# PAY FOR SUCCESS FINANCING AND POPULATION HEALTH

Overview of the Field for the Roundtable on Population Health Improvement

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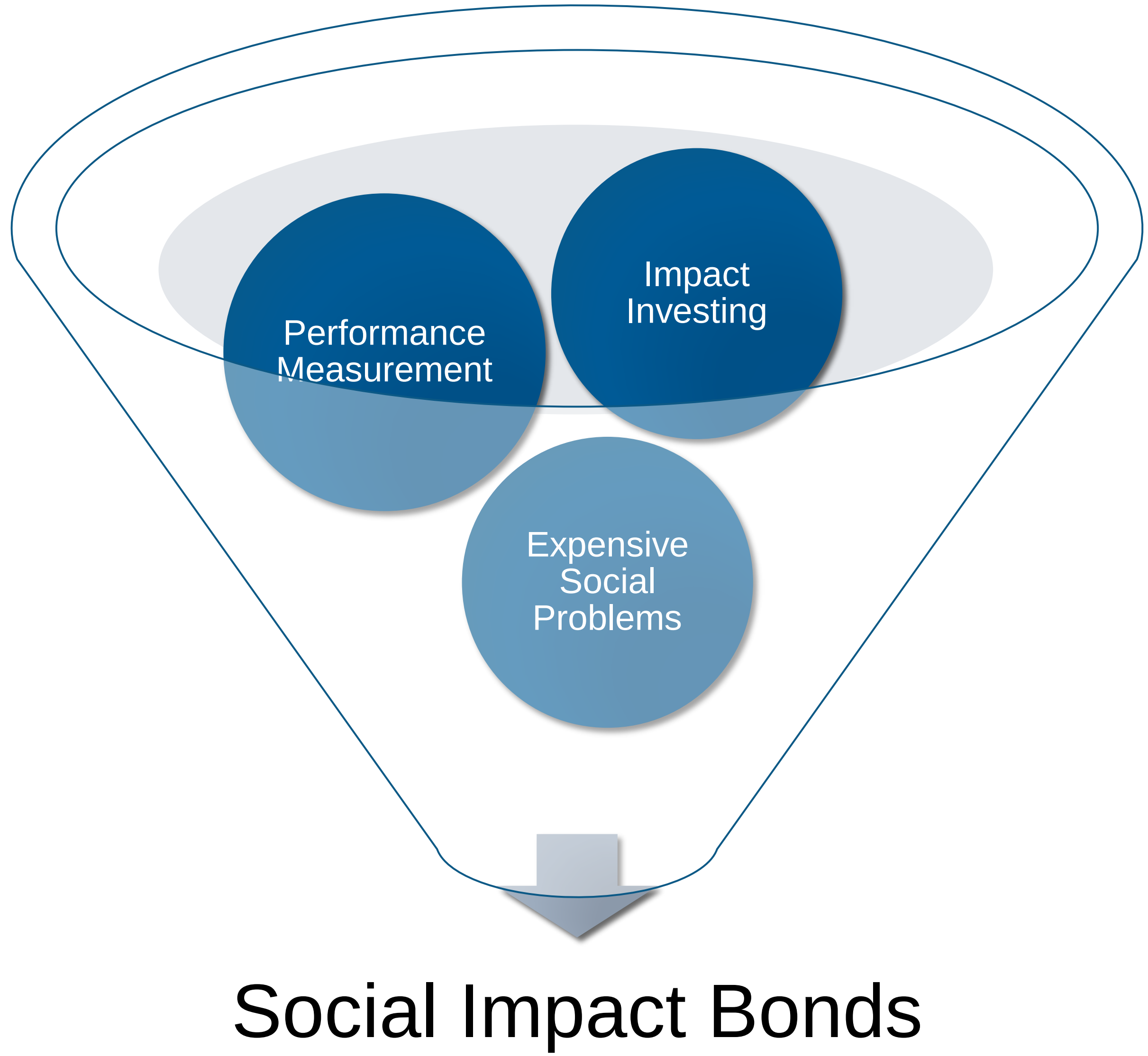
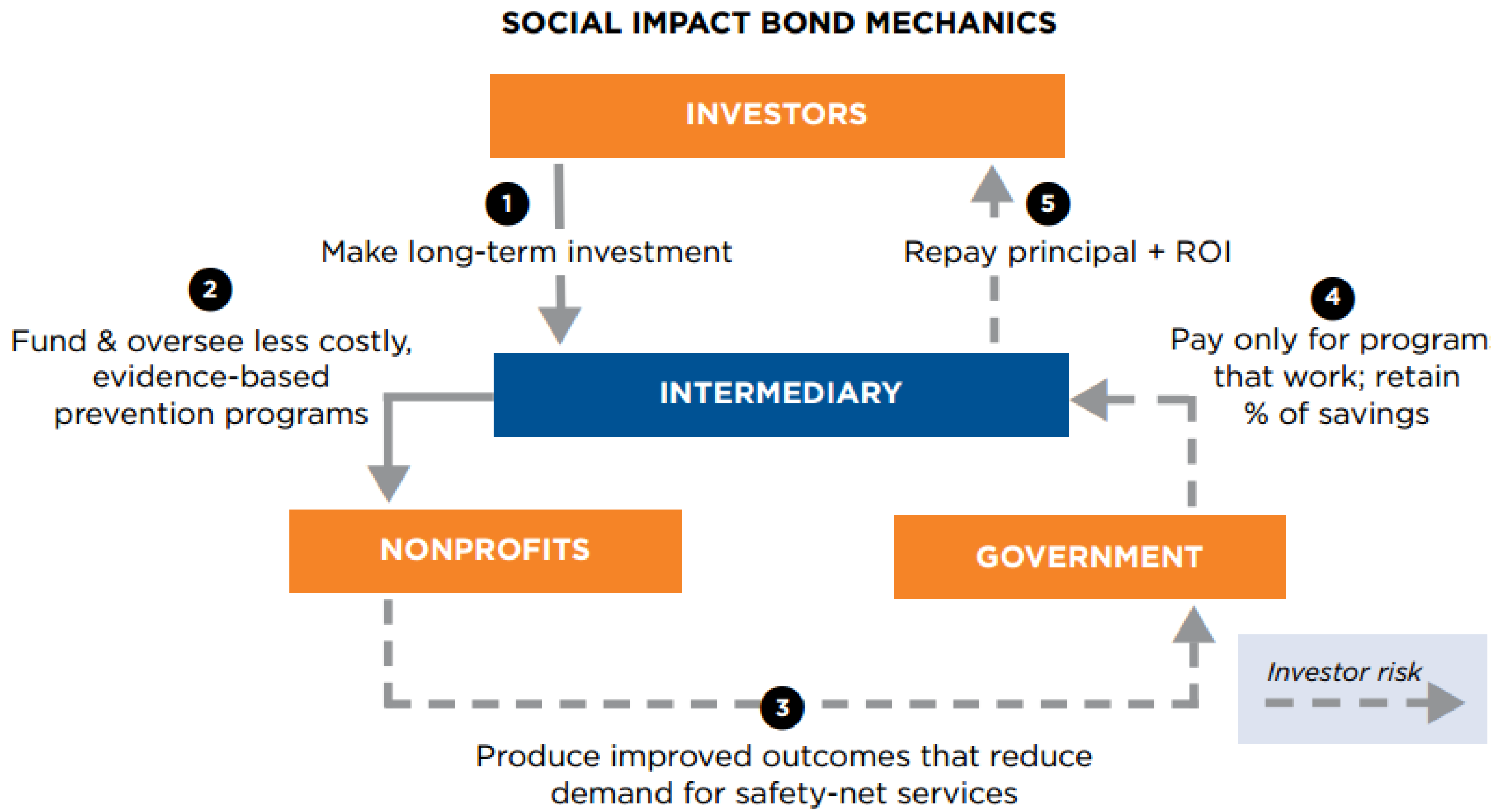
# Social Impact Bonds: Context



