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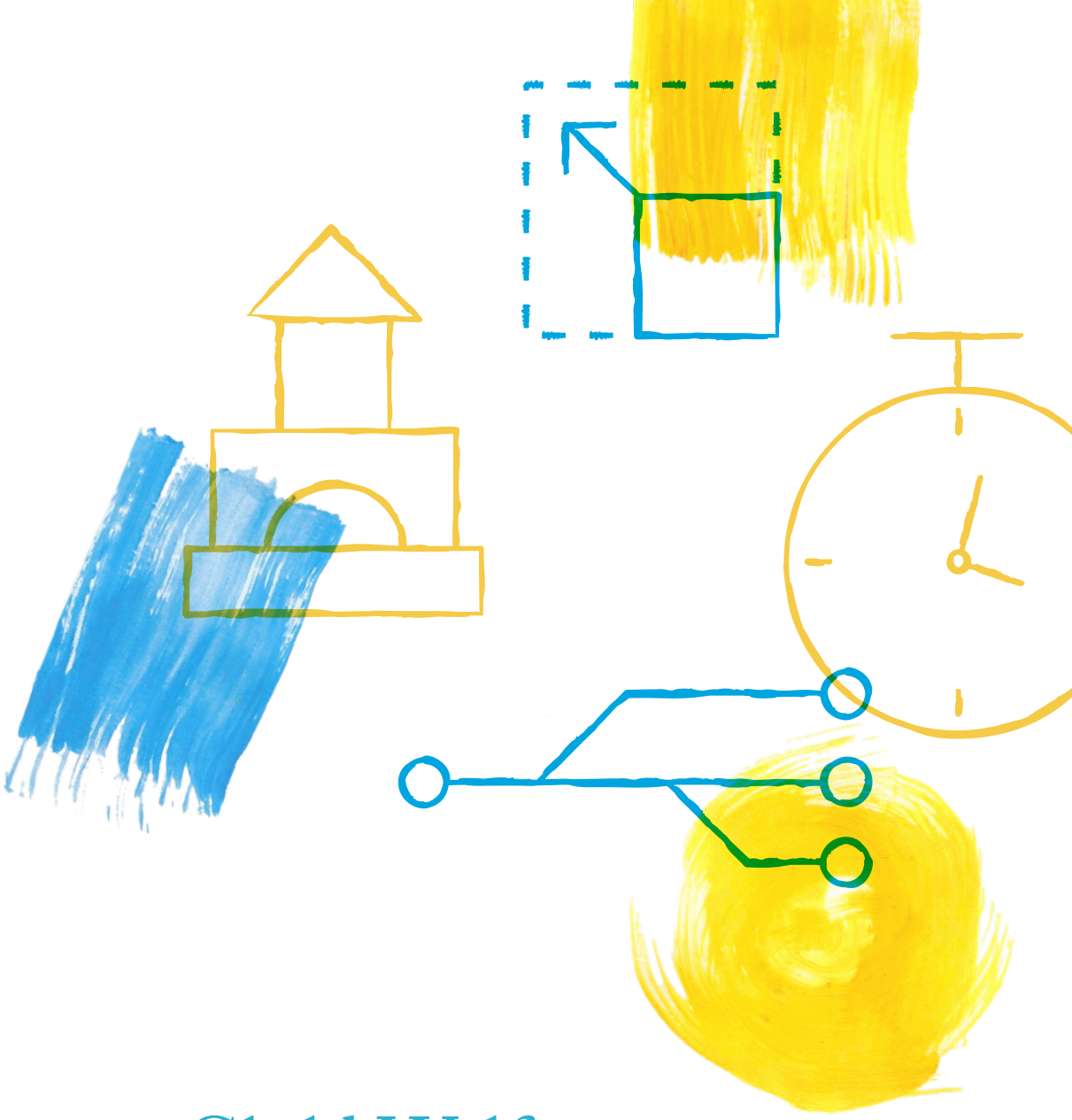

JULY 2019

Innovation in Child Welfare Through Pay for Success

Lessons Learned from Safe Families for Children

BETTER GOOD GROUP

Jon Klinepeter, Founder

LISC

Anna Smukowski, Senior Manager

Samantha Creath, Loan Monitoring Officer

Terry Gillen, Former Pay for Success Director

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Executive Summary

The United States foster care system is in crisis. With an estimated 438,000 youth residing in foster care at any one time, and over 270,000 children entering every year,[1] the number of incoming children outpaces the number exiting. The current system is fragmented, lacking in resources, and facing additional strain due to the opioid epidemic.[2] In an attempt to innovate how government and nonprofit organizations think about providing services, Pay for Success (PFS) has emerged as a potential solution to scale programs with the most promising outcomes. Safe Families for Children (Safe Families), is expanding its evidence base through a randomized controlled trial (RCT) demonstrating that its intervention prevents at-risk children entering the child welfare system. Despite positive interim results, Safe Families, like other promising programs, has encountered significant barriers in scaling its model using PFS.

