



Pay for Success Scorecard

Lessons from the Vanguard
of the Outcomes Movement



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Introduction

The United States needs new approaches to address our most severe social problems—poor health outcomes coupled with soaring health costs, inequities in education, wage stagnation, lack of affordable housing, and a costly and future-limiting prison system. If we hope to meet growing needs with limited resources, we must change how we plan, purchase, and fund social services. Orienting around shared goals—the outcomes we all want to see in our communities—can ignite new progress against our most complex and pressing social issues. Pay for Success (PFS) is a contracting approach that drives financial resources toward social programs that deliver results by tying payment to achievement of measurable outcomes. As such, PFS is at the vanguard of a shift toward outcomes in the social sector, and California’s experience mirrors the nation more broadly.

Advocates see PFS as a game-changing financing innovation for increasing overall social funding and providing vitally needed working capital for effective, preventive programs, while ultimately saving taxpayers money. PFS can, for example, finance job training and social support programs to prepare formerly incarcerated individuals for a brighter future and potentially save governments the much higher costs of future incarceration. PFS has the promise to scale effective social programs and move the needle on seemingly intractable problems such as recidivism, illiteracy, homelessness, health, and other issues.

The first-ever PFS project was launched in 2010 in England (where it is known as a Social Impact Bond). The first project in the United States was launched in 2012 in New York. In 2014, The James Irvine Foundation and Nonprofit Finance Fund (NFF) announced the California Pay for Success Initiative, a \$5.6-million effort to support the exploration and launch of the first PFS projects in the Golden State. This report celebrates the five projects supported by Initiative funding that have launched or are near launch, the many others now in development in California, and the impact PFS has had in accelerating broader change within the state’s social sector (see Appendix for detail on Initiative supported projects). This scorecard seeks to assess the degree to which the Initiative has measured up to original expectations and offer NFF’s perspective on what the lessons from the Initiative mean for broader outcomes-oriented systems change.

California and other early US PFS projects suggest that, while not all original hopes for PFS have been fully realized yet, a far bigger win has emerged: important steps have been made in re-engineering our social sector toward outcomes. Current funding systems incentivize a short-term focus on “outputs.” For example, a shelter is typically funded based on the number of beds filled each night (output), rather than the number of people who transition to permanent housing (outcome). PFS is one of many outcomes-based approaches designed to align funding with meaningful progress.

The Initiative has demonstrated how stakeholders can shift from traditional, siloed delivery of social services to collaborative, cross-sector methods that achieve measurable results. Continued and increased investment in infrastructure, capacity, policy, and change management from governments, service providers, and investors can meaningfully improve the results of social programs, transforming the lives of underserved individuals, families, and communities in California and beyond.

This scorecard reflects NFF’s experience managing the California PFS Initiative, our position as a national leader, convener, and facilitator of PFS exploration nationwide, as well as an investor in several PFS projects. NFF’s perspective is augmented by interviews with 25 California PFS stakeholders representing government, service providers, philanthropy, and intermediaries.

Hopes for PFS: Overview

	Moderate Progress	Significant Progress
Increased Outcomes Orientation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Improved Cross-Sector Collaboration	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Strengthening Evaluation of Social Services	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Efficiency Gains in PFS Project Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Attraction of New Capital	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Increased Outcomes Orientation

SCORE Significant progress achieved

The most enduring legacy of PFS exploration in California and beyond may be its role in accelerating a systemic shift toward outcomes by connecting funding to results in the social sector. Pursuit of PFS under the Initiative has catalyzed cross-sector collaboration, promoted the use of data to measure the impact of services, improved understanding of the full value of positive change, and increased the ability to articulate the value of results – all hallmarks of an outcomes-oriented sector. While PFS may not work in all situations, examining its potential deepens understanding among stakeholders of what it takes to operate more broadly with an outcomes focus. The investigation of PFS—even when a project is not launched—appears to act as an “ice breaker ship” within participating governments, community-based organizations, and philanthropies, initiating or accelerating a broader re-orientation toward outcomes and to the expansion and improvement of services to people in need.

For example, the City & County of San Francisco (SF) researched PFS feasibility in the areas of family homelessness, transitional-age youth, and child and maternal health. While no PFS project has yet been launched, the exploration led to various systemic innovations. In the area of homelessness, PFS investigation uncovered gaps in the coordination of funding and data systems, making it difficult to track how residents were being served by different agencies. This discovery led to a bold restructuring to better address homelessness. Staff from the Mayor’s Office, the Human Services Agency, and the Department of Social Services joined into a new Department of Homelessness so that funding streams and data collection could be centralized around this shared goal.

In the Phoenix Project, another innovation informed by its PFS exploration, SF is partnering with a collaborative of local, community-based nonprofits to improve employment outcomes for transitional-age youth in distressed public housing sites. SF is investing funds in upfront planning to jointly define goals and directly with service providers to develop their capacity to measure outcomes. (For more on SF and the Phoenix Project, please see profile on page 5).