# The Social Impact Bond (SIB) Structure




Source: *A New Tool for Scaling Impact: How Social Impact Bonds Can Mobilize Private Capital to Advance Social Good,* Social Finance, Inc., 2012

# Who Benefits?

| | |
|---|---|
| Communities & Individuals | • More effective services<br>• Better results |
| Nonprofits | • Up-front funding to scale programs |
| Government | • More cost-effective services<br>• Better results |
| Investors | • Modest returns<br>• Ability to make a positive impact |

# New York City SIB

| | |
|---|---|
| Target population | • 16-18-year olds leaving City jails |
| Goal | • To reduce recidivism |
| Intervention | • Cognitive behavioral therapy |

# NYC Payment Terms

| Reduction in Reincarceration | City Payment |
|---|---|
| ≥ 20.0% | $11,712,000 |
| ≥ 16.0% | $10,944,000 |
| ≥ 13.0% | $10,368,000 |
| ≥ 12.5% | $10,272,000 |
| ≥ 12.0% | $10,176,000 |
| ≥ 11.0% | $10,080,000 |
| ≥ 10.0%(breakeven) | $9,600,000 |
| ≥ 8.5% | $4,800,000 |

Source*: NYC Office of the Mayor, Bringing Social Impact Bonds to NYC, Media Presentation,* August 2012

# Pay for Success Transactions Completed


1. **US - New York City**
   Recidivism Reduction
2. **US – Salt Lake City, Utah**
   Early Childhood Education
3. **UK – Peterborough**
   Recidivism Reduction
4. **UK – West Midlands**
   Workforce Development
5. **UK – Manchester**
   Workforce Development
6. **UK – London**
   Homelessness
7. **Australia - New South Wales**
   Child Maltreatment/Foster Care Prevention
8. **US – New York State**
   Recidivism Reduction & Employment
9. **US – Massachusetts**
   Recidivism Reduction & Employment

# SOUTH CAROLINA EARLY CHILDHOOD PAY FOR SUCCESS FEASIBILITY STUDY

September 22, 2013

Megan Golden, Consultant to the Institute for Child Success

*This study was made possible by funding from:*

*The Duke Endowment*
*South Carolina Department of Health and Human Services*

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# Outcomes for South Carolina's Children

