risk young mothers.
4. Continue to deliver the Healthy Families Program with excellence for approximately 137 young mothers per year

Goal 3: Implement New Economic Model for Growth and Long Term Sustainability

1. Increase budget from \$10M in expenses in FY 15 to \$19M in expenses in FY 19
2. Successfully implement PFS in Massachusetts and hit benchmarks
3. Investigate alternative funding sources to develop sustainable public funding, such as Medicaid.
4. Shift economic model for young men’s programming to create a predominant public funding source in any operational site. Proposed funding structure for each site will include: 60-65% outcomes based, sustainable public funding; 15% philanthropic funding; 10-15% earned revenue; and, 10% corporate and individual fundraising

Goal 4: Further Develop Leadership and Management Capacity for excellence, scale and impact

1. Expand Organizational Management Capacity
 - Finalize and implement leadership and management development with succession plans for all senior managers by close of FY’16
 - Work with Achieve Mission to develop and launch a 3 year Talent Initiative Plan - Including org structure, competencies and succession planning
2. Expand Board Capacity - Develop board to meet strategic plan and growth needs in the areas of financial oversight, legal policy and oversight, CEO and Board oversight, strategic support and expertise, fundraising and community support.

Target Population

Roca has developed and operates an intervention model designed to help very high-risk young people move out of violence and poverty and break this cycle of incarceration. The Intervention Model is designed for 17-24 year old young people in crisis, with a focus on young men who are either: 1) aging out of the juvenile justice or juvenile probation systems with a strong propensity for reincarceration as an adult; 2) connected with the adult justice system; or 3) are high-risk members of the community being served who have a strong propensity for incarceration as an adult.

This is directly aligned with the populations best suited for pay for success contracting in criminal justice. Some of the most promising candidates for Pay for Success contracts are criminal justice

reform/intervention programs designed to reduce incarceration rates and the associated costs of criminal recidivism with a specific focus on programs serving the following populations:

- 1) **young men (17 to 24 years of age) that are actively involved in the criminal justice system** (incarcerated or on probation) and are determined to be high-risk offenders based upon validated assessment tools; and,
- 2) **young men aging out of juvenile probation and Bureau of Juvenile Justice Services (BJJS) supervision**, whom are identified as requiring further services but no longer qualify for state assistance; and are in need of cognitive-behavioral intervention to prevent further engagement in risky or criminal activity, thereby preventing incarceration as an adult.

These populations are not only clearly defined, but can be measured separately in order to track outcomes and program success.

In addition to the general categories provided above, Roca recommends focusing services only on high risk young men, as **young men being discharged from IDJJ and/or juvenile probation demonstrate a strong propensity for violence, crime and/or adult incarceration**. We propose to work with the PA DOC, BJJS, juvenile probation and all appropriate county level juvenile justice centers to determine those with the highest likelihood of being incarcerated as adults. Specifically, Roca would focus on young men with high end misdemeanor and/or felony charges in their arrest records who are deemed to be at high risk for reincarceration based on validated risk assessment tools.

Our recommendation to work with this population is based on the risk principle. According to the Crime and Justice Institute, “The risk principle identifies *who to target for the most intensive of services and programming*. Specifically, limited resources should be directed to those at highest risk for involvement in the criminal justice system. Further, higher risk clients should receive the greatest dosage of treatment and intervention. This principle is of critical importance given the serious constraints of limited budgets and working with growing community supervision and prison and jail populations.”⁴

Multiple studies and meta-analyses⁵ have repeatedly shown that programming that focuses on lower risk individuals or mixes high and low risk groups actually increases rates of recidivism for the lower risk client⁶ found that programs that adhered to the risk principle were able to reduce recidivism by 19

⁴ Bechtel, Kristin and Barbara A. Pierce, MPPM. “An Overview of What Works in Correctional Interventions.” Crime and Justice Institute (January 2011).

⁵ A meta-analysis is a summary of existing studies. The finding from a meta-analysis is commonly referred to as the treatment effect and is often presented as a correlation. Larger and positive correlations suggest that a better outcome was produced by the program or intervention being evaluated.

⁶ Andrews, D.A. Zinger, I. Hoge, R.D., Bonta, J., Gendreau, P., & Cullen, F.T. (1990). Does correctional treatment work? A clinically relevant and psychologically informed meta-analysis. *Criminology*, 8, 369-404; Andrews, D.A. & Dowden, C. (1999). A meta-analytic investigation into effective correctional intervention for female offenders. *Forum on Corrections Research*, 11, 18-21.; Dowden, C. & Andrews, D.A. (1999a). What works for female offenders: A meta-analytic review. *Crime and Delinquency*, 45, 438-45; Dowden, C. & Andrews, D.A. (1999b). What works in young offender treatment: A meta-analysis. *Forum on Corrections Research*, 11, 21-24; Dowden, C. & Andrews, D.A. (1999a). What works for female offenders: A meta-analytic review. *Crime and Delinquency*, 45, 438-452; Dowden, C. & Andrews, D.A. (1999b). What works in young offender treatment: A meta-analysis. *Forum on Corrections Research*, 11, 21-24; Lipsey, M.W. & Wilson, D.B. (1998). Effective intervention for serious juvenile offenders: A synthesis of research. In R. Loeber & D. Farrington (Eds.), *Serious and Violent Juvenile Offenders: Risk Factors and Successful Interventions*. Thousand Oaks, CA: Sage; Lowenkamp, C.T., Latessa, E.J., & Holsinger, A. (2006). The risk principle in action: What have we learned from 13,676 offenders and 97 correctional programs? *Crime and Delinquency*, 52, 77-93; Lowenkamp, C.T. & Latessa, E.J. (2005). Increasing the effectiveness of correctional programming through the risk principle: Identifying offenders for residential placement. *Criminology & Public*

percent, whereas programming that served mixed risk groups had increased recidivism four percent. Findings from a large halfway house study conducted in Ohio suggested that intensive programming for higher risk offenders decreased recidivism by ten percent to 30 percent. Yet, these same programs consistently increased recidivism for the lower risk offenders.⁷

While conventional criminal justice and public policy has often been designed to respond to violence and poverty in urban communities with a fairly limited set of institutional tools, the Intervention Model serves as a progressive alternative that is both cost-efficient and highly effective. By developing an evidence-based, multidimensional intervention program for the most high-risk young people, ***Roca has proven that the cycle of violence and incarceration that continues to plague our cities and our young people can indeed be interrupted.*** The Intervention Model vastly improves upon current community corrections services, offering a far more comprehensive and holistic approach to criminal rehabilitation through expanded and integrated programming.

Roca chooses to focus on 17- 24 year old young men involved with our criminal justice system because they are the group that has most often been neglected by public and private institutions and are the group responsible for the majority of violence in our cities. Roca believes that the evidence-based practices it has employed on a non-mandated basis have vast potential for reducing recidivism among this group of young offenders. As criminal justice reform begins to gain momentum throughout the United States, it is becoming clearer that diverting young people to evidence-based community corrections programming not only increases public safety through truly rehabilitative outcomes, but significantly reduces corrections budgets by curbing recidivism.

Specifically regarding crime, criminal justice and criminal rehabilitation, federal and state governments have operated within a narrow framework, employing two basic strategies: prevention and suppression. Though these strategies will forever remain fundamental components in the fight against poverty and violence, they exclude an equally important strategy: intervention. Without deliberate, systematic intervention, high-risk young people will continue to end up in prison or involved in violence. It has regrettably become clear that the criminal justice system - the network of institutions responsible for rehabilitating these young people and keeping the public safe - is failing. Relying on current corrections practices is bankrupting state governments, and simultaneously creating more dangerous criminals. It is now apparent that incarceration cannot be the only answer for these young adults. As a result, many states are looking for other options.

Roca's Intervention Model is decidedly our most important accomplishment, and we believe that it provides the criminal justice system an option for success. Roca's Intervention Model is designed to help the most high-risk young people break destructive cycles of poverty, violence and perpetual incarceration, pushing young people to identify, confront and overcome destructive behaviors and learn the skills needed to achieve social, educational and economic success. The design of Roca's multidimensional intervention program is consistent with all available research on serving high-risk

Policy, 4, 263-290; Lowenkamp, C., Smith, P., & Bechtel, K. (2007) "Reducing the harm: Identifying appropriate programming for the low risk offender." Corrections Today, December, 50-52; and, Latessa, E., Lowenkamp, C., Bechtel, K. (2008)"Community Corrections Centers, Parolees, and Recidivism: An Investigation into the Characteristics of Effective Reentry Programs in Pennsylvania."

⁷ Lowenkamp, C.T. & Latessa, E.J. (2005). Increasing the effectiveness of correctional programming through the risk principle: Identifying offenders for residential placement. *Criminology & Public Policy, 4, 263-290.*

offenders, which notes that programs that target multiple criminogenic needs have been shown to bring about the greatest reductions in high risk behaviors and recidivism.

Consistent with evidence based practices, Roca's approach to service delivery is to implement one Intervention Model, taking it to scale, with fidelity, across one to two sites in PA. To maximize the effectiveness of this model and cost savings to the State, Roca will work with the Governor's Office of Management and Budget, PADO, IDJJ and Probation to ensure that only the highest risk young people are served by that model. Roca will also work the Governor's Office of Management and Budget, IDJJ and PADO to ensure that the model is effectively serving the targeted young men and reducing expected incarcerations.

Intervention Description

Roca's Intervention Model: Roca's work is based upon the theory that young people, when re-engaged through positive and intensive relationships, can change their behaviors and develop life, education, and employment skills to disrupt the cycles of poverty and incarceration. Our Intervention Model is the only cognitive-behavioral intervention delivered on the street, for this population, by a non-mandating authority. It is this solution that Roca seeks to scale.

Building off of our success to date and pulling from evidence-based practices in behavioral health, criminal justice and workforce development, Roca's Intervention Model offers two years of intensive services with two years of follow up. Roca's Intervention Model connects very high-risk youth to each other and adults through intensive relationships and uses targeted programming to support young people to develop the necessary skills to reduce violence and create positive behavioral changes.

The Intervention Model effectively combines relationship-building and targeted programming (life skills, education and employment) to support young people in developing the necessary skills to create positive behavioral changes. Once a consistent relationship is established, it becomes the foundation for cognitive-behavioral change, helping the young person move through a long-term, stage-based plan for improving their lives, creating opportunities as they make educational, life-skills and employment gains.

Each youth worker is trained in various evidence-based and clinical techniques for promoting behavioral change, specifically: cognitive-restructuring, an approach designed to help people identify and change dysfunctional thoughts that contribute to problem behaviors; motivational interviewing, a client-centered counseling style designed to help clients explore and resolve ambivalence; stage-based learning, which helps young people practice the academic and pre-vocational skills needed to achieve social and economic independence; as well as, transitional employment, a stage-based approach for helping individuals gain critical entry-level employment skills while earning a subsidized wage.

Each component of Roca's Intervention Model is designed to drive toward measurable, positive outcomes. The process starts with intensive outreach and follow-up, offers programming, operates basic and advanced transitional employment, creates jobs, and works with municipalities, several criminal justice partners, and other organizations. Based on a framework for change used in medical and mental health fields, the Intervention Model has four core components: 1) relentless outreach, on-going and aggressive outreach and follow-up designed to meet young people where they are and build trust; 2) transformational relationships, an intensive case management model; 3) stage-based programming designed to increase young people ability to move toward economic independence through life skills,

educational and pre-vocational, and employment programming; and, 4) work with engaged institutions, a partnership model with criminal justice, health, education, and other institutions to increase systemic capacity for intervention with very high risk young people and provision of needed supports.

These four key programming components are described in detail below.

- ***Relentless Outreach and Follow Up:*** We cannot wait for high-risk young people to show up at our doors, because they never will. Youth workers build relationships by finding young people where they are at, learning where they hang out, knocking on their doors, and continuously circling the neighborhood in the infamous Roca vans. It is the relentlessness of a youth worker who shows up day after day, no matter what, that awakens hope in a young person. As trust builds and the visits to Roca increase, the youth worker strategically develops a relationship that is a commitment between the youth and youth worker: they are now “in it” together.

But what defines *relentless outreach and follow up* in the most fundamental sense, is the consistency of a youth worker’s efforts in connecting and reconnecting with a young person. Because high-risk young people have had little or no experience with adults who impose consistent expectations of healthy behavior, they are prone to frequent disengagement and rejection of constructive relationships. Therefore, a youth worker must relentlessly reconnect with a young person who periodically rejects them and refuses to engage in programming. This pattern is crucial to the process and must happen continuously throughout the relationship. While a young person may show up at Roca three times in one week, they may just as likely refuse to come back the following week. It is the youth worker’s responsibility to track down that person and reengage them.

- ***Transformational Relationships (Intensive Case Management):*** Roca knows that when a young person is re-engaged through positive and intensive relationships, he/she can go on to gain competencies in life skills, education and employment. Therefore, at the **core** of our High-Risk Youth Intervention Model is the **Transformational Relationship (TR)**. Each youth worker carries a caseload of 25 young people and connects with each young person no less than three times each week. Youth workers are available 24 hours a day and are often the one adult in a young person’s life that is there when they go to court or enter lock up; who visits them during incarceration and picks them up when they are out. Their relationship is not a friendship – it is more profound- effectively intentional, and mutually respectful. Youth workers are trained in motivational interviewing and cognitive behavioral strategies preparing them to use their self effectively to guide and support young people.
- ***Stage-Based Programming (Life Skills, Educational, Prevocational, and Employment Programming):*** The third part of Roca’s Model engages young people where they are in the stages of change cognitively and behaviorally. By applying this evidence-based framework in the program delivery, young people move along a pathway of education, pre-vocational training, life skills, transitional employment and unsubsidized employment opportunities. For example, one young man who was in pre-contemplation about education—who was very vocal in his hatred of all things school-related—occasionally was persuaded by his youth worker to drop-in on open tutoring. After about a year, this young man decided he was ready for a pre-GED class, and now plans to take and pass his GED next year. Another young person was completely negative about school, but enjoyed the drop-in carpentry class at Roca. He was eventually able to make the transition from a drop-in class, to certificate training, to transitional employment. By matching programming to a young

person's stage of change, instead of placing all young people into a one-size-fits-all curriculum, Roca is driving this population, who will not move in a straight trajectory, toward positive outcomes.