For the Children and Families Commission of Orange County (CFCOC), PFS exploration was part of “a seismic shift,” says Ilia Rolon, Director of Health Programs & Policy. In the past, largely due to limited resources, CFCOC’s evaluation efforts focused on measuring outputs for purposes of state reporting and administering contracts. “But, PFS helped us be more targeted in selecting what outcomes to measure, even on a lean budget, and taught us how to use the data to better engage in conversations with potential end payors,” Rolon recounts.

Exploring Pay for Success helped us better focus our partnership development, research and data collection, and long-term financial planning efforts related to Welcome Baby, First 5 LA’s signature home visiting program. Beyond Welcome Baby, engaging in this process increased our organization’s commitment to working with others to achieve outcomes in all of our work.”

— KIM BELSHÉ, EXECUTIVE DIRECTOR, FIRST 5 LA

Improved Cross-Sector Collaboration

SCORE


Significant progress achieved

Deeply entrenched social problems such as homelessness, recidivism, and poverty have complex causes. Their solutions, therefore, are also likely to be multi-faceted and require purposeful partnership between government agencies, service providers, and funders. In the traditional world of payment for outputs, stakeholders often feel they are not working in complete alignment toward a shared goal. The results from this Initiative demonstrate that PFS exploration helps to break down silos and spark exciting new partnerships across sectors.

For example, two projects, targeting asthma and recidivism respectively, are currently in development in Alameda County; both projects have spurred increased cross-sector collaboration. Alameda County has one of the highest asthma rates in the state; 13% of all children living in the county have asthma. [The Alameda County Asthma Project](#) strives to reduce asthma-related emergency room visits through environmental treatment and rehabilitation of homes; health assessment and education about asthma triggers, and individualized prevention plans that require collaboration among schools, day-care centers, and medical providers. Two County agencies are working very closely together, along with multiple community-based organizations, a local hospital and healthcare system, philanthropic donors, the US Department of Housing and Urban Development, and home remediation and environmental cleaning specialists. The laser focus on the measurable outcomes of reduced asthma-related emergency room visits and improved indoor air quality provided the foundation for this remarkable level of cross-sector collaboration. “PFS has really expanded our partnerships,” says Brenda Rueda-Yamashita, Program Director at the Alameda County Public Health Department. “More partners are coming together to better serve their clients.”

Under the leadership of the Alameda County District Attorney, the County has also developed an innovative, holistic model in addressing recidivism that is informed by evidence-based practices and anchored by mentors with lived-experience. The goal of the [Alameda County Justice Project](#) is improving long-term outcomes for the participants.

In various projects across California, participants report that the mere exploration of PFS has led to re-evaluated and improved relationships between government and service providers. A focus on outcomes elevates the value of providers’ expertise, allowing government agency leaders and service providers to sit down as partners to design programs and data systems that deliver results. As Erik Sternad, Executive Director of Interface Children & Family Services, puts it, “the biggest change has been that the development of the [Ventura Pay for Success](#) program itself was firmly focused on replicating positive outcomes, as opposed to other factors, be they administrative or financial.” Collaboration accelerated more quickly between organizations with pre-existing relationships, but increased collaboration occurred throughout all the Initiative-supported projects, including those that have delayed launch or decided against a PFS project. As expected, there continues to be room for additional growth in partnership, coordination, and trust particularly as PFS contracts end, and both government agencies and service providers apply the experience to new PFS projects or to other outcomes based efforts.



Over the last two years, the Alameda County Justice Project has undergone a collaborative development process involving a number of stakeholders including other public safety, health care, court, and community partners.”

— NANCY O’MALLEY, DISTRICT ATTORNEY, ALAMEDA COUNTY



The biggest issue is trust. “For too long, organizations have been de-funded for not meeting numbers. Our aim is to create a culture where it’s okay to fail, to uplift where we are challenged, and shift together.”

— SAIDAH LEATUTUFU, ECONOMIC MOBILITY DIRECTOR, HOPE SF

City and County of San Francisco

The City and County of San Francisco (SF) was selected as an awardee in the Initiative and went on to explore PFS project feasibility in various areas. While no PFS project has yet been launched, San Francisco has emerged as one of the biggest success stories of the Initiative, because of systems change that has resulted in greater commitment and ability to measure impact of city-funded services to people in need.

SF is tackling systems change through organization re-design, investment in data/data capacity, and perhaps most importantly, in a challenging, yet exciting, collaborative relationship with service providers that is anchored by alignment around outcomes.

The HOPE SF initiative is disrupting inter-generational poverty among residents of the city’s most dilapidated public housing projects. Saidah Leatutufu, Economic Mobility Director for the Office of the Mayor, City and County of San Francisco, explains, “On its face, HOPE SF is housing and infrastructure, but at its core, it’s people.”