This report is based on the experience of LISC and Safe Families engaging in child welfare PFS transaction structuring in eight states, including telephonic interviews conducted in fall 2018 with the key partners involved in the project to date.[3] This report presents barriers faced by stakeholders[4] engaged in Safe Families PFS transaction structuring, and how these challenges are exacerbated by the sensitivities of working in child welfare. We then provide an overview of potential opportunities to engage child welfare in outcomes-based contracting and PFS projects in the future.

LISC's Role and Pay for Success

In 2017, Local Initiatives Support Corporation (LISC) partnered with Safe Families for Children, a volunteer-facilitated prevention model for diverting children on the brink of entering foster care, to launch a Pay for Success (PFS) program. PFS is outcomes based, which is why it has potential to be a good fit for incentivizing service providers to measure their impact and for governments to enter into contracts with prevention programs. The Safe Families project is supported through funding awarded to LISC in 2016 from the Social Innovation Fund (SIF) to provide consulting services to help organizations structure and scale effective programs through PFS.

What is Pay for Success?

Pay for Success (PFS) leverages upfront philanthropic and other private dollars to fund social service programs that demonstrate success through measurable outcomes. PFS ultimately seeks to change the way government spends taxpayer money, increasing efficiency and accountability by focusing on lower-cost preventive interventions that have long-term positive effects for individuals together with long-term savings for increasingly strained public budgets.
PFS works by tapping private capital to take on the risk of providing upfront financing for social programs, with the agreement that the public funding source will repay investors after evidence that people have in fact been helped.
It encourages cooperation between local groups, the private and philanthropic sector, and government.

About Safe Families for Children

Founded in 2003 by Dr. David Anderson of Lydia Home Association, Safe Families is a volunteer-driven program designed to prevent placement of children into state protective custody and child abuse recurrence. Operating more than a hundred chapters across the United States, the United Kingdom, and Canada, Safe Families partners with a variety of faith-based nonprofits, churches, ministries, and other local community organizations to offer voluntary placement arrangements to families in need. Each chapter recruits and oversees a network of local host families with whom parents can voluntarily place their children in times of crisis. The organization's three primary objectives are to (1) keep children safe during a family crisis such as homelessness, hospitalization, or domestic violence in an effort to prevent child abuse and/or neglect; (2) support and stabilize families in crisis by surrounding them with caring, compassionate community; and (3) expedite reunification with families and reduce the number of children entering the child welfare system. Since inception, Safe Families has facilitated more than 35,000 hosting arrangements and maintains more than 25,000 volunteers across the United States.[5] An average stay with a host family is six weeks, with 70 percent of children ages five and below. Children who were supported by Safe Families home placement returned to a parent or a relative 91 percent of the time, with only two percent entering the foster care system, while the other seven percent are relocated to other hosting arrangements or placed in alternative programs.[6]

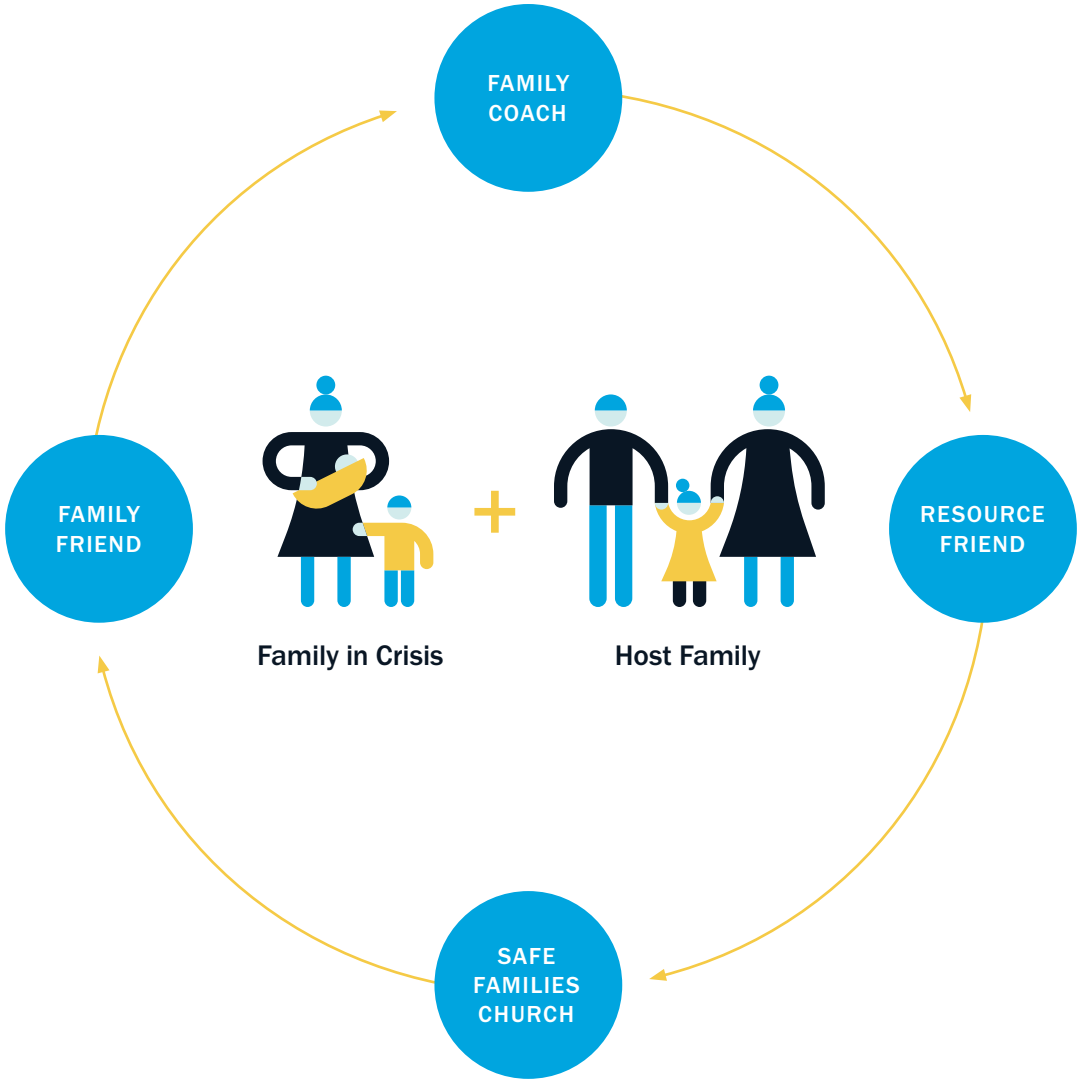
Since inception, Safe Families has facilitated more than 35,000 hosting arrangements and maintains more than 25,000 volunteers across the United States.

