

PFS

INGREDIENTS FOR SUCCESS



Recognizing CSH as a leader in our field, the Corporation for National and Community Service awarded us funding from 2014 – 2018 to partner with twelve organizations across the country to explore the feasibility of Pay for Success (PFS) to scale supportive housing. These nonprofits and governments leveraged our expertise and resources, and focused their efforts on designing and implementing supportive housing to improve the lives of:

- Residents of health care institutions who prefer to live in the community
- Super utilizers of health care or other crisis resources
- Individuals experiencing chronic homelessness in recovery from substance use.
- Families with high utilization of the child welfare systems and histories of housing instability
- Young adults who are homeless, in foster care, and/or in the juvenile justice system

The twelve feasibility explorations resulted in an increased understanding of the following:

- 1) Key Local Factors for Successful Pay for Success Initiatives
- 2) Status Quo Costs of Supportive Housing Target Populations
- 3) Benefits of Pay for Success and Supportive Housing



KEY LOCAL FACTORS FOR SUCCESSFUL PAY FOR SUCCESS INITIATIVES

Our work identified the following characteristics that are critical to advancing beyond the feasibility stage:

- **Strong, committed and consistent leader for the Pay for Success exploration.** Over and above any of the components outlined below, Pay for Success efforts advance because of committed leadership and the presence of a consistent individual who can “drive the train.” This individual must have access to key decision makers and be able to strategically navigate the local context. Efforts advance most quickly if this key individual is housed within the anticipated end payer organization, but we have also seen nonprofits be able to play a catalytic role of fostering end payer commitment. Lack of consistency in this driver role due to staff turnover can also slow or derail efforts.
- **A supportive and innovative end payer.** Pay for Success projects cannot advance without an entity that is committed to making payments based on success. Several of the communities in which we worked could have had feasible projects if they had an end payer ready to move ahead with creating a success payment structure. In reviewing end payer commitment, it is also important to be cognizant of potential administration changes within government. When Pay for Success efforts straddle administration changes this can have a negative impact on commitment as a new administration may not have the same priorities or interest in pursuing Pay for Success.
- **A committed, multi-sector leadership group.** Pay for Success efforts rely on and provide a concrete structure through which to convene cross-sector stakeholders to design the initiative. Each community is different, but in most we have found it helpful to create two teams which we term the design team and the

leadership team. The design team typically ranges from 2-8 individuals who attend regular technical assistance calls, complete action items and draft proposals/decisions for review by the leadership team. The leadership team is comprised of high level stakeholders who should be informed or consulted about how the potential Pay for Success project is developing. Meeting frequency for the leadership team varies from monthly to quarterly. Regardless of the exact composition of these teams, successful Pay for Success efforts have consistent and active engagement from the participants.

- **Integrated data that can be used to identify a specific target population whose outcomes can be improved through supportive housing.** Local data infrastructure, including the capacity to collect, analyze and integrate cross systems data is a key factor in whether a community will advance a Pay for Success initiative past feasibility. Integrated data plays a critical role in Pay for Success exploration by forming the basis for the target population definition, cost benefit or value creation analysis, intervention design and eventual eligibility and enrollment. Communities that already have access to relevant integrated data are best positioned to move quickly in Pay for Success feasibility.
- **Ability to prioritize the Pay for Success effort and to connect it to existing complementary initiatives.** Communities interested in innovative solutions such as Pay for Success are often engaged in a number of innovative initiatives. While these initiatives were often complementary, it is important to ensure that the Pay for Success exploration is a priority and not simply one of a long list of interesting approaches. A number of the communities we worked with were also involved in healthcare initiatives such as Medicaid waivers to create a supportive housing benefit, health homes or whole person care. These initiatives had the potential to be an important source of leverage for the project, but could also create delays when timing did not line up or when it was unclear how and to what extent efforts were aligned.
- **A strong desire to support a specific high-need, vulnerable population.** All of the communities that we worked with had in common an interest in scaling supportive housing for a specific vulnerable population using Pay for Success. This forms the basis for a community conversation about how to define success for these individuals or families and how best to connect investment to the achievement of these outcomes.