One of HOPE SF’s most innovative programs targets youth who have lost trust and contact with paths that lead to a brighter future. “Despite the incredible wealth of this city and all our best efforts,” says Leatutufu, “we are failing these residents. San Francisco has a robust, but fragmented, workforce development and educational system where public housing residents, particularly youth, are not experiencing positive outcomes.” She tells the story of 18-year-old Amari, who after coming out of the juvenile justice system, earned a job at a program Leatutufu ran, then aged out of the program. Six months ago, Amari was killed in a high-speed police chase after an alleged robbery. Leatutufu wonders what could have been done to put him on a different trajectory—one that led to education and a career.

To better reach youth residing in neighborhoods of historical trauma and isolation, the City has joined seven community-based non-profits to form the Phoenix Project—a collaborative that couples relentless outreach with personalized coaching. The collaborative is currently in a rapid prototyping phase, working together to define outcomes, test interventions, and co-create an effective program. Orienting toward outcomes has helped motivate collaboration. The biggest issue, Leatutufu explains, is trust. “For too long, organizations have been de-funded for not meeting numbers. Our aim is to create a culture where it’s okay to fail, to uplift where we are challenged, and shift together. It’s been difficult, but I believe community organizations are beginning to see themselves as partners with the City in this work.”

Strengthening Evaluation of Social Services

SCORE Moderate progress achieved

Many PFS stakeholders hope to better understand “what it takes” to move the needle on social problems and measurably improve the lives of people and communities in need.

Several of the funders, governments and service providers interviewed reported making funding decisions and managing social service programs based on some type of outcomes data prior to their involvement in PFS. However, the Initiative demonstrated moderate progress in deepening measurement and evaluation of results in three key ways: better alignment across sectors around what measurements best reflect success, increasing stakeholders’ understanding and use of appropriate evaluation methods, and increasing project partners’ ability to begin quantifying the full cost of delivering outcomes.

As Connie Malloy, Portfolio Director at The James Irvine Foundation, observes, “PFS has allowed policymakers and public entities to better understand and surface what it takes to create change, and enabled organizations on the frontline to be transparent and rigorous about what they aim to achieve.”

Additionally, the pursuit of PFS educates stakeholders on the range of evaluation methods available and provides experience in developing appropriate designs given goals, ethical considerations, participant data available, and capacity. For some organizations, PFS projects provide the opportunity to conduct thorough evaluations of program impact for the first time; but even service providers that already employ robust evaluation practices report progress through the Initiative. At Nurse-Family Partnership (NFP)—an organization with three randomized control trials (RCTs) on record—Tamar Bauer, Chief Policy and Government Affairs Officer, notes that PFS exploration propelled them to consider alternative methods given that their program has already been verified to consistently produce long-term results in a variety of settings. These alternative methods can help NFP understand the impact of a project while balancing evaluation cost, implementation, and operational challenges. Some stakeholders are also coupling RCTs with process evaluations to combine deep rigor with real-time information on how well the project design is working to allow for course correction and continual learning in pursuit of outcomes.

Finally, PFS has encouraged collaborators to identify the type of infrastructure, data, and skills required to support the achievement of outcomes beyond any individual project, and begin to identify the costs associated with these investments. These up-front and ongoing costs in evaluation infrastructure, coupled with a tolerance for failure on the road to innovation and improvement, provide the foundation for continuous learning, as well as more clarity about program costs relative to outcomes achieved. Christina Altmayer, who led PFS exploration efforts for the Children and Families Commission of Orange County in her previous role as the organization’s Executive Director, notes: “in the end, PFS is less about the specific transactions and more a means to focus on outcomes, quality, and sustaining public services.”

Efficiency Gains in Developing and Launching PFS Projects

SCORE

Moderate progress achieved

At the onset of PFS, there was excitement around the potential for widespread application of the approach as projects were developed more efficiently and transaction costs were reduced. Five years since its US debut, there have been more than 75 projects explored nationally, including nearly 20 projects under development across California; with 17 in implementation nationwide, including five launched or near launch in California. Given the relatively early stages of many of these efforts and the fact that only a few projects have been completed to date, PFS is still in a proof-of-concept stage. As such, PFS projects in California (and the nation) continue to be largely “one-off” transactions, highly tailored to the needs, interests, and processes of the participating government agencies, communities, service providers, and investors.

Each PFS project has required significant education, analysis, negotiation, and “change management” (changes to how programs are run, re-education of employees, and expansion of referral pathways, to name just a few aspects) at every stage of the project development process. Projects launched in California have required approximately two years to move from inception to launch.

Nevertheless, jurisdictions involved in PFS exploration through the Initiative do report efficiency gains, whether in developing PFS or other outcomes-oriented projects. For instance, Santa Clara County leaders found that the experience gleaned from [Project Welcome Home](#), their first PFS project on chronic homelessness, made their second, addressing acute mental health, easier. In developing their second project, [Partners in Wellness](#), the county knew to employ counsel at the right times, tackle data access earlier (a major challenge in the first project), and design a streamlined evaluation. They self-funded Partners in Wellness, choosing to forgo upfront capital from investors, taking on the outcomes risk for the project themselves. The experience of launching two PFS projects has also spurred Santa Clara County to experiment with applying outcomes contracts to a wide variety of other issue areas. (For more detail on the broad impact of PFS in Santa Clara County, please see profile on page 8.)

