



Friday, April 19th, 2019

Pay for success and the permanent supportive housing model

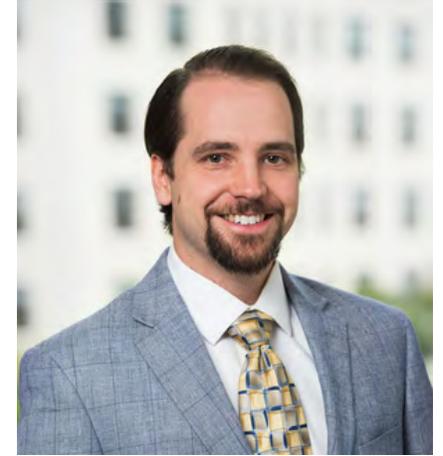
Agenda

- What is pay for success
- Case study: Denver
- Pay for success exercise

Introductions



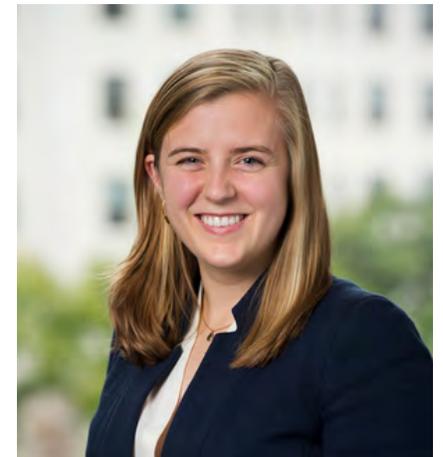
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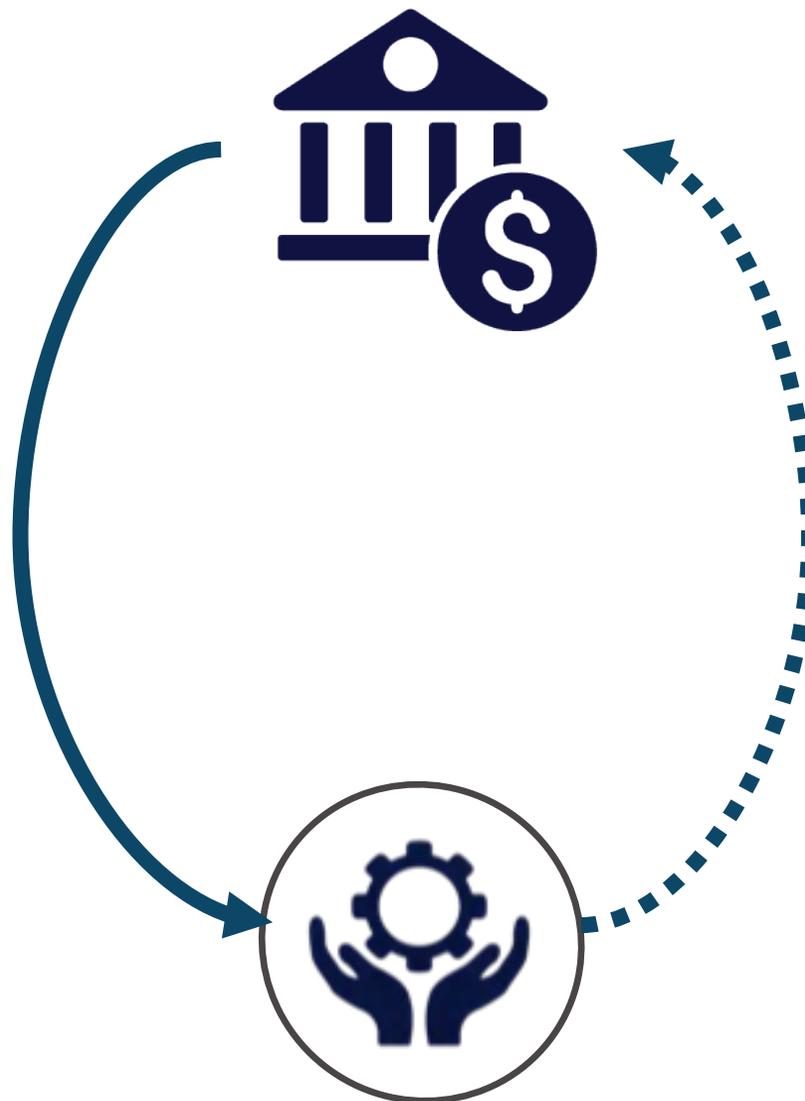
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What is pay for success?