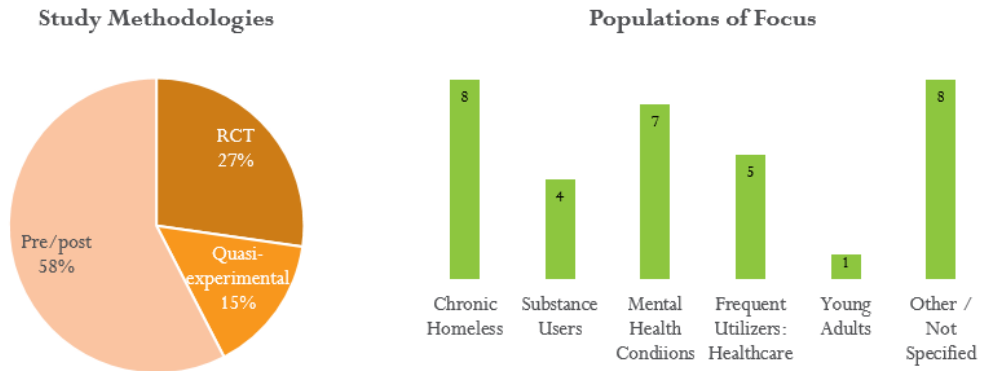
STATUS QUO COSTS OF SUPPORTIVE HOUSING TARGET POPULATIONS

A key driver in developing the buy in and political support necessary for a Pay for Success project focused on supportive housing is the ability to demonstrate the current costs and outcomes for high-need populations interacting with local systems of care. This analysis typically seeks to determine the value to be created through the cost savings, cost avoidance, and/or improved outcomes that would result from implementing supportive housing. A major focus of our work with participating communities is to explore these costs and help establish this value case to the multiple local partners involved.



To assist communities in estimating the status quo costs and utilization for various target populations, we conducted an extensive review of the national literature and developed estimates for commonly observed cost drivers associated with the homelessness, healthcare and criminal justice systems. The evidence used to develop these estimates consistently demonstrates the high usage and costs associated with a highly vulnerable population experiencing housing instability. The table below outlines the estimates for three target populations that local communities often seek to serve through Pay for Success projects.

CSH reviewed 33 studies evaluating supportive housing programs published between 2002 and 2016



National Estimates of Status Quo Costs Based on Literature Review									
Target Population:		High Utilizers of Criminal Justice		High Utilizers of Healthcare		People Experiencing Chronic Homelessness		Average Across All Three Populations	
Cost Driver (Per Person)	Unit Cost	Units Per Year	Annual Cost	Units Per Year	Annual Cost	Units Per Year	Annual Cost	Units Per Year	Annual Cost
Emergency shelter days	\$24	91	\$2,153	32	\$759	132.6	\$3,145	85.2	\$2,019
Emergency Room visit	\$648	3.4	\$2,190	6.44	\$4,173	3.4	\$2,197	4.4	\$2,853
Hospitalization	\$5,000	1.7	\$8,475	2.36	\$11,800	2.8	\$13,960	2.3	\$11,412
Hospital bed days	\$4,595	8.6	\$39,517	10.02	\$46,042	9.3	\$42,734	9.3	\$42,764
Ambulance trip	\$704	0.8	\$535	0.4	\$282	1.0	\$669	0.7	\$495
Detox visit	\$150	0.6	\$90	2	\$300	4.9	\$728	2.5	\$373
Jail bed day	\$280	23.8	\$6,664	15.75	\$4,410	13.4	\$3,741	17.6	\$4,938
Number of arrests	\$50	2.5	\$124	1.6	\$80	0.7	\$36	1.6	\$80

While these national estimates have helped further conversations in local communities and secured buy in and political will, we have found that the use of local data is critical to going beyond feasibility and moving towards implementation of a Pay for Success project. The table below provides examples from three organizations that utilized local data through the feasibility process to calculate annual per person utilization and costs for high utilizers of healthcare and/or criminal justice resources experiencing homelessness.