Project intermediaries have also made key contributions to the field such as modest evolution of project models and contract templates that offer greater uniformity. For example, Social Finance, the intermediary in several California PFS projects, reports that the PFS project in Ventura County has come together more quickly because of lessons learned from their earlier initiatives. To further standardize PFS and reduce the time needed to get to market, Social Finance is developing [outcomes-rate cards](#)—a menu of outcomes that governments seek to achieve and the prices they are willing to pay.

PFS appears to represent an inroad into significant systems change. It is not surprising that the first few projects in any jurisdiction will take considerable time and effort. As PFS and the broader outcomes field further matures, investments in early projects provide a platform for future programs and may allow the time and cost of development to decrease.



PFS has encouraged innovation and partnership. For various services, the County is now identifying outcomes-focused goals, and working together with providers to identify innovative and data-driven approaches to accomplish these goals.”

— KAVITA NARAYAN, DEPUTY COUNTY COUNSEL AT THE COUNTY OF SANTA CLARA

County of Santa Clara—Project Welcome Home

In August 2015, Santa Clara County launched the first PFS project in the state of California. With help from the California PFS Initiative, Project Welcome Home is providing permanent supportive housing to County residents experiencing chronic homelessness. This innovative region—home to Silicon Valley—also launched a second project in January 2017—Partners in Wellness—the first mental health-focused PFS project in the nation.

Kavita Narayan, Deputy County Counsel at the County of Santa Clara, was closely involved in developing the second project where the County applied several lessons learned from the first:

- The County self-funded the project, streamlining negotiation of outcomes metrics and creating direct financial incentives for both parties.
- The evaluation was structured to use existing data—or data collected within existing processes—making it a more accessible, lower-cost approach while maintaining rigor.

Perhaps more importantly, says Narayan, are the ways Santa Clara County is “incorporating the lessons of PFS into situations where ‘pure PFS’ isn’t a good fit.”

The County has developed a program to fund legal representation for immigrants who are vulnerable to deportation. According to the County’s research, when immigrant children appear with counsel, the rate of their prevailing in court jumps from 15% to 70%. However, many organizations providing counsel to immigrants can’t devote an entire year to contract negotiations, as is standard practice in a traditional PFS project. The pressing need for services also makes that timeline undesirable. The County is now directly funding the work and employing more flexible measurements and performance-based contracts for these services.

Similarly, the County is exploring how to interrupt a downward spiral that can occur when indigent County residents are arrested for low-level offenses. For residents who cannot afford to make bail, minor arrests can trigger job loss, housing loss, and even loss of custody of children. The County is evaluating a community bail fund and how best to support these residents to appear in court: such as providing reminders of upcoming proceedings and transportation to court. They plan to measure both first-order outcomes: rates of appearing, processing times out of jail, avoidance of new arrest; as well as second-order outcomes: job retention, income, and family outcomes.

Santa Clara County is proud to be a PFS pioneer in California. But the greatest long-term benefit may be broader: an increased orientation to outcomes and collaboration. “PFS has encouraged innovation and partnership. For various services, the County is now identifying outcomes-focused goals, and working together with providers to identify innovative and data-driven approaches to accomplish these goals,” says Narayan.

Attraction of New Capital

SCORE

Moderate progress achieved

Early proponents hoped PFS would draw in “new capital” (dollars otherwise going to traditional capital markets) to significantly expand funding for high-impact programs. PFS in California has demonstrated moderate progress in bringing new players and additional innovations in financing to the table.

At least two of the five PFS projects launched (or near launch) to date in California—as well as several PFS projects on the national stage—have secured new capital. Project Welcome Home in Santa Clara County received a new grant from Google.org, and in Los Angeles County, the [Just in Reach 2.0](#) project includes investment from UnitedHealth Group. (For more about the impact of PFS exploration on LA County, please see profile on page 10.)

Most capital invested in California PFS projects has come from foundations, community development financial institutions (CDFIs), and other traditionally mission-oriented funders. For those funders, PFS has represented a new way to invest in social impact, where repayment depends on successful outcomes. Because underwriting delivery of outcomes is new, investing in PFS has required higher risk tolerance. Early pioneer investors not only make these projects possible, but may pave the way for future participation of new, less risk-tolerant investors. For example, The James Irvine Foundation, The California Endowment, The Health Trust, the Sobrato Family Foundation, and the Conrad N. Hilton Foundation made subordinate investments or loans in the first California PFS projects, some of which were Program-Related Investments (PRIs). PRIs are loans that allow foundations to eventually recover and recycle the capital invested, assuming the PFS projects achieve their target outcomes. Similarly, several CDFIs have invested in California PFS projects, reinforcing the role of CDFIs in driving innovation.

