

Issue and Intervention

This questionnaire can help you evaluate if Pay for Success (PFS) is an effective means to address social issues in your community.

PFS's evidence-based policy approach addresses critical issues by interrupting cycles of negative social and economic outcomes to measurably improve communities and the effectiveness of public policy. Some PFS projects focus on scaling or replicating proven interventions, while others seek to introduce or adapt services to new settings. Issue areas that might be a fit for PFS include:

- criminal justice
- early childhood education
- homelessness
- prevention or treatment of problems associated with chronic disease
- substance abuse
- behavioral health
- workforce development
- and many more.

Pay for Success projects are sponsored by local, state, or federal governments that want to achieve better social outcomes by working with providers through service contracts that tie funding to outcomes. Investors provide the upfront money service providers need to deliver programs and achieve results. Independent evaluators determine whether the target outcomes have been met at pre-determined intervals during the project. If the objectives have been met, the government repays the investors, sometimes with a return.

The questions below can help you explore PFS by assessing the social issues to be addressed and the intervention to be considered.

Target Issue

Most communities address poverty, unemployment, homelessness, and other intractable issues with remedial services that seek to undo negative outcomes that already have occurred. Many find these approaches cannot keep up with demand and do not address underlying factors.

- Has the prevalence of the issue or the cost associated with addressing it increased over time?
- Does the issue have a chronic, rather than occasional, cycle of occurrence?
- Does the issue seem unsolvable given current service offerings?
- Is there interest in changing the way the community addresses the issue? Are there incentives to do so? Disincentives?
- Is the issue tracked with measurable data including its prevalence and severity?
- Have the major factors that drive costs associated with the issue been identified?

Intervention

Most PFS projects focus on interventions to reduce or prevent negative outcomes, improving quality of life for those served, and decreasing expenditures for those who pay for remediation.

- Are effective and well-understood interventions currently in place in the community that could be scaled to serve more people? Have new, potentially more effective, approaches been identified?
- If an effective intervention is currently offered in the community:
 - Has the capacity of the program(s) been measured, and does demand exceed this capacity?
 - Do the service providers measure their impact? Are they capable of doing so?

Continued

Intervention, cont.

- If an effective intervention is not currently offered in your community:
 - Is there an intervention with the outcomes you seek in a community that sees a similar prevalence of the issue?
 - Are the demographics similar?
- Have you begun to evaluate the social, political, and economic climate in your community to understand the potential impact on efforts to scale any interventions?

Data, Evidence Base, and Evaluation

While the amount of evidence supporting PFS interventions varies, evidence is limited for even the most studied social service interventions due to the complexity of the issues and a historical lack of funding for evaluation. PFS projects provide an important opportunity to build a better research base. However, some baseline data or evaluation of an intervention's potential impact is needed to construct a project model that estimates costs, benefits, and the likelihood of successful outcomes.

- Has the intervention been in use:
 - For a significant amount of time?
 - In multiple locations?
 - For a substantial number of people?
- Does this intervention have observable, measurable, meaningful, and attributable impact on outcomes?
- Has the intervention been evaluated:
 - Using experimental studies?
 - Using quasi-experimental studies?
 - Using observational studies?
 - So that it is well understood what would happen in the absence of the intervention?
- If it has not been evaluated, is there research on similar interventions that suggests the results you could expect?
- Understanding that the full benefit of any intervention may not be measurable during the PFS project period, can the impact be measured or approximated by related metrics in the medium term (e.g., 4-6 years)?
- Are there indicators or proxies of long-term success that can be measured in a shorter time frame (e.g., 1-3 years)?

Outcomes Cost/Benefit Analysis

PFS projects require that interventions be tied to outcomes that are measurable and valuable to the outcomes payor, which can include cost savings and improved quality of life for those served. Typically, the cost/benefit analysis is conducted during the feasibility assessment stage, when questions like these are addressed.

- Are those who bear the financial burden for the issue committed to finding a more effective solution?
- Is most of the financial burden borne by a single party or by multiple parties such as cities, counties, states, or others?
- Do you have the information and expertise to analyze the cost to deliver the potential intervention?
- Can the return or value of the intervention be measured?
- Does the value generated exceed the cost enough to warrant a PFS arrangement, particularly from the perspective of the outcomes payor?

This tool was originally created as part of the Rapid Suitability Questionnaires in collaboration with McKinsey & Company in 2012. In 2016, Nonprofit Finance Fund, with support from Green & Healthy Homes Initiative and Corporation for Supportive Housing, refreshed this resource to reflect market developments.