

ISSUE BRIEF 3

ASSESSING PAY FOR SUCCESS PROJECT FIT

Unsurprisingly, Pay for Success (PFS) isn't a fix for every social challenge. In this brief, we discuss criteria jurisdictions can use to decide whether PFS tools are useful for achieving their goals.

ABOUT THIS ISSUE BRIEF SERIES

This issue brief is one of a 10-part series written for government officials interested in learning how to use Pay for Success tools and principles.

The series summarizes best practices and lessons learned at Social Finance from a decade of designing, launching, and managing Pay for Success projects. It includes guidance on each step of the process, from deciding whether Pay for Success is a good fit to actively managing a project post-launch.

[See here](#) to access the complete issue brief series on our website.

THE IMPORTANCE OF ASSESSING PFS PROJECT FIT

ALL LEVELS OF GOVERNMENT face barriers to investing in evidence-based programs. There is often real uncertainty about which programs will achieve policy goals; too little measurement of how programs are working today; and “wrong-pocket problems” that create walls between the agencies funding prevention and those realizing its benefits. PFS can mitigate these barriers by refocusing parties on shared, longer-term outcome goals; carefully measuring progress against those goals; and linking program funding to measured performance.

But PFS it is not always the right tool for the job. The project development process can be time consuming and challenging. It demands strong evidence and data systems, requires new skills or capacities from both governments and service providers alike, and calls for accountability from all project partners toward achieving selected outcomes.

In nearly a decade of designing, launching, and managing PFS projects, Social Finance has developed a set of screening criteria to determine whether these tools are a good fit for the problem at hand.

SCREENING CRITERIA

I. DEFINED TARGET POPULATION

The first step in the PFS design process is to understand the target beneficiaries and their needs. That analysis should go beyond simple demographics (e.g., age, race, gender) to include context (e.g., currently available community services), individual risk factors (e.g., prior health conditions), and current service offerings and utilization. To equitably meet the needs of the community, early conversations should include individuals from the target population and local representatives who can further define the project's focus.

SCREENING QUESTIONS TO CONSIDER

- ✓ Is there significant unmet demand to serve this target population?
- ✓ Is the target population clearly defined, and are their needs well understood?
- ✓ Does the project's target population reflect the jurisdiction's equity goals? Are members of the target population part of the design process?

2. CLEARLY DEFINED OUTCOME MEASURES

Outcomes-based funding is, by definition, built around clearly defined **outcomes**.¹ For a project to be worth pursuing, project partners must agree on a set of outcome metrics that represent progress toward achieving their shared impact goals. In PFS projects, outcomes should align with community needs, policy priorities, and beneficiary goals. Reliable and consistent data sources are also required to enable good measurement.

SCREENING QUESTIONS TO CONSIDER

- ✓ Do outcomes of interest align with potential intervention and with the evidence for that intervention?
- ✓ Do they align with beneficiary needs and priorities?
- ✓ Can outcomes be regularly assessed based on reliable and accessible data sources?
- ✓ Can outcomes be observed and measured within the project timeframe?

3. PROMISING INTERVENTION

When linking payments to outcomes, it's important to be able to project anticipated outcomes achievement—what we think is most likely to happen—in order for both outcomes funders and service providers to budget appropriately. To do this, we examine the body of evidence behind the chosen intervention, with greater weighting given to studies that are more suggestive of potential impact (i.e., that are well designed and use more credible evaluation strategies) and that have greater contextual similarity. The interventions scaled in PFS projects typically have **strong**

¹ See *Issue Brief 5 – Defining Success in Pay for Success* for more about selecting and defining project outcomes.

evidence, including one or more evaluations that use a comparison or control group, suggesting they will produce positive outcomes.²

SCREENING QUESTIONS TO CONSIDER

- ✓ Is the intervention aligned with the project's impact goals and attuned to the project's target population?
- ✓ Have past high-quality evaluations demonstrated the potential to achieve positive impacts?
- ✓ Do past studies suggest the intervention can realistically be scaled to the proposed project context?

4. EXCELLENT SERVICE PROVIDER

Next, we look to identify whether there is a provider who can offer the chosen intervention at scale and with high quality. As part of this process, we look at the organization's finances and operations; its ability to use data to track and improve programming and outcomes; its connections to the population served; and its experience offering the kinds of services required for the project.

SCREENING QUESTIONS TO CONSIDER

- ✓ What service providers, if any, offer the selected intervention locally? Do they have the capacity to scale?
- ✓ Do providers have a history of positive performance on priority outcomes?

