



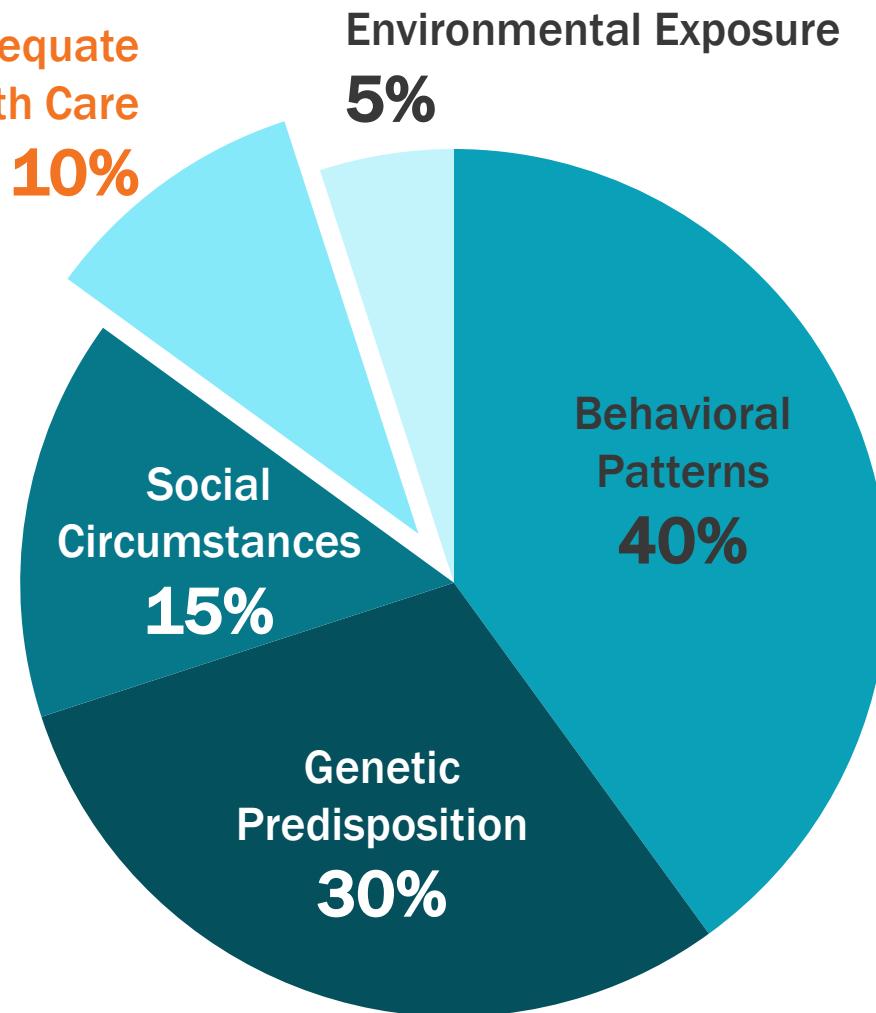
# USING PAY FOR SUCCESS TO INVEST IN THE NONMEDICAL DETERMINANTS OF HEALTH

IAN GALLOWAY, FEDERAL RESERVE BANK OF SAN FRANCISCO

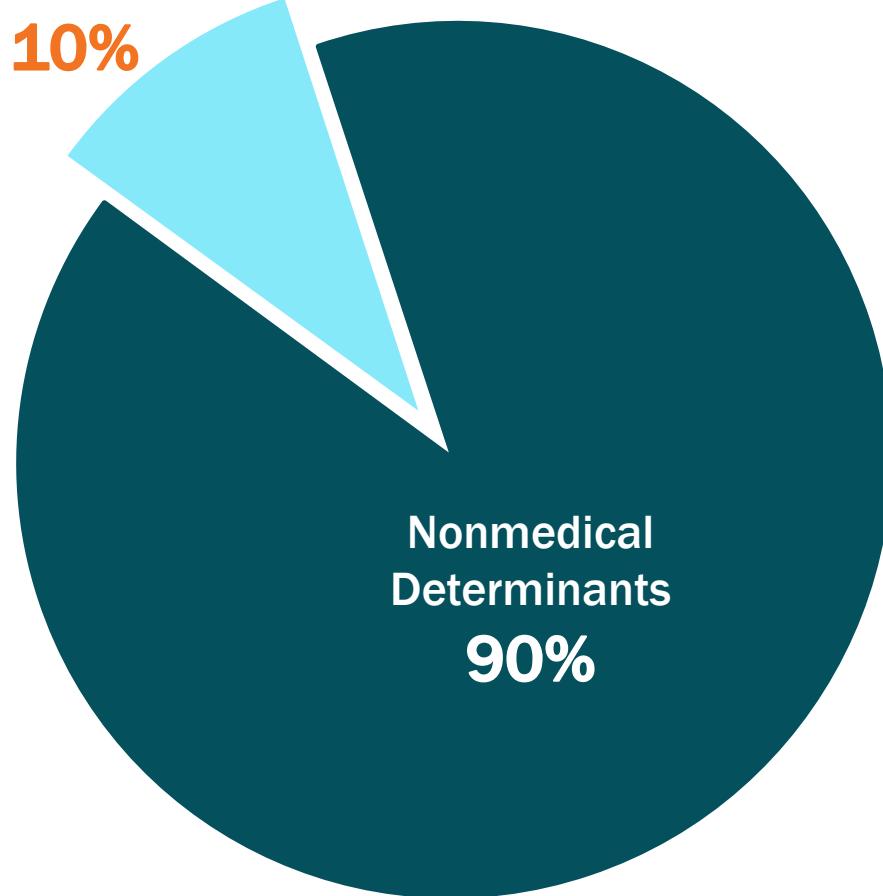
Arizona Healthy Communities Conference

East Valley Institute of Technology | Wednesday, March 23, 2016

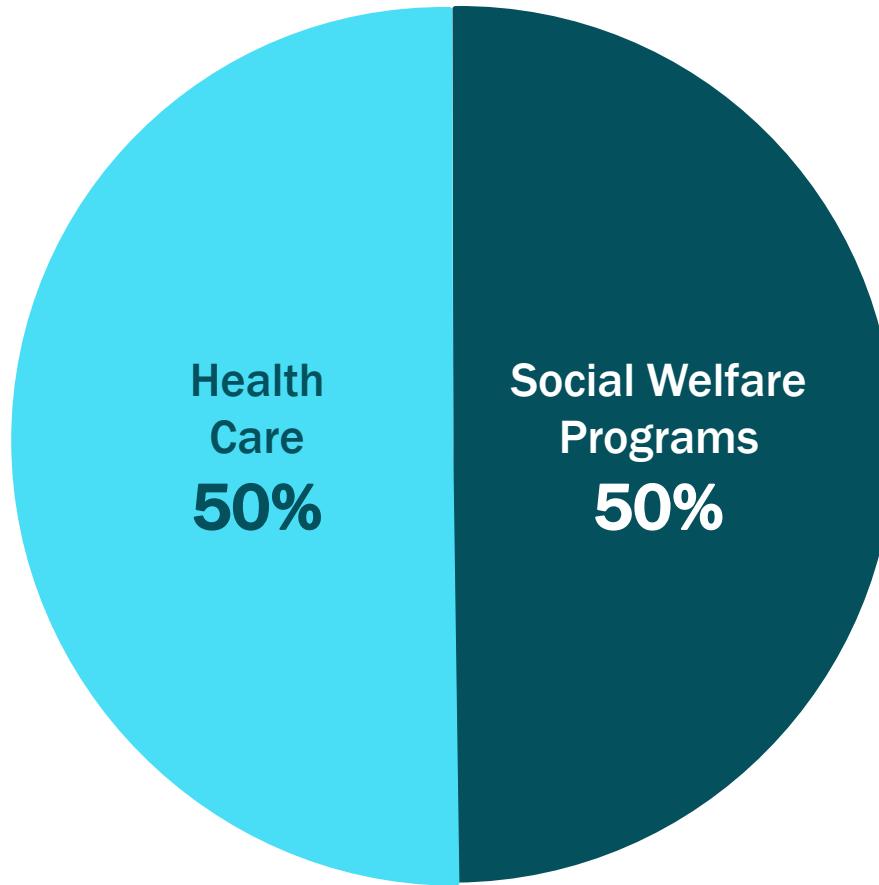
# CONTRIBUTORS TO PREMATURE DEATH



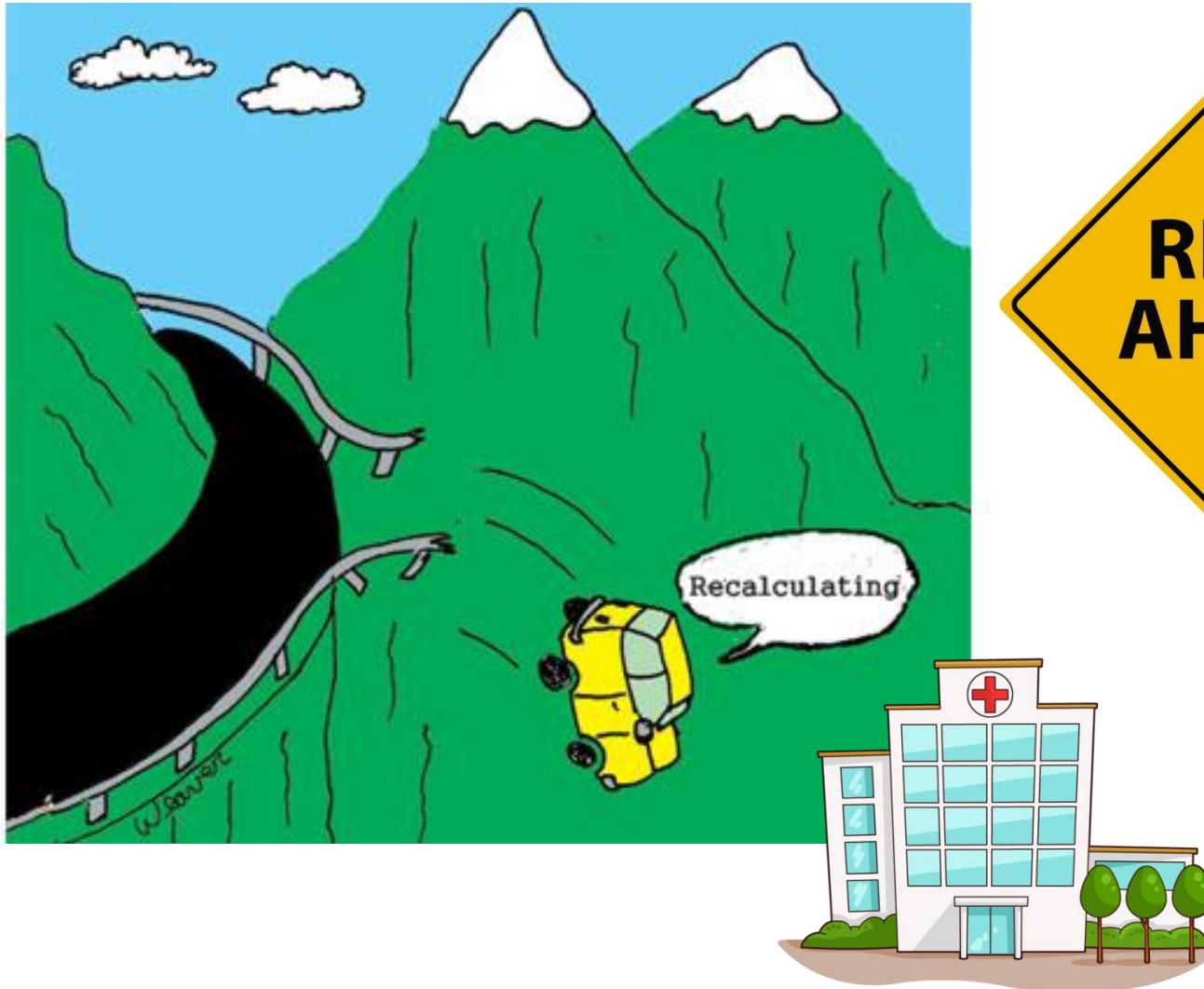
