



Outcomes-Based Approaches for an Equitable Recovery:

A Memo to the Biden-Harris Administration



Introduction

As we recover from the current health and economic crises, we have a responsibility to “build back better”—to reinvest in our workforce, to refocus our health system on the social determinants of health, and to redesign our government programs to be more accountable for results.

As the Biden-Harris administration seeks to leverage limited resources to achieve profound social change, Social Finance proposes outcomes-based funding (OBF) as a powerful tool. OBF is a set of innovative financing strategies that tie funding to results, enabling the government to use taxpayer dollars to pay for outcomes that programs achieve, as opposed to services that those programs provide. OBF focuses on clearly defined, policy-relevant outcomes; links payments to measured performance; promotes data-driven decision-making; and empowers an inclusive governance process with cross-sector stakeholders to drive continuous improvement. OBF strategies strengthen public accountability while unleashing the entrepreneurialism of the social sector. They help build faster feedback loops, facilitating more sophisticated data sharing and improving connections among agencies.

One example of OBF in action is the [Massachusetts Pathways to Economic Advancement Project](#) launched in 2017 by Social Finance in partnership with the Commonwealth of Massachusetts and Jewish Vocational Services (JVS). This OBF initiative was developed to help approximately 2,000 limited English speakers and recent immigrants in the Greater Boston area make successful transitions to employment and obtain higher-wage jobs. Through this project, private investors provided \$12.4 million in upfront capital to fund the delivery of services; the Commonwealth of Massachusetts committed to reimbursing those investors to the extent that the program achieved the desired employment outcomes for its participants. An ongoing randomized control trial has shown that the project’s English for Advancement track substantially impacts earnings in the second year after

project enrollment, averaging gains of over \$3,500 over the first two years. Participants who were unemployed at enrollment realized earnings gains of more than \$7,100 compared to members of the control group during the second year after enrollment. The OBF structure has helped to align service delivery and data collection with outcomes and has offered the necessary evidence of program effectiveness to enable the Commonwealth to further scale the program.

Although OBF has drawn bipartisan interest across the country, federal leadership has been episodic and siloed through small, agency-level experiments. Building the infrastructure to scale OBF approaches will lay the foundation for a more responsive public sector focused on improving the lives of its constituents. OBF presents an opportunity to bring together unlikely partners to accelerate the social progress that Americans seek in areas ranging from homelessness to health to workforce development.

This memo outlines specific steps that the federal government can take to leverage OBF to advance economic mobility, improve health, and build a more effective government. The recommendations here are grounded in our work to help build the OBF field for the past decade. We also include related policy recommendations from our partner organizations throughout this memo with color-coded tags.

Our recommendations focus on three policy areas:

1. **Workforce:** Increase access to effective programs to prepare workers for in-demand jobs.
2. **Health:** Improve health outcomes by addressing the social determinants of health.
3. **Government Effectiveness:** Accelerate an outcomes-oriented and data-driven government.

Workforce: Increase access to effective programs to prepare workers for in-demand jobs

We have an urgent need to build more ladders of economic opportunity for workers in the U.S. who have been left behind, particularly those who face barriers to education and employment, such as criminal justice involvement, economic hardship, or limited educational attainment or professional experience—barriers that disproportionately affect people of color. As a result of the COVID-19 pandemic, the need for accessible career training and postsecondary opportunities is greater than ever before.

Develop federal infrastructure to scale Career Impact Bonds

The [Career Impact Bond](#) (CIB) is a new education financing tool developed by Social Finance that expands access to high-quality career training for low-income and underserved populations. The CIB funds career-based education and critical wraparound services for unemployed or underemployed workers through student-first income share agreements (ISAs). For example, students enrolled in the [General Assembly Career Impact Bond](#) receive industry-recognized software engineering immersive training—along with wraparound supports including access to social service professionals to address student needs; an Emergency Fund to cover unexpected costs related to housing, food, transportation, tech, medical, or other issues; and career coaching to help students find meaningful employment. Students repay program costs if, and only if, they obtain and maintain employment above a predefined income threshold. They also have access to student-friendly repayment features like payment caps, fixed repayment terms, and downside protection, all of which are outlined in a Student Bill of Rights.