South Carolina ranks

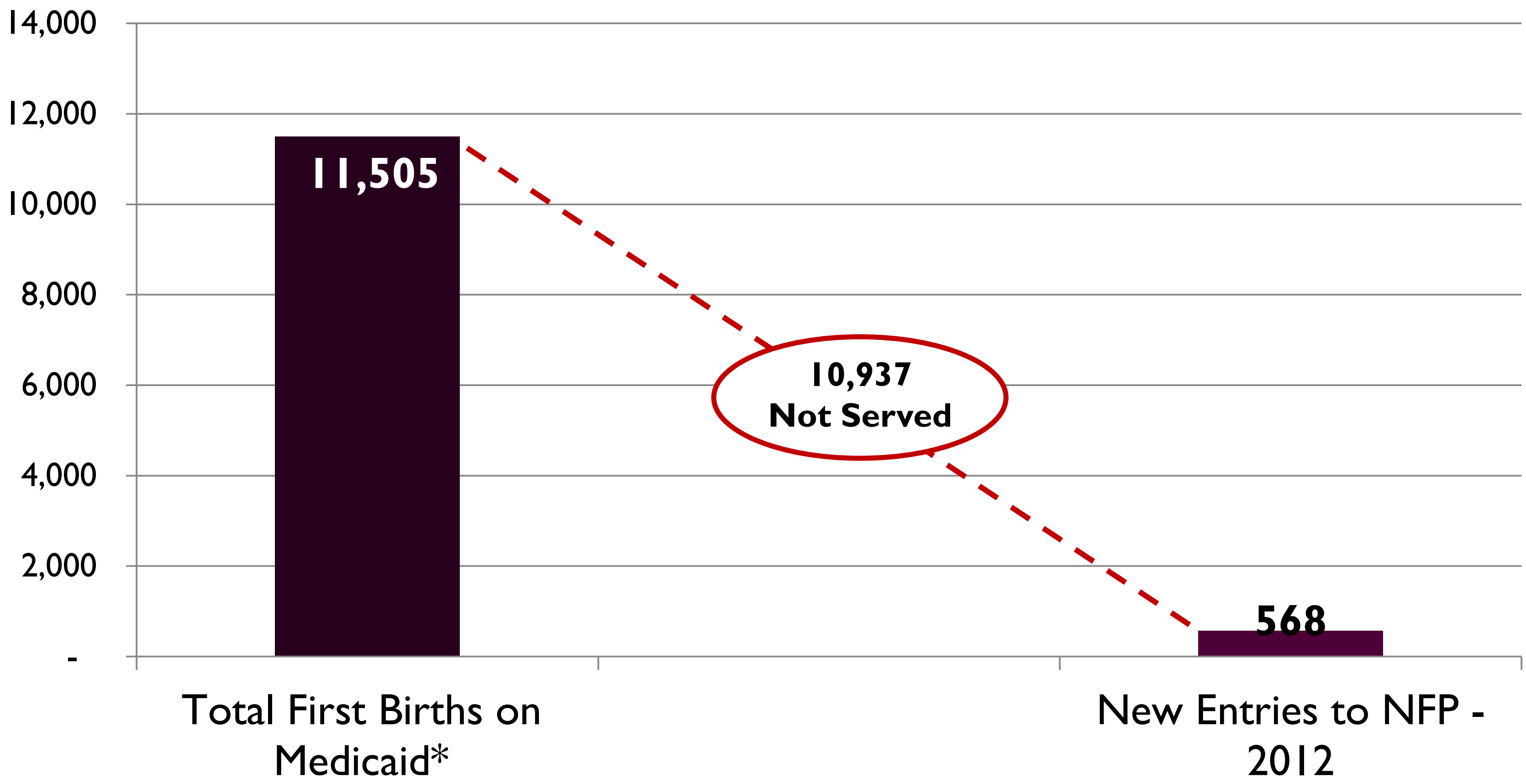
**45th**

in overall child well-being

| Overall Rank | |
|---|---|
| 1 | New Hampshire |
| 2 | Vermont |
| 3 | Massachusetts |
| 4 | Minnesota |
| 5 | New Jersey |
| 6 | North Dakota |
| 7 | Iowa |
| 8 | Nebraska |
| 9 | Connecticut |
| 10 | Maryland |
| 11 | Virginia |
| 12 | Wisconsin |
| 13 | Maine |
| 14 | Utah |
| 15 | Wyoming |
| ... | |
| 43 | Georgia |
| 44 | Alabama |
| 45 | South Carolina |
| 46 | Louisiana |
| 47 | Arizona |
| 48 | Nevada |
| 49 | Mississippi |
| 50 | New Mexico |

Source: *KIDS Count Databook*, 2013

# Unmet Need for NFP in SC




** 2011 Data; Michael G. Smith, SC DHEC, Bureau of MCH*
*** NFP State Nurse Consultant, South Carolina DHEC*

# Expected New NFP Clients

| Region | First Births Paid by Medicaid * | Number Expected to Enroll in NFP per Year | Current Capacity** | Number of New Clients from Expansion |
|---|---|---|---|---|
| Greenville | 1,548 | 387 | 94 | 293 |
| Richland | 1,793 | 448 | 79 | 369 |
| Charleston | 1,352 | 338 | 95 | 243 |
| Orangeburg | 477 | 119 | - | 119 |
| Florence | 1,153 | 288 | - | 288 |

x 25%

Source: * *2009-2011 Averaged data; Michael G. Smith, SC DHEC, Bureau of MCH*
***2012 Data; NFP State Nurse Consultant, South Carolina DHEC*

# Estimated Costs and Savings

| Number of New Clients |
|---|
| 2,750 |
| **Average Cost of NFP per Family*** |
| $ 7,754 |
| **Cost Over Length of Program** |
| $ 21.3 million |
| **Net Government Savings** |
| $ 31.3 million |

*Source: Average cost for full 2+ years of program services; *Miller, Cost Savings of Nurse-Family Partnership in South Carolina,* April 2013

# Expected Pre-term Birth Reduction by Site

Assumes NFP reduces pre-term births by **27.4%**

| Region | Current Rate | Post-NFP Expansion Rate |
|---|---|---|
| Greenville | 11.2% | 8.1% |
| Richland | 11.1% | 8.1% |