Safe Families diverts children from entering the child welfare system and keeps families closer together in times of crisis. With the rise of the opioid epidemic in rural and urban communities, families are experiencing financial crisis, unemployment, and homelessness.[7] Others are dealing with family violence, parental drug and/or alcohol use, illness, or incarceration. Parents in need voluntarily approach Safe Families through a self-referral or other referral sources to place their children in the temporary care of a host family. Historically, extended family often stepped in to support parents by taking care of children for short periods of time, and neighbors came alongside families in crisis. The placement of children with close relatives or family friends, referred to as kinship care, is associated with positive long-term behavioral and educational outcomes for children.[8] However, many urban and rural families are socially isolated and their extended family is non-existent or not available.[9] Safe Families' volunteer model resembles the kinship care model since parents can opt to reunify with their children at any time and never lose custody of their children, unless the situation is deemed unsafe.

Another similarity with kinship care is that Safe Families volunteers are not financially compensated for taking a child into their home. This absence of financial motive along with a parent's retention of legal custody creates a more favorable environment for willing participation among parents in crisis.

As a mandatory reporter, Safe Families reports instances of abuse or neglect as necessary to Child Protective Services. While children are staying with a host family, their parents work with family coaches trained to offer emotional and tangible support. The family coaches work with parents to develop goals for reunification and visit the host families' homes regularly to offer guidance and support.

A CIRCLE OF SUPPORT



Pay for Success: A Tool for Scaling Child Welfare Prevention Programs

After 15 years of expanding Safe Families from Chicago to other states and abroad, Founder and Executive Director Dr. David Anderson was looking for a way to scale the program to new geographies in order to serve more families. PFS offered Safe Families the possibility of receiving flexible capital that would allow it to increase collaboration with child welfare agencies and bolster the organization's hundreds of partnerships with local churches and thousands of volunteers across the country. Once the partnership was established between LISC and Safe Families, conversations began with government officials about implementing a PFS project in eight different states.

As a prevention model, Safe Families aims to divert children from entering the foster care system. Under PFS, rather than simply receiving payments for the number of children placed with a Safe Families host family, Safe Families would receive payments based on desired measurable outcomes, such as increasing the number of children diverted from foster care for 3 months after leaving a host family.[10] This outcome goal directly addresses the capacity crisis in foster care that many states are facing, incentivizing their child welfare agencies to consider this innovative program.

Under PFS, rather than simply receiving payments for the number of children placed with a Safe Families host family, Safe Families would receive payments based on desired measurable outcomes.

In order to launch a PFS project based on outcomes, LISC determined Safe Families would need to increase its internal capacity to handle additional financial and operational challenges. With support from LISC, Safe Families engaged a consultant to assist the senior team with budgeting and forecasting for potential PFS sites, building financial capacity, and developing and executing operational and roll-out plans for new sites. Additionally, Safe Families has upgraded its IT systems to better interface with government data systems to track outcomes, and is in the process of developing a mobile application that will allow staff, volunteers, and parents to manage their relationships and follow-up in a more efficient way.[11] In addition to capacity-building efforts, Safe Families is building its evidence base through rigorous testing of its model in the form of a randomized controlled trial (RCT).

As a prevention model, Safe Families aims to divert children from entering the foster care system.

Barriers and Opportunities for PFS in Child Welfare

Through transaction structuring activities, LISC and Safe Families have encountered several barriers and opportunities surrounding the implementation of PFS programs in child welfare.