How do governments typically pay for services?

Pay for activities and (sometimes) outputs

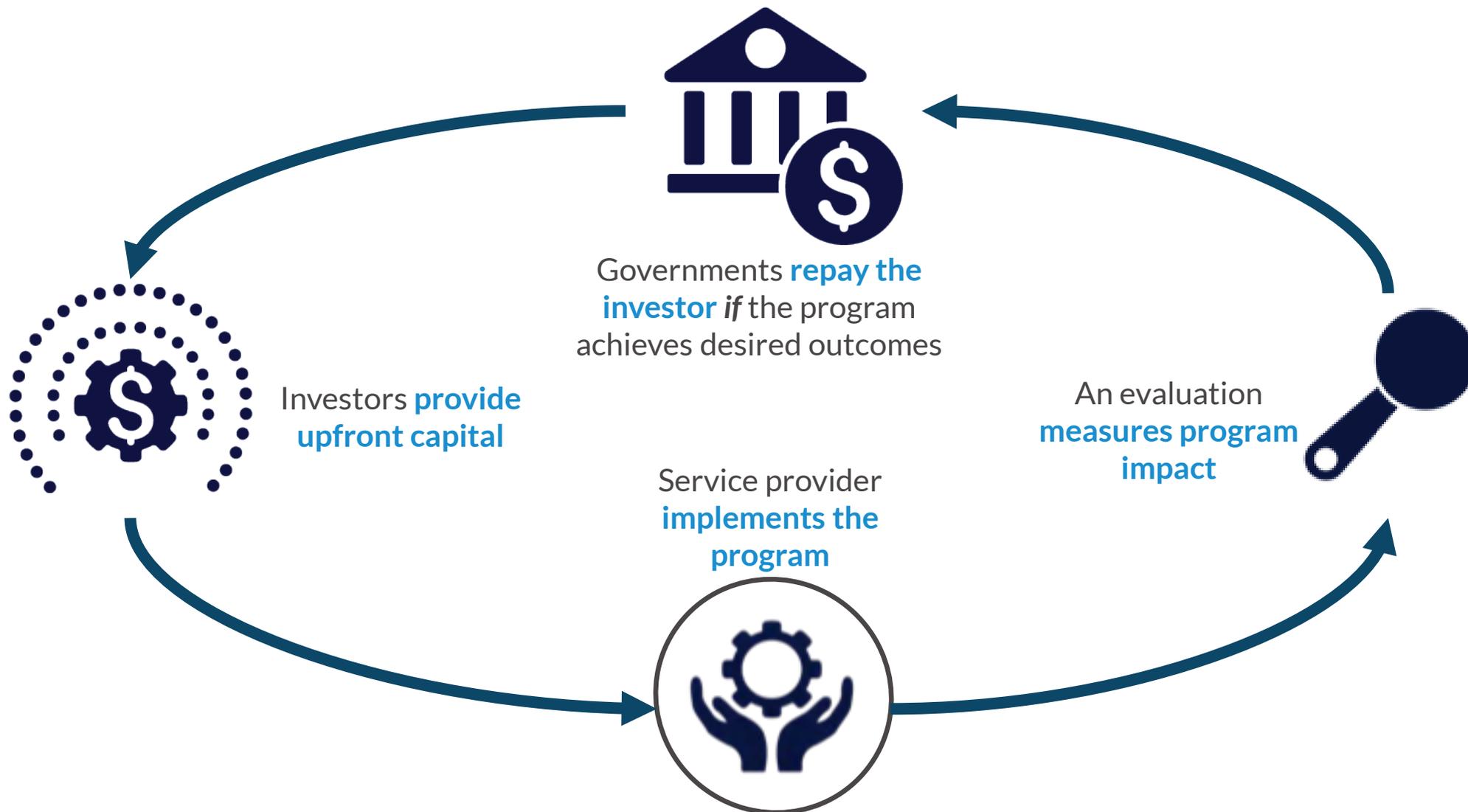
- Bear all the risk
- Hope for success



Why don't they just pay for outcomes?