# CONTRIBUTORS TO PREMATURE DEATH



# \$800 BILLION IN MEANS-TESTED GOVERNMENT SPENDING



# LOOK OUT BELOW!



# WHAT IS PAY FOR SUCCESS? PURCHASING OUTCOMES

- Governments, insurance companies, CMS, employers, managed/coordinated care orgs, foundations (**END PAYERS**) commit in advance to pay for successful outcomes (e.g., kindergarten readiness)
- Independent impact auditor evaluates program effectiveness
- The payer only “pays for success”

# WHAT IS PAY FOR SUCCESS? BRIDGE FINANCING

- Banks, foundations, pension funds, endowments, high net worth individuals (**INVESTORS**) fund the service provider in exchange for a future success payment
- Financing terms are based on:
  1. Difficulty of achieving success
  2. Track record of the service provider
  3. Length of the contract
- Investors bear the risk that success won't be achieved (and that the success payment won't be triggered)

# SUPPORTIVE HOUSING SANTA CLARA COUNTY

150-200 chronically homeless people will receive supportive housing from Abode Services over six years to improve their quality of life and reduce reliance on costly government-funded services such as emergency room care

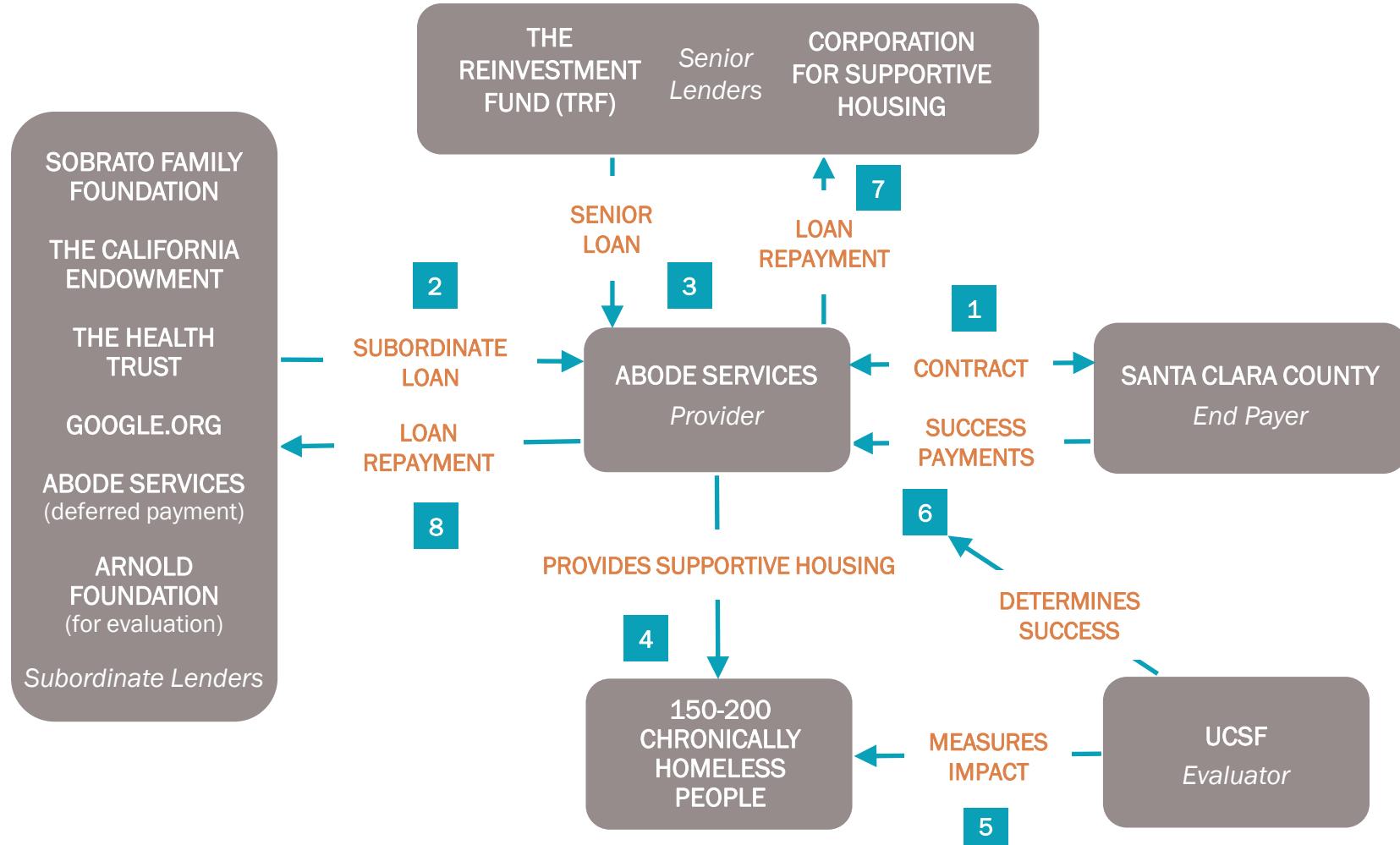
Combination of community-based clinical services, an evidence-based Assertive Community Treatment (ACT) program, and a Housing First approach