- **Work with Engaged Institutional Partners:** The institutions that are in a young person's life—schools, local government, agencies, and organizations—are just as influential to the needs and growth of a young person as Roca. In recognizing this, Roca sought to create partnerships with these institutions, open the lines of communication, and benefit from each other's expertise.

The Intervention Model is designed for young people who have dropped out of school, who are involved in drugs and gangs, have criminal records, are on probation and/or have some other criminal justice involvement, and who are at high risk for incarceration as an adult. Perhaps most importantly, Roca's model is designed to serve young men who are either unwilling or unable to engage in traditional programming and/or jobs.

Documented Program Outcomes: Roca has extensive experience successfully intervening in the lives of young people on probation, parole, or with criminal records. This intervention is designed to achieve several important **outcomes**, each of which has **significant associated cost savings**, including: **reduction in incarceration rates; increase in compliance with court-ordered conditions; and, quantifiable movement towards economic independence through education or employment and job retention.**

As noted earlier in this narrative, over the past several years, Roca has deepened our focus into working with the highest risk young men in the communities we serve. Despite this, our outcomes have continued to improve. We believe that this demonstrates both that our model is truly appropriate for high risk young men and that our data driven approach to the intervention Model and its continuous improvement has been effective in improving overall operations.

In FY 2014, **Roca served 494 very high-risk young men** through its intervention model (this includes both PFS participants and non-PFS participants). These are the young men most closely defined as high risk according to traditional risk assessment tools. The majority have felony charges in their records, are engaged with the criminal justice system, have no high school diplomas or HiSET and no quantifiable work history. Despite the fact that Roca focuses its work on young men who are unable to participate or engage in traditional work or programming, of those eligible for services, **Roca retained 80% and engaged them in the intervention model throughout the course of the year.**

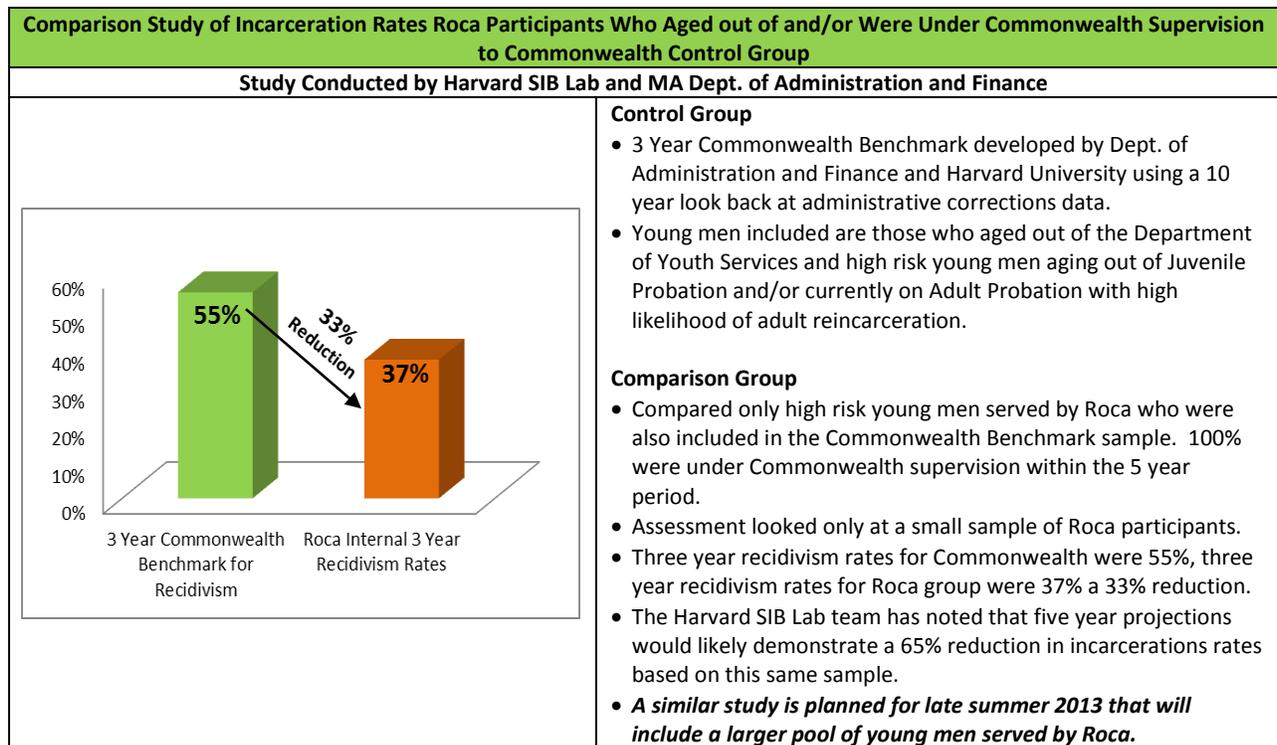
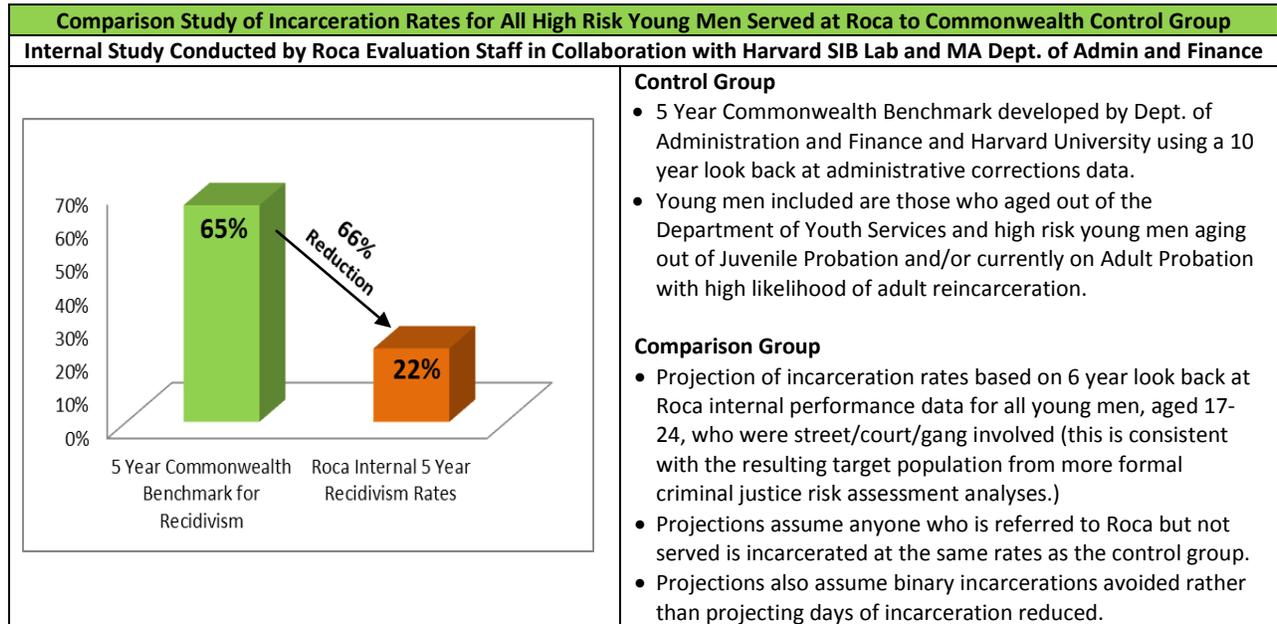
Of those served in FY 14, 82% of all participants were engaged in stage based programming. Specifically,

- 76% were engaged in life skills programming,
- 52% were engaged in educational programming;
- 61% were engaged in prevocational education programming;
- 61% were engaged in employment programming; and,
- 248 young men were engaged in transitional employment.

Of those who completed the intensive component of the model in FY 14,

- 92% have had no new arrests;
- 95% have had no new technical violations; and,
- 85% of program graduates were on track to retain employment for a minimum of 6 months.

In addition to its own internal assessments the following charts illustrate the results of three recent external assessments of Roca's performance. The first uses Roca's own data to compare its outcomes to the outcomes for high-risk young men created by the Harvard SIB Lab; the second study is a comparison of Roca's data to administrative data also conducted by the Harvard SIB Lab; and, the third is a study conducted by the Chelsea Police Department illustrating Roca's outcomes with respect to City of Chelsea crime rates.



Assessment of Roca's Impact on Arrest Rates for Proven Risk Young Men in Chelsea, Massachusetts (2011-2012)																				
Study Conducted Independently by Chelsea, MA Police Department as part of analysis of impact of Safe and Successful Youth Initiative.																				
<p>Table 1: Number of Violent Offenses Charged to 17-24 Year Old Male Suspects (5 Years)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Offenses</th> <th>Percent Change from Prior Year</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>292</td> <td></td> </tr> <tr> <td>2009</td> <td>299</td> <td>2.30%</td> </tr> <tr> <td>2010¹</td> <td>303</td> <td>1.30%</td> </tr> <tr> <td>2011²</td> <td>246</td> <td>-18.81%</td> </tr> <tr> <td>2012</td> <td>219</td> <td>-10.98%</td> </tr> </tbody> </table>			Year	Number of Offenses	Percent Change from Prior Year	2008	292		2009	299	2.30%	2010 ¹	303	1.30%	2011 ²	246	-18.81%	2012	219	-10.98%
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<p>Based on this study, and the Year 1 Implementation evaluation report for the Safe and Successful Youth Initiative in Chelsea, MA, "Crime reports showed that the number of violent offenses charged to 17-24 male suspects in Chelsea <i>decreased</i> 11% from 2011 to 2012 (while the number of violent offenses for all other suspects <i>increased</i> 11%)."</p> <p>Study Outcomes</p> <ul style="list-style-type: none"> • Study looked at 5 years of Chelsea crime data, comparing all violent crimes committed in the City of Chelsea (Table 2) to only those committed by Suspects 17-24 years old. • No other intervening services were put into place in Chelsea during this time frame. <p>Notes about Study</p> <ol style="list-style-type: none"> 1. Roca begins shift to two year model for cognitive behavioral intervention model (from a longer intervention model). Begins to focus on proven risk young men aged 17-24. 2. Safe and Successful Youth Initiative (SSYI) begins December 1, 2011. 3. Proven Risk Young Men defined as 17-24 year old young men who are either currently or previously criminal justice system involved, gang involved, drug involved (sale and/or use) and no employment history. 																				

Potential Cost Savings

Proposed Outcomes: As stated, Roca's intervention is designed to achieve several important **outcomes**, each of which has **significant associated cost savings**, including:

- **reduction in incarceration rates;**
- **increase in compliance with court-ordered conditions; and,**
- **quantifiable movement towards economic independence through education or employment and job retention.**

Specifically, Roca proposes to reduce incarcerations by an estimated 435 persons. (It should be noted that when calculating reductions and cost savings, Roca recommends using a calculation that focuses on a reduction in bed days rather than a reduction in incarcerations.)

Based on experience, we have established the following intermediate outcomes to be achieved during the two year intensive phase of the model:

- ◆ 80% will be seen a minimum of 2-3x a week by their youth worker;
- ◆ 80% will meet programming standard of 2x per week in any programming;
- ◆ 80% will be actively engaged in alternative education/workforce readiness programming;
- ◆ 40% will be engaged in Transitional Employment Programming;
- ◆ 80% will complete workforce readiness criteria;
- ◆ 80% will attain a minimum of 2 industry recognized vocational certifications;
- ◆ 80% of active participants will be placed in unsubsidized employment (within 24 months); and,

- ◆ 80% of those placed will retain employment for a minimum of 3 months.

Each of these intermediate outcomes lead to the **long term outcomes of sustained employment and no new incarcerations for three years after graduation from the intensive component of the Intervention Model** (which includes 2 years of less intensive follow up from Roca staff).

Proposed Costs Associated with Pay for Success Contracting: Based on extensive modeling around Pay for Success contracting, it has been calculated that in order to avoid an estimated 418 incarcerations, assuming a counterfactual recidivism rate of 60% within 5 years of release,⁸ Roca would need to serve approximately 1,004 youth across the Commonwealth. One potential scenario would be to serve these young men out of a main site in Philadelphia with ancillary sites in Chester City and Norristown. It is also possible that the project could start serving young men in Allegheny County, but DOC data indicates that higher risk young men are more concentrated in Eastern PA. As such, while this initiative could be scaled in a number ways, we present one scenario from which to demonstrate impact. We would serve approximately 1,004 very high risk young people with a full budget of approximately \$26,577,106 (approximately \$26,471.22 per participant served for a full four years of the intervention model).

Cost Savings: As noted earlier in this narrative, as of December 31, 2013, there were 51,512 individuals incarcerated in the Commonwealth of Pennsylvania. This is up from 51,182 inmates in 2012. While these numbers reflect 107.9% of current operational capacity in the prison system.⁹ It should be noted that 19.2% of these individuals were 25 years of age or younger.

During that same year, According to the Department of Corrections, 5,320 individuals convicted for part I offenses and 8,775 individuals convicted for part II offenses were released back into the community. These lengths of stay have consistently increased over time since 2009. A portion of these individuals represented a share of the 56,381 individuals on parole and 87,894 individuals on probation across the Commonwealth at that same time.

The average cost of one month in prison is \$3,528.25. This makes the annual average cost per year for an individual in prison \$42,339. This equates to an average cost per sentence of \$39,869.23 for an average Part I sentence (11.3 months served) or a cost of \$147,833.68 for an average Part II sentence (41.9 months served).¹⁰

Assuming only one incarceration for the population served, Roca's Intervention Model would save the Commonwealth up to \$61,794,476 by avoiding 418 incarcerations, each an average of 41.9 months in length.¹¹

⁸ This counterfactual was estimated based on current numbers of young people discharged from the Department of Youth Services and/or Juvenile Probation in Massachusetts. These calculations can be adjusted once comparable data from the Commonwealth of Pennsylvania has been obtained. Recidivism rates, however, appear to be comparable across the two states.

⁹ "Prison Overcrowding Pennsylvania". American Legislative Exchange Council. Found at <http://www.alec.org/initiatives/prison-overcrowding/prison-overcrowding-pennsylvania/>

¹⁰ Information from Pennsylvania Department of Corrections Annual Statistical Report 2013. Please note: These estimates include direct costs only and do not include the collateral costs associated with incarcerations, such as the costs of social services, child welfare or education.