There have also been examples of jurisdictions leveraging new state and federal funds to support PFS and performance-based projects. Through PFS exploration, the Children and Families Commission of Orange County (CFCOC) completed a rate range intergovernmental transfer with a managed care organization, CalOptima, drawing down more than \$3 million in federal Medi-Cal funding to support CFCOC’s Bridges Maternal Child Health Network program. The California Board of State and Community Corrections, with support from the Harvard Kennedy School Government Performance Lab, made \$4.7 million in grants available to act specifically as success payments in recidivism-related PFS projects.

To date in California, back-end payors—those responsible for paying investors back after a PFS project meets targeted outcomes—have all been governments. However, there is still potential for other kinds of organizations (e.g. employers, community colleges, or health systems) that realize the value in outcomes, such as job placement, educational attainment, and reduced health care costs, to emerge as back-end payors. Broader systems change may require bigger investments and engagement than government entities can make alone (particularly in recessionary periods when governments may have less funding for preventive social services). Finding ways to integrate new capital into collaborations between governments, service providers, and philanthropic funders remains a space for continued expansion.



PFS has activated more public sector dollars to go out in data-driven ways.”

— CAROLINE WHISTLER, CEO, THIRD SECTOR CAPITAL PARTNERS



We expected an uphill battle to convince our justice partners that this program would be beneficial. But we've gotten our door barreled down by partners hungry for better solutions."

— **CORRIN BUCHANAN, INTERIM DEPUTY DIRECTOR OF THE OFFICE OF DIVERSION AND REENTRY AT LOS ANGELES COUNTY DEPARTMENT OF HEALTH SERVICES**

County of Los Angeles—Just in Reach 2.0

When the California PFS Initiative selected LA County for an award, the County began by creating a PFS Blueprint—an educational guide and invitation for county agencies to submit ideas for suitable projects. A cross-section of county agencies, with technical assistance from the Corporation for Supportive Housing, came together to propose Just in Reach 2.0, a project to provide permanent housing along with wrap-around health services to chronically homeless people exiting the criminal justice system. "Thousands of folks cycle in and out of the criminal justice and emergency health care systems," explains Corrin Buchanan, Interim Deputy Director of the Office of Diversion and Reentry at Los Angeles County Department of Health Services. "That's not only costly, but doesn't significantly address severe disabilities common to this population, such as mental illness, substance use disorders, and chronic health problems." From seven submissions, the Just in Reach 2.0 project was chosen for exploration based on the service provider's existing track record, data available to track outcomes, availability of other funding partners, and the County's strong interest in addressing homelessness and recidivism.

Both the PFS Blueprint and the Just in Reach 2.0 project have added momentum to cross-sector collaboration among county agencies. Historically, health services for people in custody in LA County were siloed: physical health services were separate from mental health, and substance abuse services were insufficient. "We expected an uphill battle to convince our justice partners that this program would be beneficial," says Buchanan. "But we've gotten our door barreled down by partners hungry for better solutions." Leaders have evidently begun to see the link between homelessness, complex health issues, and a revolving door between the streets and jail.

Recently, all health services for people in custody were integrated into a new correctional health system under the Department of Health Services. In addition, the Sheriff's Department agreed to give providers access to inmates to establish relationships and a service plan before release. There was also collaboration around sharing data. These are impacts that will live on beyond this project. "All told," says Buchanan, "I'd say we've become a pretty nimble set of government actors working together to help a very vulnerable population."

Just in Reach 2.0 has attracted a major new funder and a new kind of relationship with a long-standing funding partner. UnitedHealthcare is the project's major up-front investor, the first healthcare company to invest in PFS in California. The Conrad N. Hilton Foundation, a longstanding philanthropic partner of LA County, is supporting the County's foray into PFS and expanding its own funding activities by providing a Program-Related Investment in the project.

In October 2017, Just in Reach 2.0 will launch in Los Angeles. Then—instead of the street, the emergency room, or jail—frequently incarcerated individuals will have a better option: services connecting them with 300 units of permanent supportive housing.

Looking Forward

PFS efforts in California and across the US are informing and accelerating a system-wide transformation toward outcomes-based funding for social services.

Initial excitement about PFS stemmed from an expectation that a novel financing approach could bring in new players and new money to fund a flurry of PFS transactions. What has emerged, as a potentially far bigger win, is the way PFS exploration has propelled service providers, governments, and other stakeholders to flex their collaborative muscles, develop integrated data systems and capacity, and re-frame their thinking and funding practices toward outcomes.

These are the actions NFF believes are needed to fuel systems transformation and lead to broad and equitable adoption of outcomes-based approaches.

Continued investment in outcomes infrastructure and capacity

The biggest hurdle to scaling PFS and outcomes approaches more broadly in California and beyond is building government and provider capacity to address the significant adaptations required to shift to an outcomes orientation. Philanthropy, government, and corporate social responsibility efforts have an opportunity to equip service providers with the resources to learn about, measure, and achieve results and support continuous improvement. Flexible investments that enhance data collection and analysis, and support the extensive change management—likely at both the programmatic and organizational levels—will build the foundation for the social sector to produce results.

By using PFS and other outcomes projects as innovation labs, governments can identify key areas to build capacity—better aligned organizational structures, larger and more coordinated data sources and funding streams, and shifts in policies and procedures that make broad outcomes measurement and continuous learning possible.