Target impact is for more than **80% of participants** to achieve **12 months of continuous stable tenancy**, equivalent to a total of 6,900 months off the streets

# SUPPORTIVE HOUSING SANTA CLARA COUNTY

Success Payment per Participant	Success Outcome Achieved
\$1,242	3 months of continuous tenancy
\$1,863	6 months of continuous tenancy
\$2,484	9 months of continuous tenancy
\$6,831	12 months of continuous tenancy
\$12,420	<i>Cumulative payment through 12 months of continuous tenancy</i>
\$1,035	Each month after first year of stable tenancy (up to 5 additional years)

# SUPPORTIVE HOUSING SANTA CLARA COUNTY



Note: Third Sector Capital Partners served as the Government Advisor and Transaction Coordinator on this project

# **PAY FOR SUCCESS** **STILL NEW AND UNPROVEN**

**New York City** – Recidivism reduction at Rikers Island Prison (08/12)

**Salt Lake County** – Special education avoidance (06/13)

**New York State** – Recidivism reduction and labor force reentry (12/13)

**Massachusetts** – Prison avoidance and employment support (01/14)

**Chicago** – Special education avoidance (10/14)

**Massachusetts** – Supportive housing for the homeless (12/14)

**Cuyahoga County** – Foster care avoidance (12/14)

**Santa Clara County** – Supportive housing for the homeless (07/15)

**Denver** – Supportive housing for the homeless (02/16)

**South Carolina** – Home visiting for low-income mothers (02/16)

**Connecticut** – Family-based substance abuse treatment (02/16)

**11 US Projects Launched from 2012-16**

# FREQUENTLY ASKED QUESTIONS & CONTACT INFORMATION

Why doesn't government pay for proven programs directly?

Will this privatize the social safety net?

What about fraud and abuse?

How can small nonprofits compete in this market?

Will good projects go unfunded in favor of those with the most "bankable" cash savings?

Where does this go next? (Health!)



Ian Galloway

Federal Reserve Bank of San Francisco

[Ian.Galloway@sf.frb.org](mailto:Ian.Galloway@sf.frb.org)

@IJGalloway