Barriers to Using PFS for Child Welfare Reform

Risks associated with PFS are especially heightened in the child welfare sector due to the sensitive nature of working with children and families. LISC and Safe Families have gained a better understanding of these sector barriers to implementing PFS in child welfare as well as challenges with procurement reform, service provider readiness, personnel turnover, and stakeholder alignment. While negotiating for a PFS contract, Safe Families has had to maneuver around misconceptions about PFS and the reluctance to try something new. LISC and Safe Families have worked together to address and improve its fiscal and operational capacity in preparation for potential new contracts. Safe Families has also faced significant personnel turnover at the state government level throughout contract negotiations, which happens naturally with election cycles and other political events. Lastly, getting key stakeholders to align behind the mission to prevent foster care placement and focus on outcomes has been challenging within a system that has responded to crisis with a reactive mindset for a long time.

Challenge 1: Procurement Reform in Child Welfare

Procurement rules can raise two sets of obstacles for PFS projects. First, legal and regulatory requirements may prohibit governments from doing multi-year contracts or selecting on the basis of measurable outcomes. Second, some government officials are reluctant to deviate from procurement rules that have been in place for a long time. “Child welfare workers feel a tremendous sense of responsibility and weight for the decisions they are making to protect children,” said James Martin, former director of Maine’s Office of Child and Family Services. “When innovation is presented, it is met with an immediate awareness of the risk that comes with it: risk of a new system, risk of a new provider, risk if the innovation fails, risk if it has unintended consequences.”[12]

Government procurement is a formal regulatory process usually requiring agencies to issue a Request for Proposal (RFP) to organizations seeking funding. According to Beverly Walker, former director of the Illinois Department of Child and Family Services, PFS challenges how government money goes out the door through procurement reform, and some leaders are afraid to change the status quo. Using outcomes-based payments in child welfare was embraced by local officials in Illinois, Kansas, Maine, Minnesota, and Oregon, but the reluctance to change procurement practices to pay for outcomes in an area as sensitive as child welfare has prevented Safe Families from reaching the final stage of an outcomes-based contract. For example, PFS provided an opportunity to discuss contracting in Kansas but in lieu of entering into an outcomes-based agreement, the government opted for a performance-based contract using outputs. The step to PFS was perceived as too large and risky given officials’ lack of experience with the model.

Service providers are incentivized to reduce the cost of services when applying for government contracts to gain a competitive advantage in the bidding process. In reviewing initial proposals by Safe Families, LISC determined the organization was undervaluing its services by not including full administrative and other back-office costs needed to maximize service delivery. As Dr. David Anderson put it, "We were worried that states would have 'sticker shock' when seeing the full cost to implement a program, so we tried to balance our costs with what we perceived they could handle. This concern probably caused us to undervalue our expenses, specifically our administrative costs."

In order for outcomes-based contracting to be successful, service providers need to move past the notion of sticker shock by truly representing the cost and value of their services to potential back-end payors. For example, LISC and Safe Families have worked to create a financial model that represents the costs and benefits of its services by taking a comprehensive look at the cost of care across Safe Families' national footprint. Selecting service providers on the basis of lean overhead ignores the infrastructure needed to be an evidence-based organization, as well as the time and financial resources it takes to build that evidence. Investing in back-office systems like outcomes databases, human resources, and training creates a culture driven by innovation and the stability needed for an organization to expand and successfully serve more vulnerable beneficiaries in the future.

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PFS readiness assessments provide an opportunity for organizations to reexamine their cost structure to understand the true cost of service delivery, and the associated value it can drive for beneficiaries.[13] However, even with these tools, many nonprofits still underrepresent costs during negotiations with back-end payors due to fear of sticker shock. For example, when Kansas privatized its adoption, foster care, and family preservation services through performance-based contracting in 1997, a lack of financial literacy on the part of service providers and a dearth of systems cost data available to the state child services department led both parties into faulty contracts that put many service providers on the brink of bankruptcy.[14]

During initial discussions with Safe Families, government partners wanted to shorten the length of time required to see measurable outcomes due to bureaucratic issues in processing multi-year or sole-sourced contracts. PFS agreements typically must play out over several years, whereas the majority of government contracts are funded and/or renewed on an annual basis.[15] Government payors have to appropriate funding streams in advance of PFS projects launching, leading PFS practitioners to look for alternative payors like insurers or philanthropy to overcome some of these road blocks.[16] Additionally, agencies of state government have different funding streams, and may be mandated to determine a contract's cost/benefit across agencies. Instead of signing a multi-year contract, some PFS transactions have become one-year pilot programs as a way to test and refine the partnership before signing on for a long-term contract. Examples include Michigan's Strong Beginnings pilot to reduce adverse birth outcomes[17] and Idaho's pilot to study scaling of permanent supportive housing in Boise.[18]

Despite these challenges faced throughout the process, PFS conversations opened the door to future outcomes-based contracts between Safe Families and state agencies.

Challenge 2: Service Provider Readiness

To prepare Safe Families for a PFS contract, LISC is working with executive staff to grow operational capacity. Although Safe Families has a national footprint, the capacity of local sites varies, with a heavy reliance on volunteers to perform critical services beyond hosting children in homes. Martin, the former director of Maine's child and family services, said he was hesitant about a PFS project with Safe Families due to the organization's relatively small size in the state, and the length of time it would take to scale its capacity for the intervention. According to Martin, "In child welfare, innovation is very risky because state agencies are under scrutiny, so they are less open to new service providers and innovation because of those risks and unintended consequences." Before these initial concerns could be adequately addressed, the project ultimately stalled due to staff turnover in the state's child welfare agency. However, Safe Families and LISC were able to use this experience to better prepare for meetings with other state agencies, and identify what was needed to build and communicate Safe Families' capacity to take on organizational growth.