By thoughtfully targeting funding to key providers with deep connections to the communities supported through social programs (who are best positioned to understand and address the nuances and unique determinants of a community's challenges), government, investors, and the philanthropic sector can address historical structural inequalities in the social sector and realize a more inclusive future landscape of providers. For instance, funders can invest in social capital, allowing service providers the time and flexible dollars to engage diverse potential partners in outcomes project design, build trust by including isolated groups and individuals, and safeguard that program design truly meets community needs.



“Pay for Success is shifting the public sector from its traditional role as a passive contract manager into an active partner with non-profits in service delivery. With government helping ensure the right people get into the program, data is tracked, and performance management is done jointly, we can make great strides in learning and improving outcomes.”

— **SAM SCHAEFFER, CEO OF CENTER FOR EMPLOYMENT OPPORTUNITIES (CEO)**

Articulating and funding the full cost of outcomes

Outcomes-based approaches demand a clear understanding—by all stakeholders—of the true magnitude of what it takes to make targeted outcomes a reality. Better understanding of the full costs of outcomes may have radical implications for funding prevention versus later remedial efforts.

Full cost funding is a long-overdue practice in the social sector: most service providers are chronically underfunded, and many may not know the complete costs of operating and delivering results. Continued advocacy and action among service providers, intermediaries, evaluators, and funders can lay to rest the mistaken conflation of effective nonprofit management with low overhead, and allow stakeholders to focus on what it takes to deliver meaningful and measurable positive outcomes to individuals, families, and communities. To effectively produce results, service providers need organizational assets such as management teams, research, impact measurement, sufficient working capital, and operating reserves to continually adapt and thrive. Integrated data systems can allow for quantifying the true value of interventions in terms of avoided future cost (and transformed lives), providing a solid argument for funding the full cost of effective preventive services.

Strengthening collaborative muscle

Governments and service providers should seek out opportunities to develop outcomes-oriented projects: co-define measures of outcomes, negotiate full cost funding, test program designs, gather feedback, and course correct. Further variations on outcomes-based approaches should be developed and explored to meet varied needs and constraints of government agencies and service providers. Pay for performance, rate cards, hybrid structures, and collective impact collaboratives are approaches currently in use, and others are yet to come. While first-time development of a PFS project is particularly time-consuming, PFS exploration and other outcomes-oriented initiatives foster a better understanding of stakeholder needs, align shared goals, and build collaborative muscle that provides the foundation for future efforts. As this collaborative capability grows, the focus on outcomes can expand to a wider range of social issues, geographies, and people. In this way, the systemic shift to a prominent focus on outcomes can be a potent force in driving a more just and equitable society.

Fostering a culture of risk-taking and learning

To bring to life an outcomes-based system that produces better results for more social issues, geographies, and populations, the social sector must be supported to take on the risks inherent in PFS and other outcomes-based approaches, and even “fail-forward” to learn how to affect real change for communities. Evaluation should help establish the value of preventive interventions and provide the basis for improvement along the way. Development and proliferation of a range of evaluation options will allow a broader swath of communities to participate in outcomes-oriented projects. Continued experimentation and research will provide better choices, in terms of replicability and cost, so service providers, governments, and investors can have both a rigorous understanding of the impact of an intervention, as well as the flexibility to make real-time improvements in program implementation and design.

Conclusion

Americans have long strived for the ideal of a society where every child can achieve his or her full potential. Yet in many communities, the obstacles to realizing this vision remain deep and complex, including structural inequality, uneven economic and educational opportunity, lack of access to healthy food, and physical environments that challenge the social fabric. Given the tremendous technological leaps in recent years, the US can now harness data to improve the way we design, evaluate, deliver, and pay for social services. If we take action now, we can accelerate transformation toward an outcomes-oriented social sector—one that champions collective collaborative solutions, enables continuous improvement, and propels us toward our shared ideals.

Join the conversation!

Visit the Pay for Success Learning hub at payforsuccess.org to learn more about the [California PFS Initiative](#), and sign up [here](#) to join NFF’s mailing list for the latest news.



Photo credit: Center for Employment Opportunities (CEO). CEO, a PFS pioneer, partnered with the Roberts Enterprise Development Fund (REDF) to explore expansion of its model to San Diego.