	ECHO		San Diego Hsg. Commission		VOA Delaware Valley		Average Across All Three Communities		
Target Population:	High utilizers of healthcare and criminal justice		Homeless high utilizers of healthcare		Homeless high utilizers of healthcare				
Cost Driver (Per Person)	Unit Cost	Units Per Year	Unit Cost	Units Per Year	Unit Cost	Units Per Year	Unit Cost	Units Per Year	Avg Cost
Emergency shelter days	\$20	30	\$75	90	N/A	N/A	N/A	N/A	N/A
Emergency Room visit	\$1,400	13.27	\$641	10	\$602	10.68	\$881	11.32	\$10,473
Hospitalization	N/A	N/A	\$7,661	6	\$9,462	2.82	N/A	N/A	N/A
Hospital bed days	\$4,800	14.38	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ambulance trip	\$876	9.03	\$451	11	N/A	N/A	N/A	N/A	N/A
Detox visit	N/A	N/A	\$400	7	N/A	NA	N/A	N/A	N/A
Jail bed day	\$97	45	\$137	40	\$150	12.92	\$128	32.64	\$3,923
Number of arrests	\$153	2.63	\$150	3	\$270	0.91	\$191	2.18	\$366

These data provided a more meaningful estimate of the status quo costs of their specific target populations; and, coupled with estimates of usage and cost reductions due to the provision of supportive housing, demonstrated the value of the project to interested stakeholders and potential end payers. Local data allows communities to:

- **Bring important local stakeholders and end payers to the table upfront through an investment in data integration activities.** Through the experience of sharing and analyzing data, local partners start to speak a similar language and break down cross system barriers. Additionally, a relatively small, initial investment in data analytics can lead to further commitment to the project and the local partnership.
- **Zero in on a specific population of high utilizers by establishing parameters for high utilization based on specific community dynamics, partners, or characteristics.** For instance, Austin focused specifically on high utilizers of criminal justice resources and therefore established parameters that ensured their project targeted not only the highest utilizers across all systems, but specifically the highest utilizers of criminal justice resources.
- **Enhance data analysis and intervention design through direct knowledge and input of the individuals who live in the community and access the systems.** Because the individuals are known to project partners, additional context about their lives and experiences can be used to improve the analysis, conclusions, and the design of the supportive housing intervention.
- **Factor in local policy and practice variations for specific geographies.** For instance, emergency shelter systems vary widely across communities due to several factors, including climate differences, funding, operator orientation and alignment with housing first principles, and the accessibility to vulnerable populations. The estimates based on national studies as well as those observed by ECHO and the San Diego Housing Commission demonstrate this variation.
- **More accurately reflect costs and utilization.** Although the evidence base for supportive housing’s impact on individuals and communities is good, application of national cost estimates will never be able to fully substitute for local cost data that reflects the specific economics of the place and time in which they are generated.

- **Fill gaps in the current literature.** The costs per unit of two commonly observed cost drivers – hospitalizations and number of arrests – were based on assumptions and not supported directly through published research. In comparison to the national data, some local communities that collected data on hospitalizations and number of arrests demonstrate higher per unit costs than the national estimates.

BENEFITS OF PAY FOR SUCCESS AND SUPPORTIVE HOUSING

Emerging Benefits of Supportive Housing

All communities expressed the limitations in the available data to capture the comprehensive value to be created from implementing supportive housing. However, communities emphasized the importance of highlighting these benefits – stating that they are just as or sometimes more valuable than the cost avoidance to public systems and resources. These additional “quality of life” benefits occur at both the client and community level and may be difficult to capture, monetize or both. Commonly identified benefits include:

- Increased likelihood of employment / decreased dependence on benefits
- Improved lifestyle leading to reduced probability of the onset of health conditions such as diabetes
- Reduced police time spent ‘moving people on’ or away from a targeted neighborhood
- Improved aesthetics of local areas, leading to further business development
- Increased empowerment through choice of housing
- Improved relationships with family and friends
- Improved self-rated health

Although in some cases, these benefits from supportive housing have been demonstrated through published research studies, often they are cumbersome to collect through regular course of business and challenging to monetize. The study of the economic benefits of happier and healthier individuals and greater social connectedness is gaining traction, but remains far from nearing a point where a direct evidential link can be established generally, and especially for supportive housing. Additionally, many call into question the very exercise of monetizing these types of quality of life indicators, both from a cost of data collection perspective as well as a philosophical one. Nevertheless, the ability to better understand these additional benefits from a research perspective would likely add to the value case for supportive housing and calls for increased public and private investment.