- Most service providers can't wait
- Outcomes are not always tracked

How is PFS different than business as usual?



There are a range of actors involved in a pay for success transaction



PFS projects target a wide range of social outcomes

8  CRIMINAL JUSTICE

5  HOMELESSNESS

3  MATERNAL
& CHILD HEALTH

2  EARLY CHILDHOOD
EDUCATION

2  CHILD WELFARE

2  MENTAL HEALTH

2  WORKFORCE

1  ENVIRONMENT

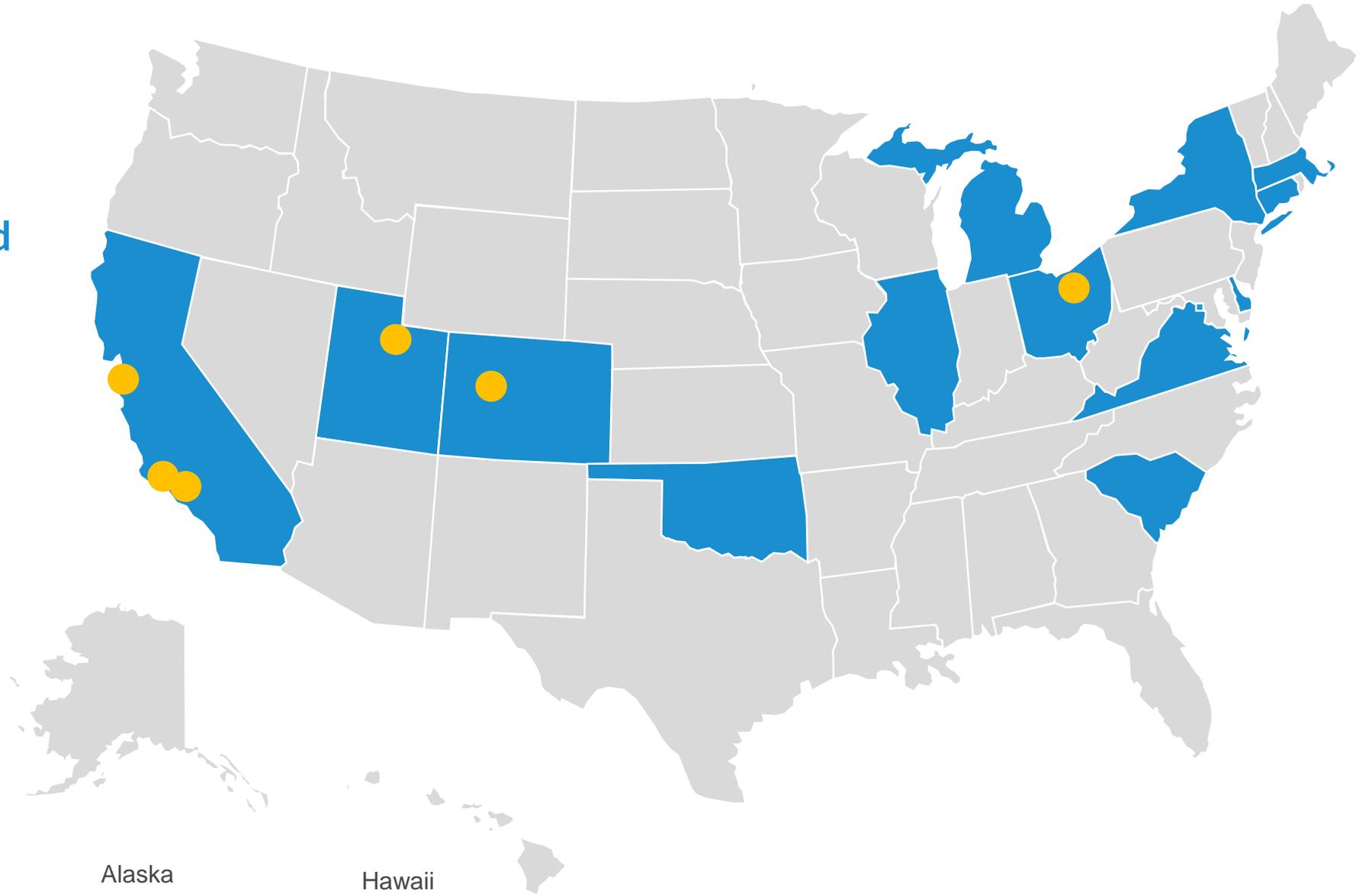
1  BLOOD DONATIONS

Source: "Projects," Nonprofit Finance Fund, accessed February 5, 2019, <https://www.payforsuccess.org/projects/>.