One way to expand the use of CIBs is through a pay-it-forward fund structure, which blends public, private, and philanthropic dollars to create an initial funding pool for CIBs and other similar vehicles. After the first cohorts of students complete their training and enter the repayment phase, their payments replenish the fund and create a virtuous cycle for future cohorts of students. Since the pay-it-forward fund recycles payments, a one-time investment from the federal government could catalyze years of funding for in-demand workforce training. The federal government could support this work through one of the following approaches:

1. Create a new vehicle at the Department of Labor (DOL), such as the [Apprenticeship fund](#) through the H-1B Visa Program, that would establish a new source of discretionary funds for DOL to disburse to states that wish to set up pay-it-forward funds.
2. Establish a new funding allocation to the Workforce Innovation and Opportunity Act programs managed by DOL allowing states to use federal funds to support local pay-it-forward funds.
3. Guarantee a portion of repayments for CIBs and other similar vehicles to ensure long-term fund sustainability.

Additional recommendations

- Create an “Equitable Employment Outcomes Fund” at DOL and a “Higher Education Innovation Fund” at the Department of Education (DOE) to assess the effectiveness of workforce development strategies and scale best practices. [America Forward](#)
- Launch a “National Economic Mobility Innovation Fund” at the Department of Treasury, which can be modeled after the Corporation for National and Community Service’s Social Innovation Fund to identify interventions that are known to successfully advance economic mobility. [Results for America](#)

- Expand federal financial aid supports such as the Pell Grant by DOE to cover high-quality, short-term credentialing programs that increase equitable outcomes in the labor market. **JFF**
- Create tax incentives for employers to offer training that leads to portable skills and credentials, while also encouraging investments in training accounts. **JFF**
- Remove barriers to our nation’s safety net for all workers to enable pathways to skilled careers. Steps include increasing Supplemental Nutrition Assistance Program (SNAP) Employment and Training funding and flexibility within the Department of Agriculture, incorporating performance measures in Temporary Assistance for Needy Families (TANF) within the Department of Health and Human Services, and restoring funding for other safety net programs. **National Skills Coalition**

Health: Improve health outcomes by addressing the social determinants of health

Healthcare costs are [four times higher](#), per person, than they were 40 years ago. And we know that the social determinants of health (e.g., decent-paying jobs, safe housing, and high-quality education) are dramatically larger drivers of health outcomes than clinical care. Despite this recognition, the uptake of new models to address the root causes of poor health has been slow. OBF is an effective tool to invest in the social determinants of health because it incentivizes service providers to focus on the most efficient and effective ways to achieve better health outcomes for patients—rather than paying for the provision of medical interventions. By doubling down on the use of OBF, the federal government can accelerate models of care that promote better population health and preempt the need for costly medical interventions.

Pass bipartisan legislation to strengthen social investments

Bipartisan legislation introduced in 2019 ([H.R.4004](#)—Social Determinants Accelerator Act of 2019: Reps. Bustos, McGovern, Cole, Rodgers; [S.2986](#)—Social Determinants Accelerator Act of 2019: Sens. Young, Stabenow) can help state and local government plans to build evidence around what works and create new funding models to accelerate progress on social determinants. The legislation also provides technical assistance to help governments deploy resources toward prevention and evaluate which programs are making an impact. Ultimately, this can help jurisdictions replicate projects like [Home for Good Anchorage](#), which is designed to improve housing stability among people experiencing persistent homelessness. This project represents an innovative approach to OBF where philanthropy funds programmatic cost in the first phase of a project and government takes over financial responsibility in later stages, so long as outcomes are achieved. Social Finance is managing this three-year initiative alongside the Municipality of Anchorage, the United Way of Anchorage, and more than 20 other government, nonprofit, and philanthropic organizations.