| Charleston | 10.9% | 7.9% |
| Orangeburg | 9.7% | 7.0% |
| Florence | 13.8% | 10.0% |

# Illustrative Term Sheet

| | |
|---|---|
| **Investment Required** | **$24 million ($21.3 m for program + $2.7 m for intermediary and evaluation)** |
| **Term of Financing** | 6 Years |
| **Total Lifetime Government Savings** [1] | $52.6 million |
| **Government Payout** | Up to $30 million |
| **Commercial Investment** | $12 million |
| **Philanthropic Investment** | $12 million (first loss position) |
| **Investor IRR/Rate of Return** | 6.0%-10% [2] |
| **Philanthropic IRR/Rate of Return** | 0%-4% [2] |
| **Outcomes metrics** | Reduction in pre-term births (illustrative) |
| **Evaluation Methodology** | TBD |
| **Service Provider** | Nurse-Family Partnership Implementation Agencies |
| **Individuals Served** | 2,750 low-income, first time mothers and their families in South Carolina |
| **Intervention Model** | Nurse home visitation during pregnancy and after birth up to age 2 |

[1] Represents federal and state savings. *Source: Miller, Cost Savings of Nurse-Family Partnership in South Carolina, April 2013, p 1*
[2] Investment return dependent on various assumptions, including capital drawdown schedule and timing of investor returns.

SOCIAL FINANCE

# Resources on Social Impact Bonds/ Pay for Success

- Nonprofit Finance Fund: www.payforsuccess.org
- Social Finance US: http://www.socialfinanceus.org/
- Third Sector Capital Partners: http://www.thirdsectorcap.org/
- Harvard Kennedy School SIB Lab: http://hks-siblab.org/
- The White House on Pay for Success: http://www.whitehouse.gov/blog/2013/11/20/building-smarter-more-efficient-government-through-pay-success
- Federal Reserve Bank of SF Publication: http://www.frbsf.org/community-development/publications/community-development-investment-review/2013/april/pay-for-success-financing/