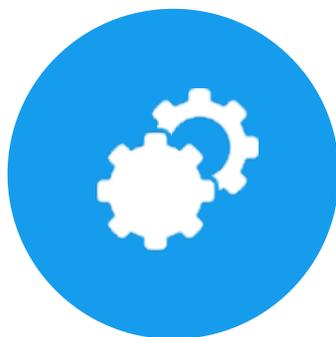
Note: Some projects span multiple sectors.

Pay for success geography

Launched and completed
projects as of December
2018



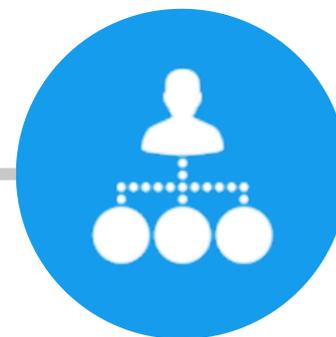
Why pay for success?



Pay for
outcomes

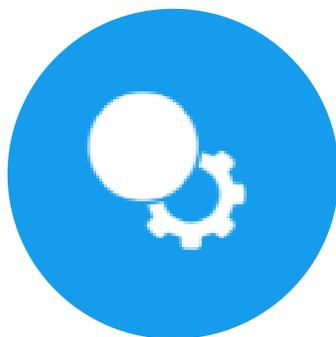


Scale evidence-
based programs



Shift risk to new
actors

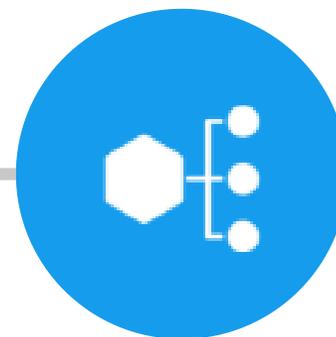
Potential risks involved in PFS projects