> "In child welfare, innovation is very risky because state agencies are under scrutiny, so they are less open to new service providers and innovation because of those risks and unintended consequences."
>
> – James Martin

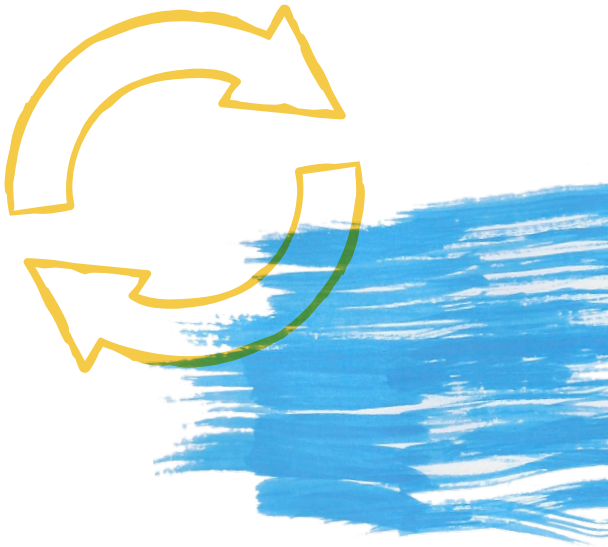
One of the initial readiness challenges that Safe Families had to overcome was its data management capacity. The database it was using for the daily operation of its foster care prevention work was inadequate for scaling and PFS reporting. A LISC consultant partnered with Safe Families to analyze the reporting needs for growth and PFS implementation. Upon completion of that analysis it was determined that the foundation of the database system was effective but reporting modules would be required for future growth and PFS implementation. LISC and Safe Families partnered with an IT systems designer to build and implement a more robust report generator that would integrate with the existing data system. This upgrade helped local Safe Families chapters gain access to needed information to better understand their successes and challenges and prepared the service provider for future growth and expansion.

Challenge 3: Personnel Turnover

Despite the best efforts of service providers, intermediaries, and funders of PFS to negotiate with government partners on potential projects, election cycle turnover can cause projects to derail. In Maine, Safe Families negotiations stalled in 2017 when Martin left his post as director of the Office of Child and Family Services, due to larger Department of Health and Human Services staffing changes in preparation for the 2018 state election. As Safe Families began conversations with government partners in other states, personnel turnover became a common occurrence.

States including Illinois, Kansas, Kentucky, and Maryland have experienced turnover of their child and family services directors since 2017.[19] High staff turnover is particularly pervasive in all levels of child welfare due to burnout caused by long hours, large caseloads, low pay, and frustrating outcomes.[20] At higher levels, director turnover caused by public and legislative scrutiny of high-profile cases partially drives an inability to innovate.

According to the nonprofit Social Finance, in order to work around staff turnover there needs to be a government champion who understands and supports the PFS and intervention model, and has the authority to navigate hurdles within the government, along with the desire to stay in that government position to see the project across the finish line. “We have found that an essential common thread in successful programs is a clear government champion who buys into the model, understands what’s being done and why, and will serve as an advocate for it. This is true for projects at the state, city, and county level of government,” said Jake Edwards, a director at Social Finance. One way to achieve buy-in is to make sure all stakeholders are working toward the same end goals and outcomes.



Building Evidence: Safe Families' Randomized Controlled Trial

The randomized controlled trial study of Safe Families for Children (Safe Families) was just completed.

The randomized controlled trial study of Safe Families for Children (Safe Families) was just completed. With the findings, the evaluators seek to answer this question: Are Illinois children whose parents are investigated by child protective authorities for alleged abuse and neglect less likely to enter state protective custody and public foster care (primary outcome), more likely to avert subsequent abuse/neglect episodes, and more likely to be maintained in or reunified with their birth families (secondary outcomes) for at least twelve months if they are referred to Safe Families' host families network as compared to children from equivalent families who are served through child protective services as usual?

The study is being conducted by independent evaluators from the University of North Carolina at Chapel Hill and the Juvenile Protective Association in Chicago.

A June 30, 2018 report shared initial findings: the Safe Families program in downstate counties of Illinois had a positive impact on the primary outcome of deflecting children from foster care and on the rates at which children were living with their parents at 12 months. The findings also indicate that there are likely aggregate reductions in days of paid foster care and associated cost savings. Preliminary estimates are that Safe Families nets the state a savings of at least $10,450 for every child offered Safe Families compared to services as usual in downstate Illinois counties.

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The summative evaluation of Safe Families was pre-registered only for downstate counties. In Cook County, cross-over rates from the comparison to the treatment group were unacceptably high. Because these problems persisted, the new acting director of the Illinois Department of Children and Family Services requested that Cook County cases be excluded from further evaluation starting in the fall of 2017.

The final report is expected to be released in late 2019.