¹¹ Based on the average stay of a violent offender according to a Pew Center for the States. "State of Recidivism: The Revolving Door of America's Prisons." (April 2011).

These costs are only those attributed to a first incarceration. The Pew Center for the States further explains that between 2004 and 2007, 42.2% of adults released from incarceration recidivated within three years nationally.¹²¹³ According to PADOC, this rate is, in fact, slightly higher in Pennsylvania, with 43% of adult offenders returning to incarceration within three years.¹⁴

The two tables below illustrate what these cost savings might look like if three incarcerations were taken into account, based on these recidivism rates.¹⁵ The first table details a young person incarcerated three times for only one year for each sentence. The second table calculates cost savings based on the average length of incarceration per person for a violent offender, sentences more likely to be seen for Roca’s targeted population. **Using this table, implementing the Intervention Model would save Pennsylvania up to \$73,214,794, by avoiding 418 initial incarcerations and 257 subsequent incarcerations.**

Cost Savings – Average One Year Sentence				
	Recidivism Rate	Incarcerations Avoided	Minimum cost of Incarceration Avoided	Total Cost Savings
Initial Arrest After Aging Out		418	\$39,869.23	\$16,665,336
Second Incarceration (recidivism within 3 years of first release date)	43.00%	179.74	\$39,869.23	\$7,166,095
Third Incarceration (recidivism within 3 years of second release date)	43.00%	77.2882	\$39,869.23	\$3,081,421
Total Costs of Incarceration to Pennsylvania				\$26,912,851
Less Full Cost of Roca Programming				\$26,577,106
Cost Savings to State Based on 11.3 month sentences (average part 1 time served)				\$335,745

Cost Savings – Average 3.8 Year Sentence				
	Recidivism Rate	Incarcerations Avoided	Minimum cost of Incarceration Avoided	Total Cost Savings
Initial Arrest After Aging Out		418	\$147,833.68	\$61,794,476
Second Incarceration (recidivism within 3 years of first release date)	43.00%	179.74	\$147,833.68	\$26,571,625
Third Incarceration (recidivism within 3 years of second release date)	43.00%	77.2882	\$147,833.68	\$11,425,799
Total Costs of Incarceration to Pennsylvania				\$99,791,900
Less Full Cost of Roca Programming				\$26,577,106
Cost Savings to State Based on 41.9 month sentences (average part 2 time served)				\$73,214,794

¹² Pew Center for the States. “State of Recidivism: The Revolving Door of America’s Prisons.” (April 2011), p. 10.

¹³ Of those released from incarceration, 33% were reincarcerated for a new crime and 9% were reincarcerated for a technical violation. It should also be noted that between 1999 and 2007 when the Pew Center for the States conducted this study, recidivism rates in Massachusetts increased by 10.7%. (Source Pew/ASCA Recidivism Survey)

¹⁴ Data from PADOC 2011 Annual Report.

¹⁵ Please note, these cost savings are projected assuming that young people who are reincarcerated will not progress to more serious crimes over time, resulting in longer sentences. They also assume that recidivism rates do not change between the first and second and second and third arrests. Finally, these costs savings assume that high risk young people recidivate at the same rates as the rest of criminal justice population in Pennsylvania, when in reality, they are likely to recidivate at much higher rates than lower risk and/or older men engaged in the system.

Evidence that Informs the Model

Intervention is an important component in the criminal and juvenile justice continuum. Intervention strategies aim to help individuals who are already involved in harmful behaviors. Research has shown that working with individuals who are already involved in harmful behaviors is challenging but can produce positive outcomes.

Conducting appropriate intervention work for this target population requires Roca to employ a unique strategy- one that combines hard-nosed, committed street work with lessons learned from groundbreaking academic research. Roca's Intervention Model is the product of over two decades of passionate work on the streets with young people. We have integrated the knowledge we have gained from our direct, hands-on experience with evidence-based practices from cognitive-behavioral therapy, motivational interviewing, transitional employment, and promising/best practices from restorative justice and re-entry.¹⁶ Each of these practices are described below:

- **Cognitive-Behavioral Therapy/Treatment (CBT):** Noted as an evidence-based practice by the US Department of Justice, Cognitive-Behavioral Therapy/Treatment (CBT) is a problem-focused approach designed to help people identify and change the dysfunctional beliefs, thoughts, and patterns of behavior that contribute to their problems. It is the most evidence-based form of psychotherapy. CBT has been successfully applied across settings (e.g., schools, support groups, prisons, treatment agencies, community-based organizations, churches) and across ages and roles (e.g., students, parents, and teachers.) Problem behaviors that have been particularly amenable to change using CBT have been 1) violence and criminality, 2) substance use and abuse, 3) teen pregnancy and risky sexual behaviors, and 4) school failure.
- **Motivational Interviewing:** Motivational interviewing, included in SAMHSA's National Registry of Evidence-based Programs and Practices, is a directive, client-centered counseling style for eliciting behavior change by helping clients to explore and resolve ambivalence. Compared with nondirective counseling, it is more focused and goal-directed. The examination and resolution of ambivalence is its central purpose, and the counselor is intentionally directive in pursuing this goal. The concept of motivational interviewing evolved from experience in the treatment of problem drinkers, and was first described by Miller (1983) in an article published in Behavioral Psychotherapy. These fundamental concepts and approaches were later elaborated by Miller and Rollnick (1991) in a more detailed description of clinical procedures.
- **Transitional Employment:** Transitional employment is an evidence-based model and, cited by the National Transitional Jobs Network and MDRC¹⁷, Roca's transitional employment is a national best practice for working with high-risk young people. Transitional Employment offers a critical solution for helping employers to fill jobs with job-ready, entry-level employees. Transitional employment programs are designed to address the needs of those with the greatest barriers to employment -- individuals who cannot succeed in traditional workforce development strategies and/or employment. Complementing a range of excellent training programs, higher level employment

¹⁶ Research regarding these linkages was conducted by the Crime and Justice Institute in their 2006 report, "Interventions for High-Risk Youth: Applying Evidence-Based Theory and Practice to the Work of Roca."

¹⁷ D. Bloom, S. Rich, C. Redcross, E. Jacobs, J. Yahner, and N. Pindus. *Alternative Welfare-to-Work strategies for the Hard-to-Employ: Testing Transitional Jobs and Pre-employment Services in Philadelphia*. MDRC, October 2009 and C. Redcross, D. Bloom, G. Azurdia, J. Zweig, and N. Pindus. *Transitional Jobs for Ex-Prisoners: Implementation, Two-Year Impacts, and Costs of the Center for Employment Opportunities (CEO) Prisoner Reentry Program* MDRC, August 2009.

programs and sector training, transitional employment will increase the number of people who are successfully able to enter the workforce.

- **Restorative Justice:** Restorative justice is a promising/best practice from the justice system that emphasizes repairing the harm caused or revealed by criminal behavior. Practices and programs reflecting restorative purposes respond to crime by: 1) identifying and taking steps to repair harm, 2) involving all stakeholders, and 3) transforming the traditional relationship between communities and government in responding to crime. Restorative justice seeks to involve the entire community in rehabilitating offenders and holding them accountable for their behavior. By bringing together victims, offenders, families, and other key stakeholders in a variety of settings, restorative justice helps offenders understand the implications of their actions and provides an opportunity for them to become reconnected to the community. Some of the most common programs typically associated with restorative justice include mediation and conflict resolution programs, restitution and community service, family group conferences, victim-offender mediation, and victim impact panels. If implemented properly, these programs have either proven to be effective or are promising in lowering recidivism, reducing offending, and improving victim satisfaction.

In addition to these evidence-based and promising practices, Roca's Intervention Model is based upon several critical adapted frameworks for service delivery, each of which is outlined below.

- **The Stages of Change:** Every young person we serve has a different story, different destructive behaviors, and in turn, different needs. We meet them where they are, physically and developmentally, we help them identify which of their behaviors are destructive, and through persistent, relentless relationship building, we help guide them through the stages of behavior change. Each must, in his or her own way, move through these five stages in order to change the particular behaviors that serve as barriers to success:
 - 1) **Pre-contemplation:** not intending to take action, resistant, unmotivated. This is where most Roca participants are psychologically "at" when we reach out to them, typically unwilling to acknowledge their behaviors as destructive in their lives;
 - 2) **Contemplation:** beginning to think about change, becoming more aware of the pros of changing, but acutely aware of the cons. In this stage, Roca staff have more and more conversations with young people, help them weigh the pros and cons, provide useful information, and engage them in programming that helps create a context for the emotional and intellectual process that positive behavioral change brings about;
 - 3) **Preparation or Planning:** intending to take action, and thinking about ways to make change happen. When young people reach this stage they begin to trust a youth worker's intentions, begin to envision themselves doing something different in their lives, and envision themselves benefiting from our programming;
 - 4) **Action:** making specific, overt modifications in their lifestyles. In reality, this is the stage young people get to practice new behaviors over and over again with intensive support from Youth Workers, helping them process the new feelings and thoughts, challenges and success of the change;
 - 5) **Sustaining:** At this stage, the young person is "doing" the new behavior and is less tempted to relapse as a result of increasing confidence that they can change their lives.

Getting young people to the stage of "**sustaining**" positive behavior change is Roca's primary goal. By sustaining change, young people can continue towards more conventional educational and employment goals.

As change can be extremely difficult, young people often relapse and return to negative and destructive behavior. Unlike other programs, Roca turns this setback into opportunity. **Relapse** becomes a tool that allows the youth worker to re-engage the young person and bring them back again and again. This allows a young person to grow, have the hard conversations, and move forward. A young person who relapses into substance abuse or other negative behaviors is not going to show up again willingly; the youth worker must find and engage the young person however many times is necessary – 10 times, 100 times - whatever it takes, until the young person is ready to trust and show up. This is what it takes to re-engage young people and keep them from slipping back into harm’s way. This is how we keep kids alive. Roca does not take for granted the difficulty and level of energy necessary to help very high-risk young people, and the implementation of our Intervention Model reflects this.

Finally, much of Roca’s Intervention model is based on the **Eight Guiding Principles for Reducing Risk and Recidivism**. In 2002, the National Institute of Corrections and the Crime and Justice Institute entered into a cooperative agreement to develop and implement an integrated model of evidence-based practice in community corrections. The model includes three elements: Collaboration, Organizational Development, and Evidence-Based Principles.¹⁸ These eight steps include: 1) assessing actuarial need; 2) enhancing intrinsic motivation of those served; 3) targeting interventions based on participant need; 4) skill train with directed practice; 5) increase positive reinforcement; 6) engage ongoing support in the community; 7) measure relevant practices; and 8) provide measurement feedback. The principles represent the most current research in the field as to what works in reducing recidivism among offenders in the community. Many of the principles are relevant to the high-risk population with which Roca works.

Put in another context, the table below, created by the Crime and Justice Institute, summarizes the theoretical foundations of Roca’s model and connects them to the interventions:¹⁹

Theoretical Foundations	Roca Model Components	Intervention Activities
<ul style="list-style-type: none"> • Social disorganization (Sampson and Groves, 1989) • Transtheoretical Model of Behavior Change (Prochaska and DiClemente, 1984) 	Population Targeted	Referral and identification of high risk youth takes place through an intake process in targeted areas marked by high rates of poverty, crime, ethnic heterogeneity, and residential instability. Roca targets those in the earliest stages of change.
<ul style="list-style-type: none"> • Role of Significant others (Mead, 1967) • Relational self (Anderson and Chen, 2002). • Social learning (Akers and Lee 1999) • Motivational Interviewing ((Miller and Rose, 2009)) • Transtheoretical Model of Behavior Change 	Relentless Outreach and Transformational Relationships	Youth workers interact with young people a minimum of two times per week and use the interactions to: <ul style="list-style-type: none"> • Model positive, mindful interactions and use motivational interviewing techniques to address ambivalence toward change and to enhance intrinsic motivation. • Establish themselves as a significant person in the youth’s life. • Build and maintain long term relationships with youth and use those relationships to consistently and frequently model and reinforce pro-social and positive thinking and behavior. Roca provides time for the youth to become ready for change and

¹⁸ Crime and Justice Institute (2004) *Implementing Evidence-Based Practice in Community Corrections: The Principles of Effective Intervention*. Boston, MA: Author. Available online at: <http://crjustice.org/cji/evidencebased.pdf>.

¹⁹ Hunt, Dana, PhD, and Barbara Pierce Parker, MPPM, “Putting Theory to Work: Roca’s Intervention Model to Change the Lives of the Highest Risk Young People..” Crime and Justice Institute (2011), p. 7.

Theoretical Foundations	Roca Model Components	Intervention Activities
(Prochaska and DiClemente, 1984)		allows for relapses in thinking and behavior, as opposed to dismissing them for lack of readiness or behavioral issues.
<ul style="list-style-type: none"> • Transtheoretical Model of Behavior Change (Prochaska and DiClemente, 1984) • Cognitive behavioral interventions (Landenberger and Lipsey, 2005) 	Stage-based programming	<p>Life skills, education and employment programming is designed for youth at the various stages of change, including those who are in pre-contemplation or contemplation. Programming is also designed to accommodate relapses in behavior and in readiness and willingness to change.</p> <p>Youth workers identify participants' stages of change to determine readiness for different types of activities and programs offered and engage them in offerings matched to their readiness.</p> <p>Youth continue to be engaged in programming even when they are unwilling to participate or when they relapse behaviorally. Youth workers, program facilitators and work crew supervisors use these situations to address behaviors and ways of thinking through modeling and providing repeated opportunities to practice new ways of thinking and acting.</p>
<ul style="list-style-type: none"> • Systematized collaborative support and community service integration (Lehman et al., 1998; Lipsey, 1992) 	Engaged Institutions	Roca actively outreaches to and engages individuals within institutions to better serve and provide safety and resources to youth and young adults.

What considerations should the Commonwealth take into account in structuring pay for success contracts?