Additional recommendations

- Develop a Center for Medicare and Medicaid Innovation (CMMI) grant program focused on outcomes funding for the social determinants of health and mental health. This grant pool could serve as an eligible match to state funds, intended to test and scale social programs that impact critical health outcomes for Medicaid and/or Medicare beneficiaries. (See, for example, [South Carolina's Pay for Success project](#) to improve birth and early childhood outcomes.)
- Create greater flexibility in the OBF provisions connected to the Maternal, Infant, Early Childhood Home Visiting (MIECHV) Program within the Health Resources and Services Administration by eliminating strict requirements to conduct a feasibility study and include an external evaluator, which limit the extent to which jurisdictions make use of this outcomes-based mechanism.
- Create a federal workgroup within the Centers for Medicare and Medicaid Services to review the treatment of outcomes contracting within Medicaid managed care. Current rate-setting methods tend to disincentivize Medicaid managed care plans from making substantive investments in programs focused on prevention and the social determinants of health that could achieve better health outcomes at lower costs. Various proposals have sought to fix this through rate adjustments or expanding in-lieu-of services. (See, for example, an overview by the California Health Care Foundation, [Intended Consequences: Modernizing Medi-Cal Rate Setting to Improve Health and Manage Costs](#).) Clear guidance and specific case examples on how to use OBF can open a critical new channel for health leaders to experiment with and scale programs aimed at improving the social determinants of health.

Government Effectiveness: Accelerate an outcomes-oriented and data-driven government

The federal government has put forth a series of individual programs intended to spur greater adoption of OBF approaches. While these efforts have been productive, they have also tended to be siloed within agencies. Building a smarter, more outcomes-oriented government requires investment in infrastructure to drive innovation across federal agencies, build better feedback loops with data and measurement, and allow federal funding to be used to pay for outcomes instead of outputs.

The White House is well-positioned to serve as the hub for innovation and coordination of outcomes-based efforts across departments and Congress.

Institutionalize social impact partnerships through the Federal Interagency Council on Social Impact Partnerships

In 2018, Congress passed the Social Impact Partnerships to Pay for Results Act (known as SIPPPRA, or the Results Act), a \$100 million fund to support state and local OBF projects. The Results Act established the Federal Interagency Council on Social Impact Partnerships to help assess and award OBF projects. Chaired by the Director of the Office of Management and Budget, it includes representatives from the departments of Labor, Health and Human Services, Agriculture, Justice, Housing and Urban Development, Education, Veterans Affairs, and Treasury; the Social Security Administration; and the Corporation for National and Community Service. ***Making the Federal Interagency Council on Social Impact Partnerships permanent, and empowering it with dedicated staff, can accelerate efforts to reinvigorate government from the inside.***

The power of the Interagency Council depends upon its ability to allocate federal resources. ***Congress should empower the Interagency Council with a flexible matching outcomes fund, Results Act 2.0, and should consider providing \$1 billion in funding to supercharge state and local governments' recovery efforts.*** Social Finance and America Forward have collaborated to develop [specific guidance](#) about potential next steps for SIPPPRA.

Additional recommendations

- Appoint a Chief Inclusive Impact and Innovation Officer to direct a new White House Office of Inclusive Impact and Innovation; create a similar structure in each executive branch. **America Forward**
- Hire an in-house dedicated OBF expert to work with the Chief Inclusive Impact and Innovation Officer to specifically focus on coordinating OBF initiatives across agencies and collect and disseminate success stories from across the country showing how OBF can support government in leading cross-sector partnerships that improve the lives of Americans.
- Promote learning and evaluation by designating at least 1% of all discretionary competitive grant program funds for evidence-building activities. **Results for America**
- Create regulatory frameworks for innovative financial models including income share agreements to enable greater scale, while ensuring that students are protected and that training programs lead to economic advancement opportunities. **JFF**

Conclusion

We look forward to collaborating with the Biden-Harris administration to advance OBF to create impact, strengthen accountability, and achieve greater equity. Together, we can build an outcomes-driven government that will enable Americans to enjoy healthier lives and greater access to economic opportunity and will ensure that our taxpayer dollars are delivering results.



Social Finance is a national 501(c)(3) nonprofit organization dedicated to mobilizing capital to drive social progress. Founded in 2011, Social Finance helped pioneer a set of innovative outcomes-based funding strategies called [Pay for Success](#) that measurably improve lives. Social Finance launched its first Social Impact Bond in 2013, established its Public Sector Practice in 2014 to help governments generate data-driven and outcomes-focused solutions, and launched the first-ever Career Impact Bond in 2019. Over the past decade, Social Finance has mobilized over \$150 million to support more than 20,000 individuals across a range of issue areas including workforce development, education, and health.

Learn more at socialfinance.org