Challenge 4: Stakeholder Alignment

In interviews, intermediaries and investors involved in successfully launched child welfare PFS projects reiterated the importance of aligning the outcome goals of the project with priorities of state and local governments.[21] Launching a PFS project, they said, requires a cross-functional government team willing to coordinate across departments. When approaching a government partner, it is important to consider what that government's priorities are and who the best champion will be to carry the project forward. For example, the Connecticut Family Stability PFS Project was launched in 2016 after the state received a federal mandate to focus on improving child welfare outcomes, which provided the Department of Children and Families more funding and motivation to improve outcomes in child welfare.[22] While some state and local governments were open to pursuing a PFS contract with Safe Families, when the time came to negotiate, there has been reluctance to use outcomes-based payment terms or evaluations used in traditional PFS models due to the added complexity.

Intermediaries and other organizations echoed that changing the mindsets of both service providers and governments around the procurement process and thinking about outcomes is crucial to launching a project. David Streim, director of investment underwriting for the Nonprofit Finance Fund, said, "I think one of the barriers is that [PFS] requires all parties involved to move beyond asking what is happening in a specific outcome to the more important investigation of why things are happening."

Changing the mindsets of both service providers and governments around the procurement process and thinking about outcomes is crucial to launching a project.

Walker, the former Illinois director of child and family services, emphasized that during the negotiation process, it's best to keep the transaction simple instead of getting lost in process and procedures. In some cases, what is missing is an understanding of the value each stakeholder will gain from the deal. According to Walker, "Outcomes are what the public agency is trying to get out of [the deal], and a social service provider needs to make money." Safe Families as the service provider has a product—the relationship between the volunteer host and vulnerable families—that can drive positive outcomes. As the intermediary, LISC is trying to demonstrate to funders and back-end payors that these outcomes are worth paying for. Once all of the stakeholders agree to the desired outcomes and are aligned on a single mission, the relationships between the public and private sectors should grow stronger.

Pay for Success leverages upfront philanthropic and other private dollars to fund social service programs that demonstrate success through measurable outcomes.

Opportunities to Help Child Welfare PFS Projects Move Forward

In addition to some of the solutions presented above to existing challenges, LISC and Safe Families have identified additional areas service providers in child welfare should focus on to engage in outcomes-based financing.

Opportunity 1: Building Data Capacity of Service Providers

A priority for intermediaries and investors, such as the Kresge Foundation, is to update and build out the data tracking systems of service providers.[23] Whether or not a service provider is applying for a PFS program, a performance-based contract, or another type of funding, funders are looking for organizational accountability and transparency.[24] Putting more of an emphasis on building out data tracking systems is an important long-term strategy for all organizations.

Safe Families' successful scaling in recent years has been due in part to its investment in a customized case management system. It allows Safe Families to track information about volunteers, the children being hosted, and social service agencies. Moving forward, Safe Families has determined that creating a mobile data system will make it easier for volunteers to use the system. The plan is to create a virtual community among volunteers and Safe Families staff.

Service providers must continue to evolve not only in how they manage data, but also in discerning the right information to track and record.

Service providers must continue to evolve not only in how they manage data, but also in discerning the right information to track and record. "PFS programs need to show immediate benefits—through maximizing focus on outcomes and minimizing focus on inputs. This is a significant shift in mindset for service providers. They often lead with the story of their inputs, and very rarely talk about the actual, long-term societal outcomes they have helped to accomplish," said William Wubbenhorst, associate commissioner for the Family and Youth Services Bureau, U.S. Department of Health and Human Services. Having the wrong data managed in a system is not helpful to service providers in the long run, any more than not having a robust and usable system. The need for increased data acumen and sophistication was referenced in the majority of the interviews conducted for this paper. Service providers need development in discerning the correct data to record and greater sophistication in its interpretation and management, and the ones who pursue this comprehension will stand out to potential funding sources in the future.

Opportunity 2: Strengthen the Evidence Base for Promising Child Welfare Programs

PFS transactions rely on an evidence-based program that is designed to address a complex societal issue, but in child welfare this evidence base is lacking. According to University of North Carolina professor Dr. Mark Testa, there are too few programs to address the complex needs of children and families, and of 452 programs catalogued in the California Evidence-Based Clearinghouse, only five of those specifically targeting children served by the child welfare system receive a rating of "well supported."[25]

As part of the selection process to be considered for Social Innovation Fund (SIF) funding, programs had to demonstrate at least a preliminary level of evidence as defined by the Corporation for National and Community Service.[26] Safe Families had initial findings from an RCT conducted on Safe Families' operations in Illinois by independent evaluators from the University of North Carolina at Chapel Hill and the Juvenile Protective Association in Chicago that met the preliminary level of evidence, with indicators that the final study would demonstrate moderate evidence of impact upon completion within the next 6 to 12 months (See "Building Evidence: Safe Families' Randomized Controlled Trial" for more information).[27]

To simplify the perceived barriers and help build up the existing evidence base of programs in child welfare, Testa provides several solutions, including automated randomization.