As the Commonwealth of Pennsylvania begins to consider drafting a more detailed procurement solicitation, we would suggest the following:

1. **Multi-Year Contracting:** Procurements should be made using multi-year contracting, allowing vendors to fully demonstrate potential program outcomes. In some cases, this may mean the State has to commit funds beyond one administration and should set up mechanisms to ensure that funds remain available for the duration of the project. Vendors should be required to demonstrate both interim and final program outcomes associated with project goals. Further, Social Impact Bonds should be structured with multiple repayment points for initial investors.
2. **Participation of Government Partners:** Ensure that the appropriate government partners are at the table early on as part of the negotiation process to allow for smooth operational transitions.
3. **Use of a Strong Intermediary:** Roca would prefer to operate within an intermediary governance structure that allows service providers to have a voice in programmatic management while receiving sufficient support from its intermediary partners to allow for capital financing and programmatic oversight. In addition to fundraising and oversight, the intermediary serves as the lead negotiator on the project representing the best interest of “the deal” as it is being developed and implemented.

With assistance from Roca, the intermediary would be responsible for raising the all resources required to finance this project. The intermediary will be intricately involved in the negotiations, construction and implementation of the Pay for Success and Social Impact Bond arrangements. These will include detailed financial modeling, establishment of outcome metrics and targets, designing of capital structures, planning for evaluation, the establishment of an intermediary

corporate entity, creating investment memoranda, assembling investors, and negotiating/drafting several contracts. In addition, the intermediary will reach out to major investors on a quarterly basis to (a) provide progress updates and (b) solicit investor input.

In order to establish a well-functioning collaboration, the intermediary will work with Service Providers to establish appropriate working relationships among peer Service Providers. This will be accomplished by implementing service level agreements (SLAs) that frame roles, accountability and communication among the collaborative.

The intermediary will also perform many of the functions classically performed by an independent fiscal agent in project finance. These include (a) collection of information as needed from all parties to drive the execution of contracted terms, (b) maintenance of records, (c) issuing of capital calls and payments as dictated by contracts, (d) monitoring and reporting of contract covenant compliance, and (e) bank account maintenance and cash management. Roca believes that this work should be reviewed by an independent auditor annually, just as Roca's work would be.

As the PFS contract holder, the intermediary will maintain regular contact, at least on a quarterly basis, with government counterparts to (a) provide progress updates, (b) report upon safeguards for youth, and (c) mutually address any issues that may come up. In addition, the intermediary will reach out to a broader collection of government officials to maintain high levels of communication and support.

In preparation for implementing a PFS project in Pennsylvania, Roca has had conversations with Third Sector Capital Partners, Inc. (Third Sector), a nonprofit advisory firm with expertise in economic modeling, fundraising, and evaluation. We are currently working with Third Sector in Massachusetts as the service provider for the largest PFS project in the world. Roca has found the support provided by Third Sector Capital Partners in this role invaluable, particularly in managing the interests of a variety of parties including service providers, governmental partners and investors. Should the Commonwealth select Public Safety as an issue area for a PFS project, Roca would look forward to the opportunity to work with Third Sector again.

4. **Targeting Deep End Young People:** As noted above, based on the Risk Principle and the effect on recidivism in serving high-risk offenders and not devoting extensive services to low and moderate risk services, we recommend targeting only high-risk offenders. This will not only prove more effective, but will also increase the safety of the program both for the participants served and the community. At the same time, targeting high-risk young men will increase overall cost savings for the State.

If program providers are given the opportunity to serve all young people aging out, rather than targeting resources, it is likely that resources will gravitate towards young people who are already be on a trajectory that does not lead to prison, as they are traditionally easier to serve. Further, by targeting only deep end young men, the state will see the largest, most unambiguous effect size possible.

5. **Defining a Clear Counterfactual:** It is critical that an accurate counterfactual be established and agreed upon by all parties. For example, once all parties are brought to the table, we would propose recalculating likelihood of incarceration based on the selected target population,

highlighting those at highest risk for reincarceration. At this point, we would propose looking at this counterfactual for young men, aged 17-24 who are deemed to be at high risk for reincarceration based on a validated risk assessment tool.

Defining this clear counterfactual is critical to successfully modeling this program and, for the intervention described in this response, demonstrating cost savings and focusing on the highest risk group of young people will dramatically increase the number of incarcerations avoided.

6. **Defining Outcomes and Costs:** It will also be critical to select appropriate, clearly defined and measurable outcomes that can have costs directly attributed to them. For example, for the intervention proposed in this document, it is imperative that clear definition is created of incarcerations avoided (i.e. what counts as an incarceration) and what are the full costs associated with that outcome. It will also be important to look at options for how to measure effects (i.e. reduction in number of days of incarceration or incarcerations avoided as a whole.) The option selected will have a significant impact on the cost savings that the state can ultimately demonstrate.

What outcomes should the Commonwealth prioritize in pay for success contracts?

Proposed Project Outcomes: The Intervention Model is designed with three long term outcomes in mind: 1) to **reduce days of incarcerations** as tracked through violations and /or new convictions of crime; 2) to **increase compliance with court ordered conditions**; and 3) to demonstrate quantifiable movement towards economic independence through **retained employment** for each of the young men Roca serves. Roca's current Pay for Success project with the Commonwealth of MA is directly in line with these outcomes, with Roca being paid based upon demonstrated **reductions in incarcerations** and **increases in earnings for participants** served when compared to the control group. Specifically, Roca will be paid based upon reductions in days of incarcerations, increases in the number of young people engaged in job readiness activities, and increases in the number of young people earning more than \$1,000 per quarter, when compared to the results of a control group.

Through the MA PFS Project, Roca will provide its cognitive behavioral Intervention Model to approximately 929 "high-risk"²⁰ young men aging out of the Department of Youth Services and/or high-risk young men on Adult Probation, on Parole or completing their sentences from the Department of Corrections or four county Houses of Corrections from the cities of Boston, Springfield and their surrounding communities. It is projected that this work will result in **340 incarcerations will be avoided (312,800 days of incarceration)**. This amounts to a 56% reduction in incarcerations among the targeted population, measured through a random control trial evaluation, resulting in increased accountability on the part of Roca and saving the Commonwealth an estimated \$47,500 per incarceration avoided. In addition, it is projected that Roca will increase the number of young people who become job ready as well as the number expected to be employed and earning over \$1,000 per quarter by an estimated 30%.

While there are certainly a variety of models that could be used to measure programmatic success, we believe that this provides one good model for an outcomes and payment structure for a pay for success contract in criminal justice.

Internal Evaluation and Performance Based Management: Roca is committed to being a high-

²⁰ "High risk" young men are defined as those who are not connected with programming and have the highest propensity for adult reincarceration or incarceration.

performing and adaptive organization that uses real-time data for continuous improvement and evaluating impact. Roca's Intervention Model is based on the implementation of a combination of evidence-based practices, and the organization has worked with independent evaluators such as Abt Associates, the Crime and Justice Institute and Chapin Hall at the University of Chicago to evaluate its outcomes. Roca has created a nationally-acclaimed model of Transformational Relationships as a vehicle for youth development, and has pioneered effective local, regional, and national relationships with government, state, religious, health, and community partners. Roca's Intervention Model has been touted as a national best practice by many governments, advocates and services providers, and sought after nationally and internationally.

Roca tracks participant outcomes through Social Solutions' Efforts to Outcomes (ETO) software, a customizable data collection system, which allows Roca to track and measure components of its approach to engagement and youth participation in programming. Roca utilizes the ETO database to collect ongoing programmatic data using a variety of tools, including: a Central Intake Assessment; a Quarterly Assessment; a Workforce Readiness Assessment; Daily Effort Tracking; a Daily TEP Assessment; and, an Annual "Out-of-Harm's-Way" Assessment. Copies of each of these assessments are available upon request.

ETO starts by tracking the number of young people served. This includes tracking of all young people who meet the eligibility requirements for Roca's Intervention Model within 60 days of being referred to a Youth Worker and completing a Central Intake Form. The Central Intake Form, completed for each enrolled participant, includes regarding each young person's background, risk factors and eligibility for the model.

ETO captures movement toward the out-of-harm's-way outcome through tracking the development of the transformational relationship over time and through tracking the stages of change related to specific behavior change outcomes. Roca utilizes a range of outcomes focused on young people living out of harm's way and moving towards economic self-sufficiency. Youth workers select appropriate outcomes to focus on with young people based on their individual issues and barriers to success.

Behavior change outcomes examine: substance abuse; educational engagement; employment engagement; unhealthy relationships; pregnancy prevention; court compliance; and, street/gang Involvement. Self-sufficiency measures include: program attendance; program retention; workforce readiness; academic skill gains; pre-vocational skill achievements; progress in transitional employment programming; job placement; and, job retention and advancement.

From this data, collected on a daily, weekly, quarterly or annual basis, Roca measures each of its programmatic outcomes as well as the staff and participant efforts required to achieve those outcomes. Roca has used this data to develop an extensive staff coaching and performance based management system. It is this data that will be used to assess program operations on an ongoing basis. A sample interim measures report, that shows the quarterly reporting currently created for this project, is included as an attachment to this document.

External Evaluation, Commonwealth Success Payments and Dissemination of Results: Roca believes that all project measurements and assessments, outside of Roca's performance based management system, should be developed and implemented by an independent third party evaluator/validator. Further, if a random assignment is selected as the tool for the evaluation process, this evaluator should

also be responsible for determining who should be in the control group and who should be in the treatment group and tracking overall service delivery.

The evaluator should also be responsible for verifying the number of young people served by Roca, making interim reports as to the arraignments, convictions, sentences and employment of those individuals both served and in the control group, determining whether the thresholds for Success Payments have been met and at what level, and for performing such other functions as appropriate.

All outcomes should be assessed through a rigorous, third party program evaluation, which might include but would not be exclusive to a Random Control Trial evaluation, using Commonwealth of Pennsylvania administrative data. These results will be used to determine Commonwealth Success Payments as well as the dissemination of project results.

To assess movement towards employment and successful transitions to adulthood and economic independence, we will be performing impact evaluations on employment rates, earnings levels, and educational enrollment and achievement. The employment and earnings data will be obtained from the Massachusetts state UI records.

Recidivism will be assessed using administrative data from the criminal justice and court systems. Key outcomes will be new arraignments, convictions and sentences resulting from these new arraignments, and the actual lengths of any incarcerations. While avoided days of incarceration will be the focus of the payment incentives in the pay for success contract -- since that is where most of the budgetary savings to the state accrue -- the evaluation will also allow an examination of the quantity of types of new offenses committed in both the treatment and control groups, critical components to a full evaluation of the social benefits from reduced criminal activity.

Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

There are clear opportunities for the Commonwealth to partner with local government entities on Pay for Success Contracts, particularly in the area of criminal justice. Local governments, such as the City of Philadelphia, would clearly be a potential partner, as the work of this project would impact outcomes for their jail systems (i.e. the Philadelphia Prison Systems which houses an estimated 6,779 people at any given time and has a projected FY16 budget from the city general fund of \$244,896,381), which would have direct budgetary impacts. In addition, however, there would likely be less clear budgetary impacts for the First Judicial District and other community development activities. Similar cost savings and resulting partnerships could likely be found in other cities as well.

If awarded an opportunity to develop a pay for success contract with the Commonwealth, Roca would work with the Commonwealth to investigate all possible areas for collaboration based on the geographic service areas to be targeted.

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success Contracts?

After a year of operating our project, Roca believes that pay-for-performance financing structures are indeed viable instruments for driving realignment of public and private systems and resources for the purpose of delivering increased accountability and outcomes-based service models. And, as an added

benefit, this type of financing structure satisfies various and often disparate political and philosophical perspectives on government reform and criminal justice policy. These contracts also offer a unique opportunity for service providers to move towards economic self-sufficiency.

As Roca was careful to propose delivering our existing Intervention Model and to control the level of growth the organization would undertake, this process has given us a unique opportunity to demonstrate our outcomes (through both preliminary and more formal outcomes) and has drawn great attention to the organization from governments, potential funders and the media. While some of this was expected, the degree of this attention has been surprising and has required an ongoing level of attention to the project's administration that other programs often do not require.

It should also be noted that the contract negotiation process and implementation processes associated with these contracts are not for the faint of heart. While a contract that has been executed well offers an organization a significant level of flexibility both for funding and implementation purposes, as you are aware, the negotiation process took over 18 months and significant hours of employee time to complete. It also required Roca to solicit significant legal support and technical assistance in understanding the financial modeling process.

Additionally, there was a significant amount of work that was required on the part of all parties to the project prior to finalization of the contract, including accessing historical data, analyzing that data and working to make future projections based on that analysis. While this was challenging in this particular project, we believe that all projects working with multiple government partners will face similar challenges and that an appropriate level of time should be allocated to that portion of the process.

On a more specific operational basis, Roca and its partners have found that progress – particularly in terms of institutional service delivery systems, communication processes and interagency coordination – requires significant time, energy and attention and good will between previously disparate partners. While some aspects of the criminal justice system can be shifted to produce better outcomes through simple statutory/legislative reform, service delivery for the highest-risk offenders requires a great deal of innovative thinking and deliberate disruption within existing frameworks.

We believe that it is critical for any project with multiple partners to pilot communication and referral processes prior to the start of the project, allowing the project to not only test underlying assumptions but also to test the systems required to be engaged in the process. An example of this can be seen with the referral issues that Roca encountered in working with multiple different referral partners at the same time. It took approximately a year to resolve the referral problems attached to this project. In hindsight, we should have known this, but we believe that we are on target to effectively “pilot” a referral process to work out the kinks in the participant flow from the Commonwealth to Roca. Although all of the project partners knew this would be a challenge, we were, unfortunately, unable to pilot these referral systems prior to the project's launch. Understanding that these issues will occur with most start up projects, particularly those that cross branches of government, governmental departments and data collection systems, and that addressing these challenges could take a year or more under good circumstances, Roca believes that we are well on our way to addressing these challenges. Significant progress has been made in communications between the Commonwealth and Roca and among Commonwealth departments and systems. This has progressively allowed for improved referral flow and, more importantly, improved service delivery to the young people we serve.

Finally, high-risk justice system-involved young people do not have to be regarded as a “lost cause”, and a perpetual source of crime and destabilization within urban communities. Nor do they need to be regarded as a constant drain on public resources. Rather, when provided the right services, opportunities and support, this group of young people can be regarded as potential contributors to our society and economy.

What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success Contracts?

As the Commonwealth of Pennsylvania begins to a more detailed procurement solicitation, Roca would suggest the following issues for more detailed consideration.