PROJECT	MOTIVATION AND INTERVENTION
County of Santa Clara— Project Welcome Home	<p>Motivation: More than 2,200 chronically homeless individuals in Santa Clara County lack access to stable housing and long-term supportive services.</p> <p>Intervention: Permanent Supportive Housing</p>
County of Santa Clara— Partners in Wellness	<p>Motivation: In Santa Clara County, a small subset of severely mentally ill residents frequently cycle in and out of the County’s psychiatric emergency room and inpatient facility. These individuals are also at risk for homelessness, incarceration, and extended psychiatric hospitalizations.</p> <p>Intervention: Assertive Community Treatment</p>
County of Los Angeles— Just in Reach 2.0	<p>Motivation: PFS financing for recidivism program for chronically homeless incarcerated individuals provides a new platform to share the incredible systems change story of Los Angeles County while strengthening public-private partnerships that produce measurable positive impact. In addition, the County is interested in exploring performance based contracting beyond PFS.</p> <p>Intervention: Permanent Supportive Housing</p>
Ventura County	<p>Motivation: Nearly 300,000 offenders are on probation in California and recidivism rates remain high with more than two-thirds of those released from prison returning within 3 years</p> <p>Intervention: Case management approach with a customized suite of evidence-based practices: Moral Reconciliation Therapy, Trauma Therapy, Triple P. Support towards job readiness skills training also available.</p>
Alameda County Justice	<p>Motivation: The Alameda County Justice Project (ACJP) is designed to reduce recidivism among adult felony offenders in Alameda County at risk of reoffending. ACJP also recognizes the importance of collecting, and analyzing quality data. Accordingly, ACJP seeks to improve consistent, careful data evaluation as well as data sharing among appropriate government agencies and other legally authorized entities to reach the ultimate goal of effecting change, improving outcomes, and reducing recidivism.</p> <p>Intervention: Contributing factors to recidivism will be addressed by the service provider through individualized coaching, intensive case management, mental health services, as well as navigation support for accessing and engaging in existing services in Alameda County.</p>
Alameda County Asthma	<p>Motivation: Alameda County has one of the highest rates of pediatric asthma in California, with nearly 13% of all children consistently suffering from asthma symptoms.</p> <p>Intervention: Home Remediation; Case Management</p>
Children & Families Commission of Orange County (CFCOC)	<p>Motivation: To determine the positive outcomes and cost savings that Commission-funded maternal health screening and home visitation programs provide to Orange County.</p> <p>Intervention: Bridges Maternal Child Health Network screening, referral and home visitation program</p>
City & County of San Francisco	<p>Motivation: Exploring how the Pay for Success model could enable greater focus on preventative services in workforce development, housing, public health and human services aligned with the Mayor’s strategic priorities.</p> <p>Intervention: Child & Material Health: Nurse-Family Partnership; Family homelessness: rapid rehousing, eviction prevention, permanent supportive housing; At-Risk Transitional-Age Youth: Case management approach with a suite of wraparound services, including supportive housing, education and employment support, medical and behavioral health services. Economic mobility-Opportunity Youth: relentless in-reach coupled with durable coaching, offering a suite of trauma-informed services, including housing stabilization, educational and employment connection, and physical and behavioral health services.</p>
First 5 LA	<p>Motivation: Since 2000, the funding from Proposition 10 (tobacco tax revenue) supporting First 5 Commission programs for children aged 0-5 has declined as much as 40% in some California counties. First 5 LA and CFCOC initially partnered to explore Pay for Success as a model to secure more sustainable funding for their respective preventative and early intervention programs.</p> <p>Intervention: Welcome Baby home visiting screening and referral program</p>
Nurse-Family Partnership— San Francisco, Orange and Sonoma Counties	<p>Motivation: To determine whether to use PFS to scale child and maternal health programs of Nurse Family Partnership in the counties of San Francisco, Orange and/or Sonoma Counties</p> <p>Intervention: Nurse-Family Partnership home visiting model</p>
San Diego REDF/CEO	<p>Motivation: Already engaged as the service provider on a Pay for Success project in New York, CEO looks to scale its programs and leverage REDF’s expertise in social enterprise and workforce development within the state.</p> <p>Intervention: CEO Transitional Work model</p>