Benefits of Pay for Success to Local Communities

Across participating sites, several themes emerged around the benefits of using Pay for Success to increase supportive housing:

- **Pay for Success can help develop public-private partnerships.** Pay for Success can bring private, socially motivated investment to pay the upfront costs of supportive housing and services. In many jurisdictions, local and state policymakers often look for ways to build additional partnerships with the private sector and Pay for Success is generally appealing to the members of the business community interested in social impact.
- **Pay for Success allows for more formal and intentional evaluation of additional metrics collected and analyzed alongside metrics required for contract and payment purposes.** Through the rigor of Pay for Success evaluation, communities have an opportunity to collect other measures associated with community integration and quality of life improvements.
- **Pay for Success can test the effectiveness of interventions that are not currently reimbursed through Medicaid funding.** The flexibility of Pay for Success funding enables communities to test new ways of working or new services that could be reimbursed through Medicaid in the future, if the results are positive. It has been helpful to consider Pay for Success as a demonstration for measuring the results of an enhanced service package, which could include activities such as arts programs and other community or connections-based groups.

- **Pay for Success can improve accountability for services funding.** Quantified outcomes of a Pay for Success initiative can provide a mechanism to both demonstrate the impact of housing and service providers as well as hold them accountable for public resources and funding. This is a common interest of communities in the shifting and challenging funding environment, where more justification is often expected for allocated funds.
- **Pay for Success can support individuals who otherwise ‘slip through the cracks’ of federal funding.** Pay for Success can harness private investment dollars to fund rental subsidies for individuals who currently do not qualify due to federal eligibility restrictions and prioritization requirements. This is particularly important for communities targeting populations which have frequent interaction with jail and may therefore lose eligibility for HUD-funded vouchers that define homeless ‘chronicity’ to exclude individuals staying within jail for particular lengths of time.

In some communities, these benefits – in particular, alignment with larger political priorities and local pressure to house and improve outcomes for a particular population – created the most interest and buy-in for the Pay for Success feasibility work.

THE ROAD AHEAD

Through this technical assistance initiative CSH greatly valued the opportunity to collaborate with the twelve diverse organizations and communities. As we continue to engage in Pay for Success work across the country, we see opportunities to further build upon the lessons learned from this initiative by:

- Providing additional support and tools to communities to **build local data infrastructure**, including the capacity to collect, analyze and integrate cross systems data
- **Increasing standardization** of the definitions and methodology for collecting, analyzing, and determining status quo costs for vulnerable populations. Standardization could have the following benefits:
 - Add to the evidence base and increase the on-going accuracy of estimates as communities work towards scaling supportive housing interventions
 - Make it easier for national and multi-state private sector organizations to evaluate and invest in projects due to consistency and confidence in understanding projected outcomes and cost avoidance
 - Reduce costs associated with developing outcomes framework and evaluation methodology across pay for success projects
- **Quantifying the full scope of benefits of supportive housing.** Continued research into these additional quality of life benefits and the associated economic impact could engage an even broader cross sector collaborative effort and bring in additional investors.
- Continuing to **build the capacity of supportive service providers** to engage in outcomes focused initiatives like Pay for Success.

We continue to believe that Pay for Success can be a key strategy to advance supportive housing scaling and support communities’ effort to invest in what works. Key factors to a community’s success in advancing Pay for Success include; a committed, multisector leadership group with a strong leader, an innovative and supportive end payer, a strong desire to support a specific high-need, vulnerable population and the commitment and infrastructure to better use data to inform decision-making. Pay for Success’ blend of private investment, public sector commitment, and focus on robust outcomes offers unique benefits to local communities. It addresses common roadblocks to scaling supportive housing, including; lack of understanding/concern towards vulnerable populations and the indirect impacts communities face, gaps in federal funding to address specific local needs and a perceived or real lack of consistent and high quality supportive services.

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The Social Innovation Fund was a program of the Corporation for National and Community Service that received funding from 2010 to 2016. Using public and private resources to find and grow community-based nonprofits with evidence of results, Social Innovation Fund intermediaries received funding to award to subrecipients that focus on overcoming challenges in economic opportunity, healthy futures, and youth development, all important aspects of supportive housing. Although the last Social Innovation Fund intermediary award was made in fiscal year 2016, intermediaries will continue to administer their subrecipient programs until their federal funding is exhausted.

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