Appropriateness of Services: Programs appropriate for pay for success contracting should meet the following criteria:

- Programs should address a critical problem in the community that costs the government money;
- Programs should be built on proven practices and be informed by the latest research and data in the field;
- Programs should have their own outcomes data to be used to assess program performance and the program’s outcomes should demonstrate a positive impact;
- Programs should deliver outcomes that can be measured with administrative data and assessed by an outside evaluator to ensure that the intervention is, in fact, making an impact on its targeted population; and,
- Programs must be able to demonstrate not only outcomes, but also cost savings to the government over time.

Programs that do not meet 100% of these criteria would be inappropriate for Pay for Success contracting models.

Criteria for Considering PFS Options: The following are just a few of the criteria Pennsylvania should consider in evaluating various pay for success options:

1. Issue areas that are selected must have associated administrative data that can be used to assess effectiveness of the project. Further, the state should allow vendors, investors and evaluators to have access to administrative data that will allow the State to verify the success of projects in achieving outcomes while at the same time allowing evaluators to access independent information to be used to assess if and when milestones are met and cost savings are achieved.
2. Pay for Success Contracts and Social Impact Bonds must be structured so that they can be independently evaluated while at the same time ensuring that the evaluation does not require programs to change their programming model.
3. Pay for Success Contracts and Social Impact Bonds should focus on a limited number of providers who can demonstrate outcomes and use evidence in the development and operation of their programming models.

Availability of High-Performing Service Providers: We believe that the pool of services providers is limited based on the risk level of the young people that should be served through an intervention such

as this. While there are a great number of services and programs serving young people across the country, there is a tremendous gap in services available for those young people defined as “very high-risk”. There are currently no nationally-recognized, evidence-based intervention models available for young people who are unable to participate in traditional programming.

In addition, there are several key competencies and/or characteristics that are critical for an organization to be effective and resilient with a Pay for Success contract. While not organizations will have all of these elements in place, they should have the capacity, with the appropriate level of investment, to develop these characteristics prior to engaging in a PFS contract. This does not provide a comprehensive list of the characteristics needed, but does identify some of the most important to succeeding in the delivery of a pay for success contract.

- Organizations must have a service delivery model that they understand, operate, have tested and can use to show demonstrated outcomes.
 - The organization should have a clear understanding of the target population they are willing to work with and an understanding of how program participants/clients might be identified.
 - Organizations should undergo a theory of change process and understand the outcomes that can be articulated to demonstrate the achievement of those outcomes.
 - The organization should also have a clear understanding of their programs costs and be able to work with technical assistance to develop a viable financial model. This model should be driven by the program, rather than the intermediary, to ensure that it does not require any changes to any critical programming elements.
- Organizations should have a demonstrated history of achieving positive outcomes with their service delivery model. While we do not believe it is necessary for an organization to have undergone a rigorous random control trial evaluation prior to taking on a PFS contract, we do believe that the organization must have a history of strong programmatic outcomes and the capacity to demonstrate those outcomes.
- Organizations should operate with a culture of learning and a clear understanding and use of performance based management. As part of this organization culture, service providers should have a comprehensive performance based management system that allows them to assess outcomes and to make operational changes over time.
 - This system should allow for tracking project outcomes as well as organizational outcomes and should enable the organization to complete any required reporting on a regular basis.
 - Organizations should have a history of tracking outcomes and managing based on those outcomes.
- Organizations should have administrative and management capacity to fully engage in the application, negotiation and implementation processes involved in the project.
 - This includes ensuring that the service provider had an adequate level of time and support committed by senior leadership.
 - The service provider should also have a clear understanding of their own capacity to understand and develop financial models, negotiate contracts and develop operational protocols and be able to develop a plan for addressing any potential gaps in that capacity through the use of partners and/or consulting services.

- All levels of the organization from line staff through the Board of Directors should have a full understanding of the implications of the project and any changes the project might have on existing program operations.

Response to the Commonwealth of Pennsylvania's
Pay for Success Initiative
Request for Information

Request for Information # 0B 2015-1

May 8, 2015

Submitted by:
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About Social Finance.

Social Finance is pleased to submit this response to the Commonwealth's Request for Information.

Social Finance, Inc. is a 501(c)(3) nonprofit organization dedicated to mobilizing investment capital to drive social progress. Co-founded in January 2011 by David Blood, Sir Ronald Cohen, and Tracy Palandjian, Social Finance believes that everyone deserves the opportunity to thrive and that impact investing can play a catalytic role in creating these opportunities. Social Finance is committed to designing public-private partnerships that are focused on resolving complex social challenges. Through these partnerships, we aim to direct capital to evidence-based interventions to facilitate greater access for vulnerable populations. Core to our mission is the advancement of Pay for Success ("PFS") projects in the United States through comprehensive advisory work and transaction development, performance management, and market education. Additionally, Social Finance has two sister organizations, Social Finance UK and Israel, which comprise Social Finance's Global Network.

Social Finance is committed to helping to build a robust PFS market in Pennsylvania. Earlier this year, Social Finance worked with the City of Philadelphia to conduct a four-month feasibility study assessing PFS as a means to measurably improve the lives of returning citizens and system-involved youth placed in out-of-county residential facilities. Findings from this study concluded that there were opportunities for PFS projects both at the city- and state-level, which we describe in greater detail later in this response.

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

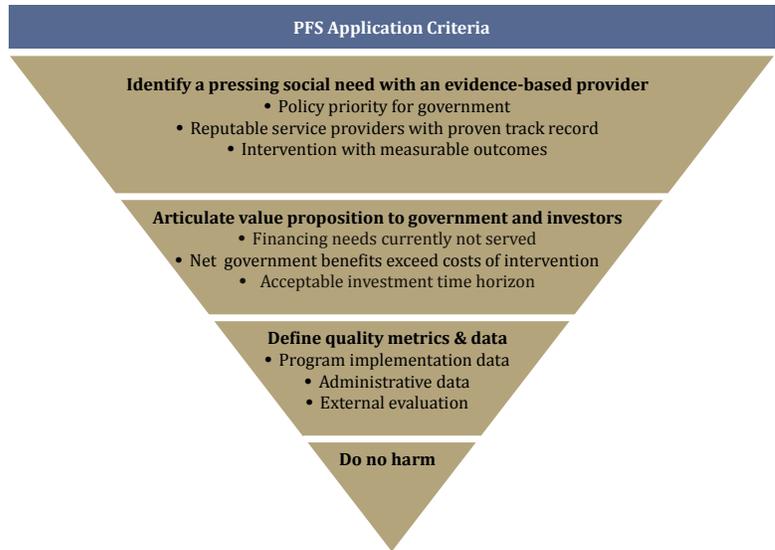
Pay for Success gives governments the ability to support high-impact service providers, drive new resources to effective social programs, and track outcomes for individuals and communities, without risking taxpayer dollars if those programs don't deliver results. While there are many potential applications of PFS, the most robust PFS projects have followed a similar process to the one listed below to help determine the best suited policy areas, service providers, and interventions.

In our experience, the PFS development process **starts by identifying a pressing social need**: for example, young, low-income, first-time mothers often do not have the knowledge and resources to maintain healthy pregnancies and parent responsibly.

Second, PFS projects **partner with an evidence-based provider** that can address the pressing social need through a cross-sector collaboration. Without an evidence-based provider, it is difficult (if not impossible) to structure a PFS project.

Third, in order to appeal to government and investors, projects define a **clearly-articulated value proposition for stakeholders**. PFS can help expand interventions to address policy priorities and/or help generate financial and social returns. If a cost effective evidence-based intervention can effectively meet the identified need, there is strong potential for government and investors to be mutually interested in financing the intervention via PFS.

Finally, **projects define quality metrics and datasets** to help assess and evaluate impact and inform mid-course corrections. These datasets are essential for evaluating the impact of a PFS project, but also to help monitor performance throughout the project. This ongoing monitoring can inform potential mid-course corrections.



Our experience with PFS, both across the US and in Pennsylvania, suggests some policy areas and interventions are more “PFS-ready” or primed for the opportunity to be financed by PFS in Pennsylvania. Below, we have addressed each of the Commonwealth’s five policy areas in order of “PFS-readiness”. In the discussion that follows, we apply the process above to each of the five target policy areas, briefly identifying the challenge before suggesting potential interventions that are well-suited for a PFS project in the Commonwealth.

1. Public Safety.

Increasing safety in our communities helps generate savings by reducing crime, arrests and incarcerations, and police expenditures. One particular approach to increasing public safety is through the reduction of recidivism, or the likelihood that formerly incarcerated individuals participate in criminal activity following a release from a correctional facility. Successful re-entry following incarceration often depends one or more of the following: a positive workforce reentry, access to affordable housing, and easily-available mental health support.

Center for Employment Opportunities. High rates of unemployment and difficulty reintegrating into the workforce are significant challenges for formerly incarcerated individuals. The Center for Employment Opportunities (CEO) is one transitional jobs model that has demonstrated significant impact through rigorous evaluation. Studies consistently show that unemployment is a reliable predictor of whether or not an individual will recidivate, and that individuals with an employment record prior to incarceration are significantly less likely to recidivate.¹ Nationally, 60% of formerly incarcerated individuals are unemployed one year after release.² In the CEO model, individuals are referred by parole and probation officers and community-based organizations. Upon referral, participants enroll in a five-day Life Skills Education course and then are assigned a paid, transitional job on a CEO-supervised work crew. While developing workforce readiness skills, participants also meet with a Job Developer or Job Coach once a week to support the job search process. Once participants are hired in a full-time, unsubsidized job, CEO provides job retention services for one year.

¹ CEO and MDRC, 2006.

² CEO and MDRC, 2006.

Analysis suggests that for every \$1.00 spent on transitional job reentry programs, approximately \$1.70 in value is generated for government and society. Much of the return on investment (ROI) is driven by a reduction in State prison bed days.

2. Early Childhood Care and Education.

Some of the most persistent determinants of disparities occur early in a child's life. Early childhood care and education interventions seek to promptly address these disparities, providing prenatal and early childhood support for low-income mothers or increasing school readiness before kindergarten. These preventative interventions often generate significant short- and long-term social savings in the form of reduced Medicaid expenditures, increased educational achievement, and crime and criminal justice costs.

Nurse-Family Partnership. Nurse-Family Partnership™ (NFP) is an evidence-based early childhood and maternal health intervention. As a home visiting program, NFP pairs expectant mothers with a nurse who provides home visits from early in pregnancy until the child's second birthday. NFP is the product of 35-years of research and ongoing evaluations of the intervention. This research includes three well-designed randomized controlled trials that began in 1977, 1988, and 1994 with different populations and geographies, have demonstrated that NFP achieves significant and sustained outcomes for high-risk families. By visiting high-risk pregnant women in their homes, the nurses establish relationships that positively modify of her individual behavior and lifestyle. The NFP nurse's presence helps the early identification, referral and treatment of problems that might complicate a pregnancy or impede the health and development of a newborn child. Among a host of positive outcomes, NFP has been shown to reduce preterm birth, increase inter-conception health, and infant reduce injuries and hospitalizations.

The effects of NFP have been proven to generate a net benefit to society – both in financial and social terms – both within service delivery and throughout a child's life.³

3. Education, Workforce Preparedness and Employment.

Workforce preparedness and employment interventions help members of our communities be self-sufficient and thrive. There are many pockets of the population in the Commonwealth that could benefit from effective training and the opportunity to meaningfully engage with the labor market. One sub-population is the “disconnected youth”, or persons aged 16-24 who are neither working nor in school or college. As of 2012, Belfield et al. estimated that there are 6.7 million disconnected youth or opportunity youth nationally.⁴ Underskilled and often persistently unemployed, opportunity youth are difficult to “re-connect” once disconnected. These “lost youth” result in significant short- and long-term costs for society. Taxpayer loss is estimated at \$13,890 per youth per year; social cost is even greater: \$37,450 per year. However, a growing body of research has

³ A 2005 RAND Corporation analysis found a net benefit to society of \$34,148 (in 2003 dollars) per higher-risk family served, with the bulk of the savings accruing to government, equating to a \$5.70 return for every dollar invested in NFP. In a 2011 study by the Washington State Institute for Public Policy (WSIPP), Nurse-Family Partnership ranked among the highest programs reviewed in terms of net benefit to society among pre-K, child welfare, youth development, mentoring, youth substance prevention and teen pregnancy prevention programs. A 2012 cost benefit update by WSIPP estimated long-term benefits of almost \$23,000 per participant.

⁴ <http://www.civicenterprises.net/MediaLibrary/Docs/Belfield-Levin%20Economics%20Investment%20OppYouth%20Sept%202012.pdf>

shown that interventions focusing on “social-cognitive” skills have had tremendous success reducing violent crime, increasing academic achievement, and improving workforce preparedness.

Becoming A Man. One approach to address the population of opportunity youth is Becoming A Man (BAM), a dropout and violence prevention program for at-risk male students in grades 7-12 in Chicago. BAM offers in-school programming, which are in some cases complemented by after-school sports, to develop social-cognitive skills strongly correlated with reductions in violent and anti-social behavior. Participants learn about and practice impulse control, emotional self-regulation, reading social cues and interpreting intentions of others, raising aspirations for the future and developing a sense of personal responsibility and integrity. The after-school sports component reinforces conflict resolution skills and the social and emotional learning objectives of the in-school curriculum.

A recent randomized controlled trial conducted by the University of Chicago Crime Lab showed that B.A.M. reduces violent crime arrests, weapons crime and increases school achievement:

- Reduced violent crime arrests by 44%
- Reduced weapons crime and vandalism by 36%
- Reduced the likelihood of attending school in a juvenile justice setting by 53%
- Increased future graduation rates by 10-23%⁵

Additionally, a recent evaluation conducted by the University of Chicago Crime Lab showed that B.A.M., when combined with rigorous individualized tutoring delivered by Match Schools:

- Improved student math test scores by the equivalent of about three years of learning for the typical American high school student (put differently, the effect equals about one-half of a standard deviation, which is equal to about 60% of the black-white test score gap nationwide as measured by the National Assessment of Educational Progress for 13 year olds);
- Improved math grades equal to 0.6 points on a 4-point scale;
- Reduced course failures by 57% (2 fewer courses failed per year);
- Increased school attendance (2.5 weeks more school attended per year);
- And increased by nearly 50% the likelihood that youth are “on track” for graduation according to the CPS definition for high school students.⁶

4. Health and Human Services.

Every year, hundreds of youth are sent out of their homes for treatment and services or age out of the foster care system. They are separated from their families and communities, fall behind in school when credits don’t transfer, and experience challenges reintegrating after placement. A wide body of evidence has shown that children placed into foster homes and family settings are more likely to have better long- term outcomes than children placed into group and institutional care. Congregate care placements not only result in worse outcomes but also are five to seven times the cost of family-based placements.

