

PAY FOR SUCCESS: AN INNOVATIVE APPROACH TO ADDRESS CHRONIC SOCIAL ISSUES



RESULTS ACT FUNDING OFFERS \$100 MILLION FOR HIGH-IMPACT PROJECTS

When the Connecticut Department of Children and Families (DCF) was searching for new ways to improve outcomes for families entering the system due to parental substance use, it took an innovative approach by tapping the Pay for Success model. The Connecticut Family Stability Pay for Success Project, the first project of its kind in Connecticut, established a public-private partnership with government, service providers and impact investors to expand access to effective in-home parenting and substance use therapies to deliver better results for families.

Each year, DCF serves more than 35,000 children and receives over 100,000 reports of abuse and neglect. Parental substance use is a factor in more than a third of these cases, according to the department, especially in the wake of the opioid crisis. To address the issue, DCF opted to expand an effective existing program developed at the Yale Child Study Center, Family-Based Recovery (FBR), where treatment teams visit at-risk families to help parents overcome challenges with substance use and build stronger and healthier bonds with their kids. Expanding the program to serve families with children ages three to six would enable DCF to reach a population for whom these integrated in-home substance use services were not previously available.

With Pay for Success projects, government agencies, service providers and other partners come together to address a particular social challenge using an outcomes-based contract. Partners jointly define the outcomes they're trying to achieve and how they'll measure success. Partners can raise impact investment capital to fund services over a multi-year intervention and measurement period. Government repays the partners only if the project achieves positive results — in DCF's case, reducing the number of children placed in foster care.

PAY FOR SUCCESS DEFINED

Pay for Success is a collection of principles and tools that governments can use to drive outcomes-based decision-making and improve results for underserved populations. At its core, Pay for Success is about measurably improving the lives of people in need by getting better outcomes per dollar.

The Connecticut project leverages \$11.2 million of philanthropic and private capital to scale FBR to serve approximately 500 families throughout the state over four years. By engaging in this project, DCF will test this expansion of FBR without putting taxpayer dollars at risk. DCF will only make payments based on the program's ability to reduce foster care placements and substance abuse for families served.

DCF Commissioner Vannessa Dorantes says the initiative is about building innovative partnerships to better serve Connecticut families.

"The public sector cannot fix all that plagues human services and the families we serve alone — especially when many states, like Connecticut, continue to face fiscal constraints with state budgets," says Dorantes. "We need partners to help us think outside our usual constraints."

NEW FEDERAL SUPPORT FOR PAY FOR SUCCESS PROJECTS

Interest in this outcomes-based approach is growing. A new federal program will provide \$100 million to expand the use of Pay for Success initiatives in state and local government. The

Social Impact Partnerships to Pay for Results Act (Results Act) offers support for projects targeting 20 key outcomes, across issue areas including child welfare, family stability, education, health, employment, recidivism and veterans. The \$100 million will be used to help state and local governments test feasibility, fund evaluation for Pay for Success projects and supplement outcomes payments. Half of the funding for outcomes is designated for programs that directly benefit children (defined as those under the age of 18). The U.S. Treasury recently launched the first of a series of competitions to access the outcomes funding and evaluation portions of the Results Act funding (totaling \$76 million).

The Pay for Success model helps agencies move toward evidence-based programs that produce measurable outcomes, says Tracy Palandjian, CEO and co-founder of Social Finance, a national nonprofit that pioneered the use of Pay for Success in the U.S.

“Government agencies want to get results for their constituents, but sometimes find it difficult to achieve their goals due to operational and fiscal barriers,” says Palandjian, adding that less than 1 percent of federally funded programs have evidence showing they achieved meaningful results.

LAUNCHING THE CONNECTICUT FAMILY STABILITY PROJECT

DCF partnered with Social Finance to launch the Connecticut Family Stability Pay for Success Project. Social Finance and DCF uncovered data that showed substance use was one of the main factors driving the growth in the number of families entering the child welfare system. With a clearer understanding of the problem, Social Finance and DCF worked to identify programs that would best address the challenge.

Social Finance and DCF developed clear goals — improving family stability by reducing re-referrals and removals of children. With the desired intervention and outcomes in place, Social Finance, working with all the project partners, facilitated the Pay for Success project, evaluation design and capital raise. Since the program launched, Social Finance has continued to work closely with DCF, FBR and an evaluation team at UCONN Health to actively manage the project and ensure that real results are being delivered to families.

“As a government agency, we benefitted greatly from the expertise, experience and creative thinking that Social Finance provided to us in structuring the Family Stability Project, selecting

or procuring our partners from these other sectors, and raising the capital needed to finance the project over the four-year cycle,” says Dorantes.

CONNECTICUT FAMILY STABILITY PROJECT IN ACTION

The Connecticut project offers a powerful example of what Pay for Success can accomplish. After funding was secured, DCF launched the Family Stability Project across three different regions statewide. FBR clinician teams began visiting clients’ homes several times a week to promote positive parent-child interactions and help parents better understand their child’s development.

Beyond better outcomes for individual families, the project collects outcomes data that highlights the value of a family-based approach to treatment.

“This journey helped shine a light on why supporting families in recovery is a good investment for government, because it achieves a whole host of positive social outcomes,” says Dorantes. “Without the shared values of these partners, we would not be where we are today.”

HELP FOR GOVERNMENTS SEEKING RESULTS ACT FUNDS

Social Finance recently launched its Results Act Incubator, an initiative that offers free technical assistance to as many as four government agencies interested in applying for Results Act funding.

“There are three things governments should consider when exploring Pay for Success: Is the Pay for Success approach helping to drive resources toward prevention that is cheaper than the cure? Is it possible to clearly define, track and measure outcomes? And, most importantly, are there nonprofits that can deploy capital at scale while delivering measurable impact?” says Nirav Shah, vice president at Social Finance.

Applications for the Results Act Incubator will be reviewed on a rolling basis. Social Finance will select winners based on a variety of factors, including:

- ✓ **The ability of the project to deliver meaningful and measurable results**
- ✓ **The strength of the link between the project and the applying agency’s policy priorities**
- ✓ **The strength of the project’s alignment with the application parameters issued by the U.S. Treasury**

Want to learn more? Visit www.socialfinance.org/SIPRA.

This piece was developed and written by the Governing Institute Content Studio, with information and input from Social Finance.

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Social Finance is a 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress. We believe that everyone should have the opportunity to thrive and that we can catalyze those opportunities through Pay for Success. To date, Social Finance has mobilized nearly \$100 million of capital to address a wide range of social issues including criminal justice, education, health and workforce development. Social Finance pioneered the Pay for Success movement in the United States.

For more information visit: <http://socialfinance.org/>