However, because randomization assigns some study participants to a control group (in this case, services as usual), many Child Protective Services workers did not want to offer an intervention to a vulnerable family that may not get a "yes" to be part of the treatment group. This has caused delays in the study and serves to illustrate some of the barriers to building evidence for child welfare. Additional issues to consider include limited resources to fund RCTs in child welfare, perceptions of evidence-based programs not always being suitable for diverse beneficiaries, and constant concern from government leadership and frontline workers that RCTs have entrenched ethical dilemmas when dealing with vulnerable populations like children and families. To simplify the perceived barriers and help build up the existing evidence base of programs in child welfare, Testa provides several solutions, including automated randomization.[28]

In the experience of LISC and Safe Families, additional solutions to build out an evidence base include pilot programs, the use of rate-card models, and proximal outcomes.

- **Pilot programs** allow a low-risk way to test and refine PFS models before launch. For example, the Oklahoma Women in Recovery Project launched as a one-year pilot program with annual renewal for up to five years.[29] Evaluators can work with project parties to develop an evaluation design that uses the PFS pilot to test and refine outcomes and payment triggers, further building systems to track and measure data of high-performing social service providers. A pilot contract can include triggers for project wind-down, benchmarks for evaluating program success, and provisions for process evaluations to drive efficiencies.[30]

One of the greatest benefits I've seen is in the process of bringing these stakeholder groups together, helping them to align around a shared outcome and goal.

— David Streim

- **Proximal outcomes** can provide an alternative to an RCT or quasi-experimental design to trigger payments. At least four of the 20 launched PFS projects are using previously validated data, or a mix of validated data and experimental designs, to determine payment outcomes.[31] The PFS projects represent a range of policy areas; however proximal outcomes are more common in projects addressing recidivism and homelessness. Child welfare outcomes are present in three of the 20 existing projects. Outcomes less commonly included, as in the case of child welfare, tend to have legal or practical restrictions that complicate incentives and repayment structures.[32] To overcome the time delays and added costs of conducting an RCT to build evidence for child welfare prevention practices and other social service providers, evaluators and payors could create proxies through a literature review and existing evidence.
- **Rate cards** are gaining momentum to simplify outcome payment structures. An outcomes rate card is a list of desired outcomes with a fixed amount the entity is willing to pay for each individual to achieve each outcome. Achievement of each outcome can be verified by administrative data, if needed. Although the majority of PFS projects in the United States have integrated rigorous evaluation designs within the contract, the majority of the 32 PFS projects in the United Kingdom, where they're also known as social impact bonds, use the rate-card approach.[33] Rate cards are appealing to practitioners because of their potential to standardize, simplify, and speed up project development.[34] Safe Families recently signed a three-year contract for a PFS pilot in Oregon. It is anticipated that the contract will use the rate-card approach for payments in year two and three.

Opportunity 3: Bring Investors to the Table

Investors have an incentive to make sure PFS programs are successful, so an ideal investor should already be committed to a particular social issue. For example, foundations are tasked with giving away money for a specific purpose according to their charters. As in achieving goal alignment with a government agency, if the foundation isn't already committed to child welfare or another issue prior to the request for funding, it can take a long time to work its bureaucracy to receive an investment.[35] Despite the initial excitement, uptake of PFS by the private sector has been slow. Now that Safe Families is negotiating an outcomes-based contract with Oregon, it has begun looking for an investor or group of investors to contribute the upfront capital.

A solution that has yet to be explored in the PFS literature involves the timing of bringing investors into the structuring process. Some of the investors and consultants interviewed believe it would be beneficial to include investors in the negotiation process before signing a contract rather than after the details have been finalized. According to David Streim of the Nonprofit Finance Fund (NFF), both investors and lenders are accustomed to having a direct seat at the table for structuring deals and negotiating terms. "One of the greatest benefits I've seen is in the process of bringing these stakeholder groups together, helping them to align around a shared outcome and goal," said Streim. This allows the parties "to move beyond compliance for a contract to really pursuing a macro-level goal together," he said. In some of NFF's deals, the organization has been one step removed

from the service provider, as the government entity is usually driving the structure and negotiations.[36] Involving potential investors earlier in the deal-structuring process may help mitigate some of the financial risk felt by investors because the underlying structure often defines the success of a project. Similarly, in Walker's experience, to get a PFS deal done, someone at the table needs to know how to write a deal and facilitate how to tie payments to outcomes.[37] The PFS model incentivizes the lender or investor to want the service provider to be adequately resourced, as it helps to ensure the success of the project. "We will put up more money to ensure repayment of the investment," said Streim. Including investors at the beginning of negotiations could help align all of the stakeholders on specific outcomes earlier, which could increase the likelihood of signing a deal, and lead to a more meaningful engagement and increased likelihood of overall success.