⁵ <http://www.youth-guidance.org/our-programs/b-a-m-becoming-a-man/>

⁶ University of Chicago Crime Lab, “Urban Education Lab’s Current Large-Scale Study of Becoming a Man” Accessed at: <https://crimelab.uchicago.edu/page/urban-education-lab%E2%80%99s-uel-current-large-scale-study-becoming-man-bam-and-match-tutoring>

Wendy's Wonderful Kids. More than 20,000 youth each year age out of foster care in the United States each year. In response, the Dave Thomas Foundation for Adoption created Wendy's Wonderful Kids to find families for those children most at risk of aging out of care. The Foundation provides grants to local public or private foster care adoption agency to hire an adoption professional to serve a small caseload of the most difficult to place children. This recruiter implements Wendy's Wonderful Kids' intensive, child-focused model that requires a thorough review of the case file, a face-to-face relationship with the child, collaboration with all adults in the child's network, assurance of adoption preparation, an aggressive recruitment plan, and diligent search for all potential adoptive parents.

A five-year, rigorous national evaluation of the Wendy's Wonderful Kids program, completed by Child Trends, found that this method of child-focused recruitment is dramatically more successful than business as usual:

- Children served by the Foundation were 1.7 times more likely to be adopted;
- Older children were 3 times more likely to be adopted;
- Children with mental health issues were more than 3 times more likely to be adopted; and
- The older the child served, the higher the likelihood of being adopted when served by the program.⁷

Functional Family Therapy. Functional Family Therapy (FFT) is an intensive, three- to five-month treatment that works with youth, aged 11 to 18, with behavioral offenses, substance abuse needs and/or history of juvenile justice involvement. The family-driven model views youth behavior as serving a function within the family and requires the active participation of the caregiver or parent. FFT can be administered as an alternative to incarceration or out-of-home placement and is most effective when offered as soon as a problem is identified. It typically includes eight to twelve one-hour therapy sessions with the youth and caregiver, often held in the home on evenings or weekends. Each site must have at least one team of therapists, which includes a site coordinator and part-time therapist and three to eight full-time therapists. The model requires a ratio of five to fifteen families per therapist.

The ROI analysis for FFT indicates that for every \$1.00 invested, there is approximately \$3.80 in value generated. This value accrues to multiple levels of government, and therefore a PFS project would likely require the participation of the State. The evidence base for FFT is strongest for delinquent youth.

5. Long-Term Living.

Insufficient rest-home subsidies to the low-income elderly often mean that many elderly are incentivized to use nursing home care (covered by Medicare and Medicaid) even when less expensive alternatives exist. At the same time, 92% of individuals age 65 to 74 and nearly all (95%) individuals age 75 and over *strongly agree* or *somewhat agree* that they wish to remain in their current homes as long as possible.⁸ A more affordable home- or community-based approach to elder care may be mutually advantageous to both individuals and the public.

⁷ Dave Thomas Foundation for Adoption, Wendy's Wonderful Kids Child-Focused Recruitment Program, National Program Summary, March 2015.

⁸ Bayer, A. & Harper, L. (2000). Fixing to Stay: A National Survey on Housing and Home Modification Issues Research Report. Washington, DC: AARP. Retrieved from assets.aarp.org/rgcenter/il/home_mod.pdf

Currently, long-term living may be a challenging candidate for PFS in Pennsylvania. In particular, lack of data in the field,⁹ a lack of housing alternatives,¹⁰ and the challenges involved with multiple payors (federal Medicare, Medicaid, etc.)¹¹ suggest that this policy area is not currently a good fit for PFS in Pennsylvania.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts?

Structuring cross-sector collaboration: As a mechanism that facilitates cross-sector collaboration, PFS projects bring together stakeholders with different viewpoints and approaches. Since there are many perspectives represented, projects that have asked each stakeholder to articulate their goals and interests clearly and early have had more success than those that do not. This helps ensure all parties to work toward a shared goal with aligned interests.

Access to and sharing of data: PFS deals are structured around data from both governments and interventions. Often, these different datasets “speak” to each other for the first time in deal development. We have found that having all parties understand what data is available and what agreements need to be executed helps to expedite analysis and deal development. Where possible, having agreements and memoranda of understanding (MOUs) signed in advance will also help expedite deal development.

Frameworks for calculating economic benefit. In paying for performance, government can think about articulating their savings across two vectors: time and type. For example, a workforce reentry program provides short- and long-term savings that are both fiscal (avoided bed days in incarceration facilities) and social (reduced crime improves quality of life). Understanding what time period and what type of savings government is comfortable to pay for outcomes will both help structure the financing, but also can help focus attention on policy areas.

Legislation and procurement requirements when issuing a solicitation. PFS requires government contracting that has important distinctions from how government normally purchases goods and services. Having a sense of procurement and legislative requirements before starting to structure a deal will save time and ensure the development of a viable and successful contract.

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

While the individual outcomes for PFS projects will be determined by policy area, the ability to closely monitor and analyze outcomes is critical to the success of any PFS project and one of the

⁹ As the National Summit on Affordable Senior Housing and Services has reported, “One reason for this lack of outcomes research is the absence of baseline data describing who lives in subsidized senior housing, their health and functional trajectories over time and which interventions work for which populations (e.g., the “well” elderly, the moderate at-risk group and the high-risk, chronically disabled group).”

¹⁰ Subsidized public housing is often limited with lengthy waiting lists. A 2006 survey by AARP found that 10 applicants wait for every unit of Section 202 housing that becomes available. Today, the assisted living market is primarily composed of the well-off elderly, with little available to moderate- or low-income consumers, as the recent study by Hawes et al. (1999) confirms.

¹¹ “Public funding silos do not reward all players if savings are achieved. For example, if a housing with services model can decrease hospital stays, those savings accrue to Medicare and are not shared with the housing provider.” (National Summit on Affordable Senior Housing & Services, 2010).

unique advantages PFS brings to its stakeholders. Outcome measures should be selected based upon three criteria: **a)** meaningful indicator of social impact and public benefit; **b)** observable in data systems; **c)** evidence from a rigorous evaluation or like analyses demonstrating that the specific intervention model and provider can achieve the targeted results.

Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

Often, PFS projects support interventions that achieve savings and benefits at both the local, state, and federal levels of government; however, to date, projects have been driven mostly by one level of government. We recommend that the Commonwealth consider the high probability of intra- and inter-government savings for a given interventions. Creating a strategy to pay for outcomes that generate savings at the local, state, and federal level and across State agencies will allow the Commonwealth to participate in a broader range of PFS transactions.

One opportunity for intra-government collaboration may be to work directly with the City of Philadelphia, which has already begun PFS feasibility work. In late 2014, the City of Philadelphia procured Social Finance to conduct a four-month study to assess the feasibility and potential of a Pay for Success (PFS) project to measurably improve outcomes related to: **1)** recidivism of returning citizens and **2)** system-involved youth placed in out-of-county residential facilities.

The feasibility study was structured in two phases. During Phase I (January to March), Social Finance and the City identified target populations driving recidivism rates and out-of-county placements, created and analyzed a database of more than 100 national evidence-based programs impacting relevant outcomes, and considered the local provision of services. During Phase II (March to April), Social Finance and the City built off Phase I analysis and the City's guidance to identify four interventions that are highly aligned with PFS. Social Finance then conducted a cost-benefit analysis on each intervention and developed recommendations on PFS readiness. Social Finance conducted more than 50 structured interviews with city and external experts, secondary research and a review of City administrative data.

The feasibility study concluded that there were compelling opportunities to address both recidivism of returning citizens and system-involved youth placed in out-of-county residential facilities through a PFS project; however, the city will likely need to involve the Commonwealth in a PFS project. Collaboration between city and state agencies is crucial for successful implementation, for data sharing, an integrated implementation, and resource alignment.

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

Currently, there are over 20 states exploring PFS contracts in some capacity. These early projects have helped shape the emerging field, and led to many lessons for future PFS contracts. Listed below are a few of these lessons that the Commonwealth may want to consider when developing a PFS contract.

- **Data is the center of a PFS project.** As mentioned throughout this response, it is important for the right data-systems and data-feedback to be in place for a PFS project to be

successful. For example, data can help ensure the intervention is targeting the right population, can help develop referral pipelines for enrollment, and can help monitor project performance to inform mid-course corrections, if needed.

- **PFS is developed in partnership.** PFS projects are fundamentally about collaborative partnerships that optimize the relationships among government agencies, organizations providing interventions, and socially-minded investors in a unique configuration to deliver the most effective and efficient outcomes for vulnerable individuals, families, and communities. It has been helpful for states and other PFS stakeholders to be thoughtful and intentional about establishing strong, pre-existing relationships, which often can project development.
- **Consider how collaboration can move to decision-making.** It is important that the decision-makers and the appropriate government, intervention, and investor representatives are involved early and often in conversations to ensure project development progresses.
- **PFS can help support proven interventions or innovation.** Both interventions with extensive experience implementing an evidence-based model and those with experience but less rigorous evaluations can benefit from PFS; however, deal development is expedited when projects are clear about whether they are scaling what has worked in the past vs. testing newer models.

Additionally, PFS in Pennsylvania would be part of a global movement. Over the past five years, the number of Pay for Success projects and social impact bonds in the world has grown from one project in Peterborough, England, to 45 launched projects worldwide. Each day, a diverse set of countries, states, and cities develop a growing pipeline of over one hundred projects. Seven PFS projects have launched in the US, and each project pushes us further down the experience curve. In the United Kingdom, there are 31 active projects. Working closely with Social Finance UK, Social Finance US works to apply the learnings of these global markets to our own work.

What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts?

PFS contracting is not just an opportunity to pay for what works, but also to help innovate social sector spending. As a current market leader, the Commonwealth may want to consider three recent innovations to include in its project when issuing a formal Request for Proposals for Pay for Success contracts.

- (1) **Evaluation alternatives.** In any PFS project, an evaluation methodology should match the goals of the project. Evaluation options include randomized control trials (RCTs), quasi-experimental methodologies (e.g. propensity score matching), and difference in historical baseline. There are many considerations when picking an evaluation methodology, including:
 - *Cost:* What is the available budget for the evaluation?
 - *Fit:* Can an evaluator logistically create a counterfactual or a control group to measure the intervention?
 - *Ethical concerns:* Are there concerns around denying a counterfactual services?
 - *Innovation:* Is the evaluation intended to assess what has worked in the past or a new, untested innovation?

- (2) Portfolio procurement.** Often, there are multiple potentially feasible policy areas and interventions that could benefit from PFS contracting. Traditionally, government will procure for projects one at a time, with each procurement and project development requiring 12-18 months. This winter, Salt Lake County announced it would simultaneously structure and launch a project in each of the following policy areas: **1)** maternal and child health; **2)** homelessness; and **3)** criminal justice. This innovative portfolio approach to structuring and financing PFS contracts should expedite deal development and take advantage of efficiencies of scale and standardization by developing multiple deals at once.
- (3) Published outcomes pricing.** To date, PFS projects in the US have been evaluated at the population level with outcome pricing negotiated as part of the PFS project development. Government could potentially accelerate the PFS project timeline and reduce project costs by publishing individual outcomes pricing. In a Public Outcomes Pricing Sheet, a government would set a payment per individual or outcome *prior* to soliciting or procuring partners for a PFS project. For example, the Commonwealth would set a \$100 payment for each avoided bed day and publish the rate in the procurement solicitation. The set payments would be all-inclusive: it would cover costs for the intervention well as any project expenses and returns to funders. Respondents, then, would propose projects that would only fit within the economic framework set by the Commonwealth. This approach simplifies and/or eliminates many of the economic deliberations that often delay project launch and ensure only projects that fit within the government’s financial scope are selected. The UK government is currently employing this innovation under the name “Rate Sheet.”

**Response to the Commonwealth of Pennsylvania
Request for Information # OB 2015-1
Pay for Success Initiative**

May 8, 2015

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Introduction

The GreenLight Fund

The GreenLight Fund is a national philanthropic fund with sites in Philadelphia, Boston, San Francisco and Cincinnati. GreenLight is rooted in the entrepreneurial and venture capital communities, and supports evidence-based organizations to expand into the cities where we operate. GreenLight's focus as a funder is on attracting and supporting nonprofit models proven to work effectively in cities across the country, and use local philanthropic funds to help bridge the gap to local, sustainable funding streams. GreenLight has been a partner to the City of Philadelphia's pay-for-success exploration, and our Philadelphia site recently ran a comprehensive diligence process assessing evidence-based organizations addressing prison re-entry and recidivism. That process culminated by selecting and funding the Center for Employment Opportunities (CEO) and working closely with the PA Department of Corrections and City of Philadelphia to plan for CEO's local implementation. GreenLight researched CEO's model, evidence base, and previous experience with pay-for-success transactions in New York State during our diligence process, and we are pleased to respond collaboratively with CEO about the exciting potential for CEO to generate a successful second pay-for-success contract in Pennsylvania.

The Center for Employment Opportunities

The Center for Employment Opportunities (CEO) is a non-profit 501(c)(3) organization providing immediate and comprehensive employment services exclusively to men and women returning home from incarceration. CEO seeks to improve the wellbeing of individuals coming home from prison as well as the cities and neighborhoods to which they return. What began as a demonstration project of the Vera Institute of Justice in the 1970s has become the leading national employment reentry organization. Since becoming an independent nonprofit in 1996, CEO has secured over 18,000 private-sector job placements for formerly incarcerated individuals with hundreds of businesses in their communities.

CEO targets its services to individuals who face the highest risk of returning to prison and have the greatest need for employment services. All participants arrive at CEO unemployed and in need of immediate income to help provide stability for themselves and their families. The program ensures that formerly incarcerated individuals are prepared to re-enter the workforce and seize the opportunity to build healthier, more productive lives. The CEO program model has been proven effective through the highest standards of evidence, and is among the only organizations in its field to have successfully executed a Pay for Success contract.

What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?