PROJECT	PROJECT PARTNERS*	CURRENT STAGE
County of Santa Clara— Project Welcome Home	<ul style="list-style-type: none"> ■ Service Provider: Abode Services ■ Outcomes Payor: Santa Clara County ■ Transaction Coordinator: Third Sector Capital Partners ■ Evaluator: UC San Francisco School of Medicine ■ Technical Assistance: Palantir Technologies ■ External Legal Counsel: Fenwick & West LLP; Gibson, Dunn & Crutcher LLP; Miles & Stockbridge P.C. ■ Investors: The Reinvestment Fund, Corporation for Supportive Housing, The Sobrato Family Foundation, The California Endowment, The Health Trust, The James Irvine Foundation, Abode Services, Google.org, Laura and John Arnold 	In Progress (Launch August 2015)
County of Santa Clara— Partners in Wellness	<ul style="list-style-type: none"> ■ Service Provider: Telecare Corporation ■ Outcomes Payor: Santa Clara County ■ Transaction Coordinator: Third Sector Capital Partners ■ Evaluator: Stanford University, Department of Psychiatry and Behavioral Sciences ■ Technical Assistance: Palantir Technologies ■ External Legal Counsel: Fenwick & West ■ Investors: not applicable (project funded through direct risk-sharing agreement between Santa Clara County and Telecare Corporation) 	In Progress (Launch February 2017)
County of Los Angeles— Just in Reach 2.0	<ul style="list-style-type: none"> ■ Service Provider: Los Angeles County Department of Health Services Intensive Case Management Providers (Amity Foundation, The People Concern, SSG-HOPICS, Volunteers of America Los Angeles); Brilliant Corners ■ Outcomes Payor: Los Angeles County; U.S. Department of Housing & Urban Development; California Board of State and Community Corrections ■ Transaction Coordinator: Corporation for Supportive Housing ■ Evaluator: RAND Corporation ■ Validator: RAND Corporation ■ Technical Assistance: Third Sector Capital Partners; Corporation for Supportive Housing ■ Project Manager: Corporation for Supportive Housing; National Council on Crime & Delinquency ■ External Legal Counsel: Gibson, Dunn & Crutcher 	Preparing to Launch (October 2017)
Ventura County	<ul style="list-style-type: none"> ■ Service Provider: Interface Children & Family Services ■ Outcomes Payor: Ventura County; California Board of State and Community Corrections ■ Transaction Coordinator: Social Finance ■ Evaluator: UC Los Angeles ■ Project Manager: Social Finance ■ External Legal Counsel: Jones Day 	Preparing to Launch
Alameda County Justice	<ul style="list-style-type: none"> ■ Service Provider: La Familia Counseling Services ■ Outcomes Payor: California Board of State and Community Corrections ■ Government Funder: Alameda County ■ Evaluator: West Ed ■ Technical Assistance Provider: Harvard Kennedy School Government Performance Lab ■ Fiscal Intermediary: Building Opportunities for Self-Sufficiency (BOSS) ■ Project Manager: Third Sector Capital Partners 	Near Launch
Alameda County Asthma	<ul style="list-style-type: none"> ■ Service Provider: Alameda County Healthy Homes Department, Alameda County Public Health Department ■ Transaction Coordinators: Third Sector Capital Partners; Impact 4 Health ■ Technical Assistance Providers: UC Berkeley School of Public Health, Health Research for Action Center, Turner Consulting & Actuarial 	In Development
Children & Families Commission of Orange County (CFCC)	<ul style="list-style-type: none"> ■ Service Providers: 10 hospitals; MOMS Orange County; 4 Public Health Nursing home visiting programs; 2 community-based home visiting programs ■ Transaction Coordinator: Third Sector Capital Partners ■ Evaluators: Abt Associates, Health Management Associates ■ Health System Partner: CalOptima 	In Development
City & County of San Francisco	<ul style="list-style-type: none"> ■ Service Provider: numerous ■ Outcomes Payor: City and County of San Francisco ■ Technical Assistance Provider: Harvard Kennedy School Government Performance Lab ■ Transaction Coordinator: Third Sector Capital Partners 	<p>Other: Learnings from the PFS feasibility process informed the City and County's recent investments in data infrastructure, the formation of a new, streamlined homelessness department and a two-year HopeSF philanthropic pilot for establishing employment outcomes for residents of San Francisco's public housing, with the intention to shift to an outcomes-based contract for these services in 2017.</p>
First 5 LA	<ul style="list-style-type: none"> ■ Service Provider: Numerous community based organizations and hospitals in LA County ■ Transaction Coordinator: Third Sector Capital Partners 	<p>Other: First 5 LA launched a randomized control trial informed by the feasibility study, has developed partnerships with multiple potential payors, and is actively supporting a county-driven multi-sector working group focused on expanding home visiting programs to achieve greater outcomes for LA County families.</p>
Nurse-Family Partnership— San Francisco, Orange and Sonoma Counties	<ul style="list-style-type: none"> ■ Service Provider: Nurse-Family Partnership ■ Transaction Coordinator: Social Finance ■ Technical Assistance Provider: Pacific Institute for Research and Evaluation 	<p>Other: County-level return on investment analyses led NFP not to pursue PFS projects in these three locations. However, the organization continues to explore the viability of scaling NFP through alternative, outcomes-oriented models.</p>
San Diego REDF/CEO	<ul style="list-style-type: none"> ■ Service Provider: Center for Employment Opportunities (CEO) ■ Transaction Coordinator: Social Finance ■ Technical Assistance: Harder + Co. 	<p>Other: project suspended</p>

* In PFS projects, government roles can be many and varied: beyond outcomes payor, public agencies may also provide direct services and play vital parts in project development and coordination.



NFF would like to acknowledge the many partners who contributed to this report by sharing their expertise about the projects detailed herein. We have made our best effort to incorporate input from many sources in a succinct way that captures the nuances of PFS and individual projects; any inaccuracies or omissions are our own.

This report was made possible with the generous support of The James Irvine Foundation.

Many thanks to:

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Administrator's Office

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Alameda County Public
Health Department

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California Community
Foundation

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The California
Endowment

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The James Irvine
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The Kresge Foundation

Karla Sainz

Laura and John Arnold
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Emily Boer Drake

Learning for Action

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Local Initiatives Support
Corporation (LISC)

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Los Angeles County
Department of Health
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Maycomb Capital

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Nurse-Family Partnership

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The San Francisco Foundation

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Third Sector Capital
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Ventura County
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