Opportunity 4: Leverage Family First Prevention and Services Act

The Family First Prevention Services Act (FFPSA) is the first major Federal reform in child welfare in three decades. Signed into law as part of the Bipartisan Budget Act in February 2018, the FFSPA reforms existing federal child welfare financing streams (Title IV-E and Title IV-B of the Social Security Act) to provide services to families who are at risk of entering the child welfare system, and endorses rigorously tested, evidence-based foster care prevention programs.[38] The law will allow federal reimbursement for mental health services, substance use treatment, and in-home parenting skills training beginning October 2019. To comply with the new provisions, states without evidence-based or pay-for-performance procurement regulations may be forced to revise or forgo contracts with existing service providers that do not meet evidence-based standards. However, there is a shortage of programs that meet the FFPSA standards. As currently written, a "well-supported" program must have results supported by at least two RCTs or quasi-experimental evaluations of the program's effectiveness in different, usual care settings. Of the 452 programs catalogued by the California Evidence-Based Clearinghouse for Child Welfare, only 31 (7 percent) have received the highest acknowledgment of effectiveness, a rating of "well-supported." Just five of those 31 are specifically designed or commonly used for children served by the child welfare system.

7%

Of the 452 programs catalogued by the California Evidence-Based Clearinghouse for Child Welfare, only 31 have received the highest acknowledgment of effectiveness.

Based on the current FFPSA guidelines, Safe Families would currently qualify as a moderately tested "promising practice." With one evaluation underway, Safe Families is well-positioned as an organization to potentially benefit from the act, depending on the final RCT results. However, as noted above, the ethical issues that surround conducting an RCT of preventative services in child welfare, primarily withholding services when families and child safety are at risk, have likely hindered other providers from building their own evidence base. It is unclear how many prevention programs would qualify for funding/pilot programs under the current guidelines.

Conclusion

Despite the challenges associated with launching a PFS project, engaging in transaction structuring has provided an opportunity for Safe Families to reassess and reevaluate its program. Supported by the interim results from one RCT, an assessment of internal technology tools, and revised cost models, Safe Families gained tools to emphasize the program's value proposition of improving outcomes for families and children at lower-than-current costs. In the last year, Safe Families had conversations about contracts in eight different states, resulting in one pay-for-service contract and one outcomes-based contract. Although simplified payment structures are becoming more common, government agencies still choose to engage in standard contracts with a prevention provider. Safe Families is more prepared today to track data and use it to continue improving and scaling its impact. Other organizations in the process of scaling can use the lessons from Safe Families' experience in PFS to prepare for the rigors of building an evidence base and overcoming other hurdles.

In addition to testing and scaling effective foster care prevention services nationwide, the PFS outcomes-based model could infuse much needed capital into the child welfare system. The FFPSA also provides an extra incentive for states to contract with foster care prevention models and other family support programs such as the Cuyahoga County Partnering for Family Success Program and the Connecticut Family Stability Pay for Success Project.

Despite the challenges, Safe Families director Anderson believes PFS is worth the effort. "It takes a lot of effort, but it provides a new category of funding, and for people that are charitable to your organization, it shows that you are looking at innovation and doing things differently," he said. "It's been fun to meet with investors and not just ask for a handout, but [working toward] creating partnerships around the goal to reduce child abuse... [Donors] can invest in Coca-Cola or [they] can invest in making people's lives better. It's been a really cool way to talk to people about what they want to do with their capital."

Appendix 1: Interviews

Telephone interviews were conducted in the autumn of 2018 by Jon Klinepeter, Founder of the Better Good Group, as follows:

Ayers, Jeremy (Vice President of Policy, Results for America). September 27, 2018.

Crawford, Jessica (Director, Coalition Engagement and Communications, America Forward). September 25, 2018.

Dunn, Nichole (Vice President of Innovation and Community Impact, Results for America). September 27, 2018.

Edwards, Jake (Director, Social Finance). September 18, 2018.

Foley, Lee (Managing Partner, Capitol Hill Partners; Advisor, America Forward). September 25, 2018.

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Martin, James (Vice President for Programs, Sweetser; Former Director, Maine Office of Child and Family Services). September 11, 2018.

O'Dell, Ben (Program Specialist, Center for Faith and Opportunity Initiatives, U.S. Department of Health and Human Services). September 20, 2018.

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[26] Preliminary level of evidence is defined as evidence based on a reasonable hypothesis and supported by credible research findings that prove that an intervention(s) improved an intended outcome(s). Examples of research that meets these standards include outcomes studies that track participants through an intervention and measure participants' responses at the end of the intervention, and third-party pre- and post-test research studies.

[27] A moderate level of evidence is attained "from studies whose designs can support causal conclusions (i.e., studies with high internal validity), but have limited generalizability (i.e., moderate external validity), or studies with high external validity, but moderate internal validity." Studies with high internal validity will likely use quasi-experimental designs (QEDs) (such as a matched comparison group or a comparative interrupted time series design) or randomized controlled trials (RCTs).

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A Special Thanks to Additional Contributors

Dr. David Anderson
Founder and Executive Director, SFFC

Ken Norwood
Chief Development Officer, SFFC

Donald Smith
Chief Financial Officer, SFFC and LYDIA

Local Initiatives Support Corporation

Together with residents and partners, the Local Initiatives Support Corporation (LISC) forges resilient and inclusive communities of opportunity across America—great places to live, work, visit, do business, and raise families. Since 1979, LISC has invested $20 billion to build or rehab 400,500 affordable homes and apartments and develop 66.8 million square feet of retail, community, and educational space. LISC's Pay for Success work is funded through the Social Innovation Fund, a program of the Corporation for National and Community Service. lisc.org

The Social Innovation Fund

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

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