This may include description of programs and service providers, their evidence base, and the results they have been able to achieve for their target population(s).

Several Pay for Success contracts in the short history of the practice have focused on prisoner re-entry and recidivism reduction. This is an area with clear, measurable, and immediate cost savings for government as well as critical social consequences for families, communities, and entire cities on employment, public safety, and family stability.

The need for solutions to these issues is significant in Pennsylvania. Today over 53,000 individuals are incarcerated in PADOC state prisons. According to the Department of Justice each year, approximately 57,000 people are released onto parole. Unfortunately, within 5 years, more than 60% will recidivate. This problem is particularly acute in metropolitan areas across the state including Philadelphia, Harrisburg and Pittsburg. Pay for Success projects that target recidivism reduction have the potential to bring a scalable solution to this policy area, while helping men and women achieve productive futures for themselves and their families.

CEO has over 30 years of experience providing transitional work experience to formerly incarcerated individuals. The organization was proven to reduce recidivism by 22% amongst the highest risk individuals in an independent random assignment evaluation conducted by MDRC. Further, the study found that for every dollar invested in CEO, taxpayers yielded a \$3.30 return. While CEO has its largest operation in New York City, the organization launched ten additional offices between 2009 and 2015 in upstate New York, California, Oklahoma, and most recently Pennsylvania. In each site, CEO develops strong partnerships with local parole and probation offices, which helps in targeting those populations at higher risk for reoffending. Today, the organization serves more than 4,200 people returning from incarceration each year, placing more than 2,000 in full-time, private sector jobs.

The Center for Employment Opportunities (CEO) is one of a small handful of prison re-entry programs in the United States to build and execute on a pay-for-success contract, leading a two-city, \$13.5M initiative in New York State. The private capital raise for this investment was led by Social Finance and Bank of America/Merrill Lynch. Nearly half-way through the four year project, CEO is on track to meet enrollment goals for the first Phase of the initiative. As detailed below, the organization has also gained significant experience in both closing a PFS transaction and operationalizing a multi-stakeholder project.

In addition to CEO's track-record of closing a transaction in NY, the organization has gained further experience in PFS deals in other jurisdictions. In January 2014, CEO was selected as one of six interventions with high levels of PFS readiness to receive funding from the James Irvine Foundation's California Pay for Success Initiative. CEO is working with REDF and Social Finance to prepare for a potential solicitation and deal in San Diego County. As part of this phase of due diligence Social Finance has conducted program impact and cost-benefit analyses to determine the feasibility of scaling CEO's programs in San Diego County via PFS.

In 2015 CEO launched its Pennsylvania operations. Service will begin in July with an initial program enrollment of 150 high risk men and women exiting the State prison system and returning to Philadelphia. CEO is funded locally by the GreenLight Fund, the City of Philadelphia and other partners. CEO's annual budget for Pennsylvania in FY 2016 will be just under \$1M.

CEO's early funding in Philadelphia will enable the organization to take important formative steps to ensure the model launches effectively and builds strong local relationships with Corrections, Parole, City Agencies potential transitional employers, and permanent employers. Perhaps dissimilar from other national organizations with pay-for-success experience, CEO already has local staff and supporters in Pennsylvania, and by end of next fiscal year, will have served nearly 150 returning citizens with transitional employment and vocational services. A PFS contract would offer a path for CEO to both grow its Philadelphia presence and expand statewide to other counties with high rates of recidivism.

CEO's Service Delivery Model

CEO's service delivery model is based on research that shows if the employment needs of people with a high-risk of recidivism are addressed at their most vulnerable point – when they are first released from incarceration – then they are less likely to reoffend and more motivated to build a positive foundation for themselves and their families.

CEO's comprehensive model consists of four phases specifically designed to engage participants recently released from incarceration. CEO understands the unique challenges facing the reentry population, and as a result, its programming is both personalized and highly structured.

Phase 1: Recruitment and Job Readiness Training. CEO targets the highest risk, hardest to serve individuals under criminal justice supervision. It recruits directly from parole officers within the first 90 days of release. The program begins with a brief Life Skills Education course in the first week, where participants learn best practices for applying to jobs, interviewing, and overcoming the stigma of a conviction. CEO also works with participants to procure all necessary identification documents, removing a frequent barrier that prevents them from legally stepping onto a job site and receiving a paycheck.

Phase 2: Crew-Based Employment. After graduation, participants are immediately eligible to begin paid transitional work on CEO-supervised work crews. Across the country, CEO's social enterprise has 50+ work crews that provide basic maintenance and custodial services to public and private sector customers. In New York City, crews maintain eight college campuses in the City University system; in Oklahoma, they are helping rebuild homes after the tornadoes that hit the city of Moore last year; and in California the crews perform litter abatement for CalTrans. In Philadelphia, CEO crews will help maintain city parks. The crews work in groups of 5-7 people and are overseen by a CEO site supervisor. At the end of every shift they are evaluated on their individual work performance and given a paycheck for the day. Working for CEO on a supervised work crew gives participants an opportunity to earn income within one week of enrollment while learning basic workplace skills, developing the tools they need to rejoin the permanent workforce and ultimately rebuilding a life without crime.

Phase 3: Full-Time Job Placement. Concurrent with working a transitional job with a CEO crew, participants receive a full suite of vocational services. CEO uses the experience gained on

transitional work sites to develop participants' competencies and place them in jobs with permanent employers. CEO's dedicated Business Account Managers focus on building relationships with local businesses and filling job orders to match participants to employer specifications. Businesses value CEO as a ready source of job-ready labor that can fulfill their hiring needs.

Phase 4: Job Retention. CEO recognizes the tenacity required of program participants to remain connected to the workforce. To that end, participants receive retention services from CEO for a full year after job placement. Retention services include workplace counseling, crisis management, job redevelopment after job loss, and career planning. An incentive-based program, *Rapid Rewards*, provides monthly payments to enrolled participants who attain job retention milestones.

What considerations should the Commonwealth take into account in structuring Pay for Success contracts? This may include the respective roles of intermediaries and service providers, the appropriate duration of contracts, and how to design payment schedules and milestones to provide the greatest value to taxpayers and achieve the most progress in addressing social problems.

- **Past experience with Pay for Success will create tremendous efficiency.** The complexity of both the deal construction and execution of a Pay for Success opportunity positions organizations with experience with these types of transactions to move through the process with greater efficiency than organizations with a steep learning curve on the nature of these contracts. This precedent will also likely help attract investors to a deal.
- **High quality evidence.** Repayment metrics are at the core of a PFS transaction and therefore organizations with high-quality, rigorous evidence will provide investors with more confidence that the outcomes will be achieved.
- **Government's active role in implementation and performance management should be memorialized in the contracts.** In nearly all possible PFS contract configurations, providers delivering interventions will need to work closely with government to ensure a consistent stream of participant referrals, monitor performance in real-time and make necessary adjustments to evaluation design, among many other things. Establishing the parameters of government's active role in these projects – from planning all the way through implementation --will be critical to their success.
- **Partners and governance matter.** PFS projects are fundamentally about collaborative partnerships that optimize the relationships among government agencies, nonprofit service delivery organizations, and socially-minded investors in a unique configuration to deliver the most effective and efficient outcomes for vulnerable individuals, families, and communities. Strong governance structures that clearly define the roles of all

parties should be planned for and written into contracts to ensure alignment of all partners.

- **Include Plans for Sustainability Now:** PFS contracts have the ability to fundamentally transform how government contracts for services, shifting emphasis from outcomes to impacts. Each new PFS projects should contain an "**Achievement Compact,**" -- a statement of intent from government that if successful, they will make every effort to continue to contract for these services. Government procurement rules and a lack of long-term appropriation authority may limit the specific commitments governments can make. This should not stop government, however, from expressing their intent to double-down on what works.
- **Choose performance and repayment metrics carefully.** Performance thresholds must be achievable based on a provider's capacity and track record of performance. Transactions should only aim to achieve results that are consistent with providers' historical performance, not in excess of it.

What outcomes should the Commonwealth prioritize in Pay for Success contracts?

What types of outcomes should payments be based upon and how should they be measured?

The state should consider outcomes measures that lead to quantifiable cost savings, as well as other measures that reflect social inclusion but whose monetary value maybe less immediately quantifiable. Further, depending on the selected intervention, the state should ensure that all levels of government that benefit from the project are payors for the impacts achieved.

In the case of employment reentry programs like CEO, that state should begin by selecting criminal justice measures including the averted cost of arrests and prison and jail bed days. These easy to quantify criminal justice measures – and the associated savings – can provide the economic foundation for a PFS transaction and also incentivize performance that leads to better public safety. The state should also consider other measures in the criminal justice space, such as violence reduction and reduced victimization, for which there is precedence for assigning value.

As the example of CEO makes clear, an employment reentry centered PFS project could also benefit from the work force progress of the individuals served. For example, those who achieve employment will be less reliant on public benefits and other taxpayer funded programs, while also contributing to the states tax-base. Further, helping the hardest to serve individuals find and retain full-time employment – regardless of the return on investment – is an outcome that government should value and pay for. In this framework, a PFS project can allow government both to save costly on expenditures and also pay for positive, validated outcomes.

Finally, the most successful PFS projects must have multiple state agencies as payor partners. In the case of CEO, criminal justice and labor departments and potentially others stand to

benefit. When possible, these projects should also include multiple levels of government (ie. State and County/City) involved, ensuring that the payment for a return is coming out of the right pocket. Finally, all of these outcomes must also be selected in a context that safeguards against creating perverse incentives for the provider.

❖ ***Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?*** Describe program structure issues that should be taken into account in the development of such contracts.

As described above, the costs of recidivism and unemployment affect a wide range of public agencies and entities – ranging from city to state to federal. The City of Philadelphia is currently exploring PFS opportunities in partnership with Social Finance, a PFS intermediary with strong experience executing PFS deals. While Social Finance’s recommendations have not been released, their clear directive with to explore opportunities for PFS in corrections and child welfare.. While CEO may be a candidate for a citywide PFS deal, to fully realize the cost savings and impact of CEO’s model, it would be useful to consider a partnership or jointly constructed deal between the City and the State to expand CEO’s model and share in the potential cost savings.

Additionally, the City of Philadelphia Department of Parks and Recreation is currently the lead employer of CEO’s transitional work crews. The City is essentially a customer, receiving high quality, market rate work from the men and women participating in CEO’s program. The earned revenue stream from the City, if expanded, could be an important piece of the overall revenue equation in the PFS deal. Whether the City is a PFS partner, or simply a separate revenue source for CEO’s work, it could help ensure a lower risk, higher value deal for all parties.

What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

Are there examples of Pay for Success projects, Requests for Proposals, contracts or other experiences that the Commonwealth should take into consideration in its program development?

- **Reentry programs align well with the Pay for Success model.** Of the seven active PFS deals in the US (as of March 2015), three are focused around criminal justice and reentry program models – which is more than any other program area. Part of the reason why reentry is compelling in these deals is because of the precise, quantifiable costs related to recidivism and the relatively short timeframe in which impact can be measured.
- **Select proven, scalable providers.** At this early stage of PFS development, it is important that projects select service providers with extensive experience implementing an evidence based model. In the future, PFS may be used to fund more speculative

interventions, but for the field to gain steam we need to construct transactions around service models and providers that have a measurable impact on a particular issue.

- **Don't overlook fidelity and performance management.** Demonstrating impact through rigorous evaluation is a significant achievement for a provider. Replicating that impact consistently, year-after-year can present a challenge. The success of PFS projects rests on the ability of providers to implement interventions with fidelity to a proven model. Additionally, providers and intermediaries must be capable of managing performance to achieve pre-determined benchmarks of a particular PFS project, especially in the face of unanticipated external challenges (e.g. insufficient referrals). To do this effectively, they will need support in collecting meaningful data and assessing their program fidelity by independent evaluators. They must also have the capacity to utilize robust performance management tools.
- **Build on evidence.** In the New York State transaction, CEO and Social Finance identified subgroups in its original MDRC evaluation where it made the deepest impacts (high risk and recently released parolees) and designed the PFS intervention specifically around this group. The approach is helping CEO achieve the greatest social value for its participants, while allowing government and investors to achieve the greatest financial impact.



May 7, 2015

Ms. Traci Anderson
Assistant Counsel, Governor's Budget Office
Commonwealth of Pennsylvania
333 Market Street, 18th Floor
Harrisburg PA 17101-2210

Re: Request for Information # OB 2015-1

Dear Ms. Anderson:

The Commonwealth of Pennsylvania's commitment to evidence-based investments that can improve the lives of its citizens is deeply valued and much appreciated by all of us at The National Campaign to Prevent Teen and Unplanned Pregnancy. We believe that the attached submission describing our proposed intervention—increasing knowledge and use of low maintenance, highly effective methods of contraception—holds significant promise to improve child welfare, one of the high-priority areas identified in Governor Wolf's Pay for Success initiative.

If you have any questions regarding this proposal or The National Campaign's program in general, please feel free to contact me directly at 202-478-8579 and asingdahlsen@thenc.org.

Sincerely,



Alice M. Singdahlsen

Attachment

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The National Campaign

to Prevent Teen and Unplanned Pregnancy

In response to the Commonwealth's Request for Information # OB 2015-1, The National Campaign to Prevent Teen and Unplanned Pregnancy (The National Campaign) proposes a compelling intervention to be considered for a Pay for Success (PFS) project in the Commonwealth of Pennsylvania. Our proposed intervention—increasing knowledge and use of low maintenance, highly effective methods of contraception—holds significant promise to improve child welfare, one of the high-priority areas identified in Governor Wolf's Pay for Success initiative.

The National Campaign. Founded in 1996, The National Campaign is a well-respected and effective non-profit organization whose mission is to improve the well-being of children, youth, and families. We recognize that teen and unplanned pregnancy carry with them a broad array of socioeconomic and health risks to women, men, children, and to the larger community.