Perverse
Incentives



Reputational
Risk



Complexity

Denver Social Impact Bond Example

Denver SIB - Quick facts

Program Model: Permanent Supportive Housing and Assertive Community Treatment

Population: 250 frequent users of city services who are also homeless

Outcomes: Housing Stability and Jail Bed Days

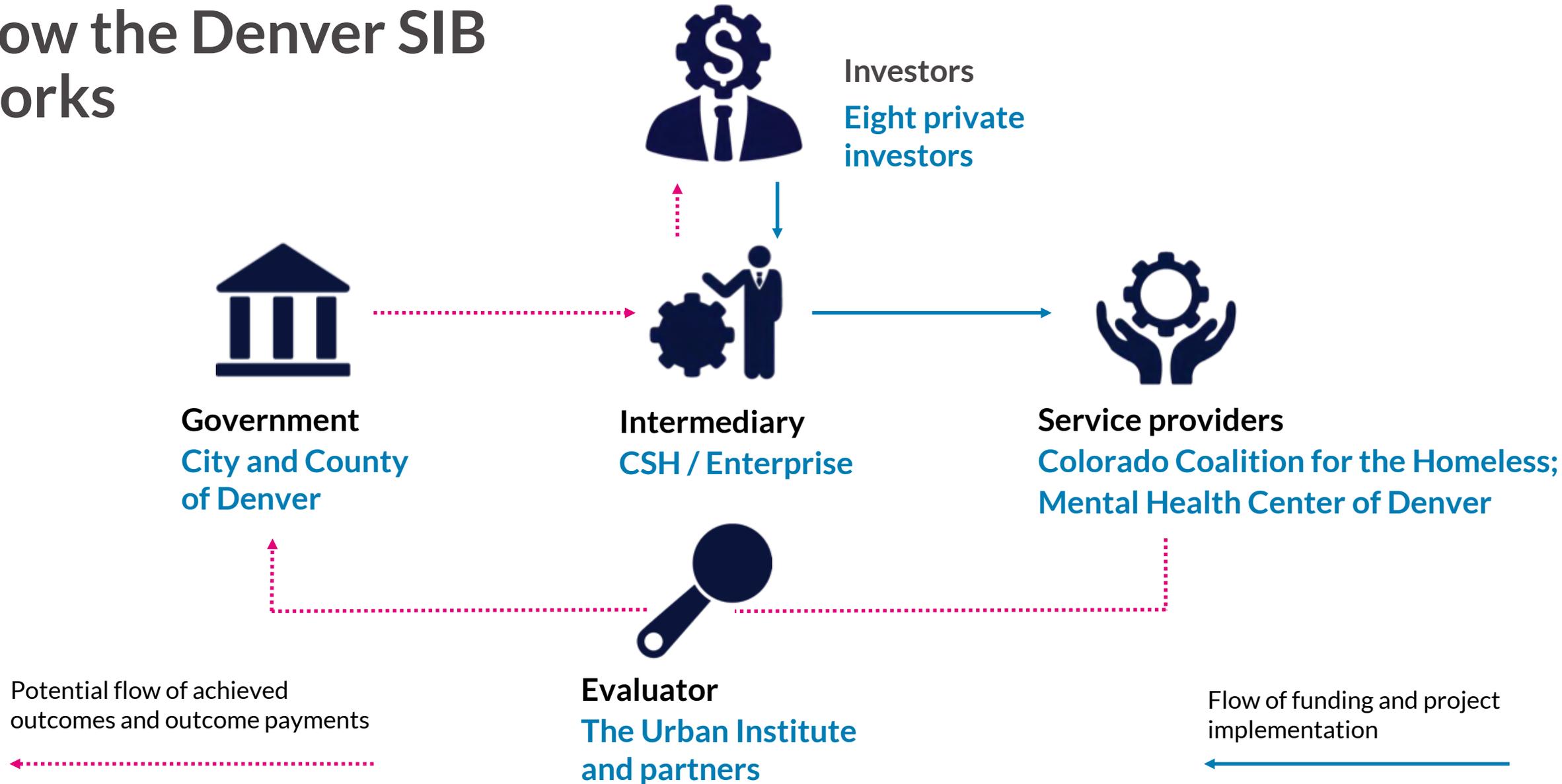
Total cost: \$24.6M

PFS Investment: \$8.6M

Expected Return to investors: 3.5%



How the Denver SIB works



Why PFS in Denver?

Each year, 250 most expensive chronically homeless individuals account for:

- 14,000 days in jail
- 2,200 visits to detox centers
- 1,500 arrests
- 500 emergency room visits



Denver **spends approximately \$7 million on 250 individuals annually** to cover these expenses.

The Denver SIB uses a variety of funding sources

PFS Financing (\$8.6M)

- Flexible funding to address client needs
- Assertive Community Treatment
- Short – term rentals

Housing Resources (\$10.8 M)

- Low-Income Housing Tax Credits
- Housing Vouchers

Medicaid Funding (\$5.2 M)

- Colorado Access
- Health care related services

\$9.6 million pay back
 • 85-90% housing retention
 • 35-40% reduction in jail days

\$11.4 million pay back
 • 100% housing retention
 • 65% reduction in jail days

Denver Savings vs. Payment to Investors

■ City Savings ■ Payments to Investors

\$3 million pay back
 • 50% housing retention
 • 0% reduction in jail days



Pay for Success Exercise

Exercise

- Homelessness is a growing issue in Cardinal County, particularly among individuals experiencing chronic homelessness. They frequently cycle through jail, detox units, mental health crisis units, emergency rooms and shelters. This imbalance of resources is both costly to local government and means that they may not be receiving the support services they need.
- As a result, an intermediary has approached Cardinal County about using pay for success to launch Permanent Supportive Housing, an evidence based approach that has been shown to improve housing, health, and criminal justice outcomes.
- **Should your organization participate in this project?**

Roles

1. Government end payor

The entity, usually a government agency, that repays the investors if a PFS project is successful.

2. Private end payor

The entity that repays the investors if a PFS project is successful. If the hospital agrees, this would be the second nongovernmental endpayor.

3. Service provider

The organization that is responsible for carrying out the program.

4. Funder

An institution or person who provides the up-front capital investment in a PFS project, usually with the expectation of repayment if the project is successful.

THANK YOU!