5. STRONG VALUE PROPOSITION

To be a good fit for PFS, a program should present a clear value proposition, creating benefits for society that outweigh the costs of providing the services. In most cases, stakeholders will want to ensure that there is a positive expected cost-benefit proposition expected within a reasonable timeframe. To quantify the program's expected value, we focus on societal benefits (e.g., improvements in housing stability, reductions in maternal mortality) as well as fiscal benefits (e.g., avoided costs due to reduced hospitalizations or jail bookings),³ making use of existing data collected by jurisdictions, academic research, public assistance program data, and local population analyses.

² See *Issue Brief 6 – Measuring Success* for more about using evaluations to measure intervention efficacy.

³ See *Issue Brief 7 – Is the Price Right?* for more about measuring fiscal and social value of outcomes.

SCREENING QUESTIONS TO CONSIDER

- ✓ Do the benefits of the chosen intervention outweigh the costs?
- ✓ Is the value of the intervention meaningful to the outcomes funder?

6. COMMUNITY AND PAYOR ENGAGEMENT

Finally, the outcomes produced by the program must align with the policy priorities of the community and outcomes funder. A government or a private payor (such as a managed care organization) must be willing to work with the service provider and other partners to define and negotiate key project terms, such as number of individuals served and price per outcome. An intermediary (such as Social Finance) will often be engaged in a PFS project to assist with the initial assessment and analysis, financial structuring, and project management.⁴

PFS projects require frequent and ongoing input and participation from multiple levels within government, typically including data managers, budget analysts, and agency leadership. But beyond the outcomes funder, strong projects are also designed with broad community input; must be able to draw on the guidance of local civic leaders; and sometimes require impact investor capital. To put together a successful project, each stakeholder help shape and strengthen the overall project vision.

SCREENING QUESTIONS TO CONSIDER

- ✓ What is the strength of support from public sector leaders?
- ✓ Are key individuals available (e.g., content experts, data managers) and prepared to dedicate time and resources to the project?
- ✓ Are potential outcome metrics important to the broader community (including the target population and potential funders)? Are community leaders willing to engage in building the project?
- ✓ Has an intermediary been engaged?

PFS IN PRACTICE: FIT ASSESSMENT FOR NURSE-FAMILY PARTNERSHIP IN FLORIDA

In 2018, Social Finance launched a study to assess the viability of scaling Nurse-Family Partnership® (NFP) services in Florida through a PFS project. Since launching operations in the state in 2008, NFP has served over 5,000 first-time Medicaid-eligible mothers.

⁴ See *Issue Brief 4 – Getting Started* for more about the roles within a payor entity that should be engaged in the project.

SCREENING CRITERIA ANALYSIS

Defined Target Population	Mothers living in poverty are at a higher risk of experiencing negative birth outcomes. In Florida, over 50 percent of mothers who give birth are on Medicaid. At the time of the study, Florida had the 23 rd highest infant mortality rate and the 17 th highest preterm birth rate in the nation.	
Clearly Defined Impact Goals	Policymakers and community members prioritize healthy birth outcomes (include preterm birth, healthy birth intervals, childhood injury, and immunization records), all of which align with the evidence behind the NFP model.	
Promising Intervention	NFP is a national program drawing on powerful evidence from several independently conducted randomized controlled trials (RCTs) in different US geographies. At the time of the feasibility study, NFP had served 317,000 families across 41 states. ⁵	
Excellent Service Provider	The NFP National Service Office (NSO) was established to support quality replication of the NFP program and works with local implementing agencies to ensure that the program is delivered with high quality and has the best chance of achieving impact.	
Strong Value Proposition	Independent analyses suggest that NFP can create significant fiscal value for states, driven by reductions in emergency department visits and preterm birth, as well as demonstrating broader social value, including reduced infant mortality and increased long-term public safety. ⁶	
Community & Outcomes Funder Engagement	Government leaders, service providers, community members, philanthropists, and other impact investors had expressed interest in expanding NFP in Florida.	

⁵ “Overview,” Nurse-Family Partnership, 2020. <https://www.nursefamilypartnership.org/wp-content/uploads/2020/03/nfp-overview.pdf>.

⁶ See, for example, Miller, “Projected outcomes of Nurse-Family Partnership home visitation during 1996-2013,” *Prevention Science*. <https://pubmed.ncbi.nlm.nih.gov/26076883/>.

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ABOUT SOCIAL FINANCE

This brief was written by Narni Summerall, Senior Associate at Social Finance, with support from Emily McKelvey, Rachel Levy, and Jake Segal. Social Finance is a national nonprofit organization dedicated to mobilizing capital to drive social progress. Social Finance has pioneered Pay for Success, a set of innovative funding and financing strategies that directly and measurably improve the lives of those in need. Read more about our work in Pay for Success at socialfinance.org.

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