The National Campaign's staff of 34 approaches pregnancy planning and prevention for both teens and young adults in a research-based, bi-partisan, non-ideological way. We work hard to reduce the conflicts that often impede action by engaging people and groups from a broad political spectrum and have long maintained a "big tent" approach that searches for—and sometimes actually tries to build—common ground. As a small organization with finite resources, we work hard to ensure that our programs concentrate on achieving maximum impact. In that spirit, we try to steer clear of activities that may be appealing but are likely to affect only a few people. We give affirmative action to working in those areas and sectors where others are not, and incline towards partnerships only with groups/programs that reach large numbers of people in our target audiences in influential ways. Finally, and importantly, we rely extensively on high-quality research to inform everything we do. All of our work is driven by evidence and we work hard to understand what works—and what people think. We are committed to making sure that our programs reflect current information about a wide range of topics, from underlying rates and trends, to new evaluation data on various interventions and more. Our commitment to research has also led us to position The National Campaign as the go-to source for objective information on the latest statistics, what programs are effective, public opinion on a range of topics, and many other issues germane to teen and unplanned pregnancy. We also continually assess and evaluate our programs.

The national picture. When The National Campaign was launched, we set an ambitious goal for the nation: A one-third reduction in teen pregnancy over 10 years. Data show that The National Campaign's efforts and those of others are working. Teen pregnancy and birth rates in the United States have declined dramatically over the past two decades and are now at historic lows. The *teen pregnancy rate* has declined 51% since peaking in 1990, and the *teen birth rate* has plummeted 57% between 1991 and 2013. Importantly, there has been significant progress in all 50 states and among all racial/ethnic groups. In fact, the teen pregnancy rate for the country as a whole is the lowest rate noted since these data began being collected in the 1940s.

Despite this historic progress, the United States continues to have the highest rates of teen pregnancy and births in the industrialized world and there are many communities where rates remain quite high. Moreover, it is still the case that roughly one in four girls get pregnant by age 20. The

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demanding 21st century economy means that the need to use the teenage years for school rather than childbearing has only intensified.

It is worth noting that there has been no similar progress in preventing unplanned pregnancy among women in their 20s. When looking at women overall, not just teens, roughly half (51 percent) of all pregnancies are described by women themselves as unplanned. For unmarried women in their 20s, fully seven in 10 pregnancies are unplanned.

These sobering realities are stark reminders that there is much work yet to be done. Accordingly, The National Campaign continues its efforts to reduce teen pregnancy and is encouraging policymakers, practitioners, the media, parents, and teens themselves to sustain the downward spiral of the teen pregnancies and births.

The Pennsylvania picture. Although Pennsylvania has made impressive strides in preventing teen pregnancy, the change in the state's teen pregnancy and birth rates have been slightly below the national average. Since peaking in the early 1990s, the teen pregnancy rate has declined 44% and the state teen birth rate has declined 55%. In 2010, public spending on teen childbearing in Pennsylvania totaled \$409 million.

When looking at women in Pennsylvania overall, not just teens, 53% of all pregnancies are described by women themselves as unplanned—slightly higher than the national average of 51%. In 2010, public spending for unplanned pregnancies in Pennsylvania totaled an estimated \$727 million.

Our proposal. In response to the Commonwealth's RFI, The National Campaign proposes an intervention that we believe would result in fewer unplanned pregnancies and, in turn, potentially more educational and economic opportunities for young women, improved maternal and infant health, and reduced public spending. Specifically, The National Campaign sees an opportunity to increase awareness of, positive regard for, and availability of intrauterine devices (IUDs) and the implant; low maintenance, highly effective methods of contraception (often referred to as LARC or long-acting reversible contraception). The increased awareness and positive regard for these methods will help increase the use of these methods and further reduce teen and unplanned pregnancy in Pennsylvania. These methods are highly effective and safe for teens—in fact, the American Academy of Pediatrics calls these methods “first-line” contraception for teens—require no effort after insertion (i.e., are low maintenance), and can prevent pregnancy for up to three to 10 years. In short, these methods change the default from having to take constant action to *prevent* pregnancy (such as taking a pill every day at the same time) to having to take action to *become* pregnant (getting a medical professional to remove the IUD or implant). We like to say, IUDs and the implant are birth control without the bother.

Although the use of IUDs and the implant is increasing, only about 8% of women of all ages use these methods; for teens use is even lower. There are several known barriers to LARC use by teens; however, The National Campaign strongly believes that a PFS project is the perfect opportunity to remove such barriers and evaluate the effectiveness of increasing the use of IUDs and the implant on reducing teen and unplanned pregnancy. A PFS project to remove these barriers would include the following: (1) educating providers that IUDs and the implant are safe and desirable for teens, (2) training providers on IUD and implant insertion and use of a client-centered counseling approach that

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includes discussing the most effective contraceptive methods first, (3) providing contraception at reduced or no cost to the client, and (4) a sound communication plan to generate demand for LARCs.

In preparation for implementing a PFS project, The National Campaign has had conversations with Third Sector Capital Partners, Inc. (Third Sector), a nonprofit advisory firm that has led construction of PFS projects in Massachusetts (juvenile justice), Cuyahoga County, OH (child welfare/homelessness), and currently has 35 other Pay for Success engagements underway. Third Sector's deep expertise in economic modeling, fundraising, and evaluation was recently recognized by a grant from the federal Social Innovation Fund.

Should the Commonwealth select Health and Human Services as an issue area for a PFS project, The National Campaign would look forward to the opportunity to work with Third Sector.

Thank you for your consideration.

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United Way of Pennsylvania

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Harrisburg, PA 17102-2927
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fax 717-238-7414
www.uwp.org



May 8, 2015

Traci Anderson, Assistant Counsel
Governor's Budget Office
333 Market Street, 18th Floor
Harrisburg, PA 17101-2210

Submitted electronically to RA-PayForSuccess@pa.gov

Dear Ms. Anderson:

On behalf of the United Way of Pennsylvania (UWP), a statewide nonpartisan membership organization which seeks to strengthen local United Ways, I am writing to offer comments on potential pay for success initiatives in Pennsylvania. United Way works to advance the common good by creating opportunities for everyone. In Pennsylvania, 62 local United Ways and 2 United Funds work to address community needs related to the basic building blocks for a quality life - health, income and education. Fifty-six of these organizations are members of the United Way of Pennsylvania.

Some people think of United Way only as a fundraising organization. However, United Way also has the expertise and relationships to develop meaningful and lasting solutions to community challenges through root cause analysis. United Ways leverage donors' resources to facilitate cross-sector solutions to the problems their communities face. Through the generosity of donors, United Ways are able to reduce burdens on public sector programs. Local United Ways are also part of a national and international network which can scale solutions to achieve positive impacts across the country and around the world.

While developing these comments, UWP gathered information from United Ways in Salt Lake City and Massachusetts who have firsthand experience with early childhood education social impact bonds. United Way of Salt Lake City and United Way of Massachusetts Bay and Merrimack Valley both played the role of intermediary in their states' social impact bond deals for early childhood education. Each structured their deal differently to manage risk.

Organizations with place-based and program-specific knowledge, as well as strong ties to the local community, should play a role in pay for success initiatives. Many local United Ways are working on community impact focuses that benefit early childhood education, and through this work they have also developed relationships with providers. United Ways are already working with funding partners on a variety of initiatives which address local needs, and are positioned to help identify funders who would be interested in pay for success initiatives. United Ways are also familiar and trusted partners for many significant funders. The trust-level among donors and providers builds a strong case for United Way as a potential intermediary in pay for success initiatives.

On behalf of United Ways in Pennsylvania, UWP makes the following recommendations to assure PA is offering an environment that is conducive to public/private partnerships through social impact bonds and pay for success initiatives:

- Provide state funding to pay back investors in pay for success initiatives and social impact bonds.
- Metrics for measuring outcomes should be simple. For example, Salt Lake City's initiative uses annual avoided special education costs from implementing high quality child care, which amounts to \$2700 per pupil. The investor is paid this per-pupil amount for each student that does not enter special education, and in this case the re-payment is capped.
- Assessment tools should be evidence-based and agreed to by funders, providers and intermediaries.
- Allow flexibility for other entities to contribute funding without expectation of payback. For example, in Utah, county government contributed to the high quality pre-school initiative based on future cost-savings such as reduced juvenile crime.
- Consider creating an independent technical assistance center which can help with key elements of a deal, especially financial analysis and modeling, as well as legal expertise. Some interested providers or intermediaries may be organizations which are not large enough to have this expertise in-house or easily accessible.
- Consider creating a dedicated team with central decision-making authority to be able to expedite the coordination needed across programs and agencies to make a pay for success initiative a reality. For example, it may be beneficial to establish pilot programs for limited exemptions to regular rules that may impact the contracts among the investor, provider and the intermediary.

Beyond these overarching parameters, funders, providers and intermediaries should have flexibility to negotiate pay for success initiative terms that are agree-able to all parties. UWP learned that these deals take 2 to 3 years to fully develop. This is based on the experience of colleagues from United Ways already engaged in pay for success initiatives in other states. It is important to create a policy environment that supports a measured speed of progress and reduces potential regulator impediments.

UWP also strongly supports related public policy initiatives which help expand access to services that demonstrate outcomes. For example, the Utah legislation which funded the social impact bond also included an allocation of funds to help providers who are close to high-quality get a bump to be able to be qualified providers of high quality early childhood education, which also helps expand access.

If you have questions, please contact me via email at krotz@uwp.org or call 717-448-1663.

Sincerely,



Kristen Rotz, President
United Way of Pennsylvania

Reverend Leon H. Sullivan
Founder, Philadelphia OIC

Kevin R. Johnson, Ed.D.
President & CEO

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7 May 2015

Ms. Traci Anderson
Assistant Counsel
Governor S Budget Office
333 Market Street, 18th Floor
Harrisburg, PA 17101-2210

Re: Pay for Success PA RFI Response

Dear Ms. Anderson:

On behalf of Philadelphia OIC, I am extremely pleased to submit the attached response to the RFI that was issued by your office. As the President and CEO of Philadelphia OIC, I am honored to provide suggestions that could help the Commonwealth develop an effective Pay for Success program in our state.

As an independent 501(c)(3) nonprofit organization, we possess over 50 years of experience providing workforce development training, school-to-work programs, and alternative educational services for Philadelphia's unemployed, underemployed, and homeless adults. We also have decades of experience collaborating with public and private sector stakeholders to produce cost-effective programs and results-driven outcomes for all entities involved.

Thank you for your time and consideration regarding our RFI submission, and we would be honored to provide additional assistance, suggestions, and/or recommendations at your request. As such, please feel free to contact me directly with any questions, comments, or concerns regarding the program that would assist you in achieving your goals. I would be happy to assist you. Additionally, please feel free to visit to our office to learn more about our organization, programs and clients.

Warm regards,

A handwritten signature in black ink, appearing to read 'Kevin R. Johnson'.

Kevin R. Johnson, Ed.D.
President & CEO

All Responses Fall Under the Following High-Priority Area for the Pay for Success Initiative:

- **Education, workforce preparedness and employment, including school-to-work programs and alternative education services**

Philadelphia OIC Responses

1. What promising policy areas, service providers and interventions could be candidates for Pay for Success contracts in Pennsylvania?
 - o Promising Policy Areas
 - Education, workforce development training and employment
 - o Service Provider
 - The Philadelphia OIC
 - o Interventions
 - Incentivizing program participants to remain in the program until they graduate. Examples include:
 - Financial stipends
 - Transportation subsidies
 - Childcare subsidies
 - Integrating soft and life skills training into the program such as:
 - Time management
 - Stress reduction techniques
 - Strategies for building a professional network for employment advancement purposes
 - Conflict resolution strategizes
 - Educational Intervention
 - Challenges: The GED certification presents a huge challenge for us in our quest to help our clients become gainfully employed. Many clients, who do not possess a high school diploma or GED certificate, must participate in our GED courses and pass a GED exam before they can participate in our job training programs. Unfortunately, many clients must follow this process, because many of our employment partners cannot hire those candidates who do not possess a high school diploma or GED certificate. Thus, many of our clients who enter our job training programs via this process feel that securing employment is extremely stressful, arduous, and time consuming when they have immediate financial needs. Additionally, recent changes to the GED exam, so that it coincides with Common Core standards, have resulted in making the GED exam more difficult to pass for our clients who have not been trained in Common Core methods. As such, many of our clients now see a path to employment as unrealistic and extremely challenging for this reason.
 - Possible Solution/Intervention: Integrate additional educational training in Common Core methods into the GED training program components.

2. What considerations should the Commonwealth take into account in structuring Pay for Success contracts?
 - a) Incentives for retention for program participants (i.e. stipends, transportation, childcare assistance, etc.)
 - b) Changes to the GED format that makes the exam harder to pass for individuals who have not been trained in Common Core methods
 - c) Computer literacy training
 - d) Professional development and soft-skills training should be integrated into the program for job retention and advancement purposes.

3. What outcomes should the Commonwealth prioritize in Pay for Success contracts?
 - a) The Commonwealth should stress outcomes that lead to producing program graduates
 - b) The Commonwealth should focus on outcomes that help program participants gain increased knowledge of industry-specific skills that would make them competitive for employment.
 - a. Examples include:
 - i. Industry-specific work certifications
 - ii. GED certifications
 - c) The Commonwealth should focus on outcomes that create more jobs for unemployed jobseekers and advancement opportunities for individuals who are underemployed in their fields.
 - a. We are specifically referring to outcomes that commit employers to hiring a certain number or percentage of qualified and eligible program graduates who have satisfied all program criteria.

4. Are there opportunities for the Commonwealth to partner with local government entities on Pay for Success contracts that achieve savings and benefits at multiple levels of government?

Potential Local Government Partners in Philadelphia

- a) The Department of Human Services – City of Philadelphia
 - b) The Mayor’s Office of Reentry – City of Philadelphia
 - c) The Philadelphia Convention Center Authority – Philadelphia Office
 - d) The City of Philadelphia Veterans Advisory Commission
5. What lessons can the Commonwealth learn from the experience in other states that have implemented Pay for Success contracts?

Massachusetts Pay For Success Project Brief and Lessons Learned –
http://www.thirdsectorcap.org/wp-content/uploads/2014/06/TSCP_MAJJ-PFS-Lessons-Learned.pdf

- Lesson 1: The intermediary works for the project, not just one stakeholder
 - Lesson 2: We must find mechanisms to accelerate the pace of negotiations
 - Lesson 3: All parties must have a high level of commitment to the Pay for Success model
 - Lesson 4: A funding tool for PFS project development is needed
 - Lesson 5: Early projects should consciously set an example for the field.
6. What other information would be useful to the Commonwealth of Pennsylvania in preparing a formal Request for Proposals for Pay for Success contracts? None