

By Erin Dalton



## The “Pay for Success” Experiment

It's no secret that a small number of clients and families require millions of dollars in human services each year. We provide them with behavioral health treatment, housing, training, and services to meet their complex needs—all necessary, but often long past the point of prevention.

What if we could also invest as much as we should in proven prevention programs like nurse home visiting, quality early childhood centers, and drug treatment, truly taking them to scale? Imagine the children who could realize their potential, the families who could stay together, and the older adults who could remain in their homes. Thousands of people living better lives—and millions in future spending averted.

But the cost of expanding great programs is daunting. When Allegheny County, Pennsylvania, looked at what it would take to bring just one evidence-based program to scale, its Nurse Home Visiting program, the additional annual cost was \$18 million. In this county, like most in the country, prevention programs are under-capitalized, even though we know they would save money in the long run.

That is why regions are pursuing the idea of social impact bonds (SIBs) as a way of channeling private investment into government-run prevention programs with demonstrated results. In the United States, we have firms like Goldman Sachs investing in cognitive behavioral therapy for prisoners in New York City and early childhood education in Utah. In the United Kingdom, where these bonds first took shape, more than \$80 million is being invested in prisoner reentry, chronic homelessness reduction, and other social services.<sup>1</sup> In each case, the



private investors and government have structured contracts that specify the program's outcomes and how they are independently validated. When the programs achieve those outcomes, the investors make back their money—and more.

Allegheny County is working with the Urban Institute (UI) and local funders to consider this area's first set of social impact bonds, sparked by the federal government's interest in developing more public-private partnerships that would expand the number of people receiving services with proven results. The county started down the

path toward “Pay for Success (PFS),” the federal term for social impact bonds and similar initiatives, when the U.S. Department of Justice awarded it a grant to provide an evidence-based program (technical career training for prisoners) and to design a mechanism for public-private funding of the program in the future.

The Urban Institute, which has developed the intellectual framework that governments and private investors are using to understand when SIBs make sense and how to structure them, was interested in helping Allegheny County work its way

through the steps toward structuring a deal. But it also saw that the county could be a learning laboratory at time when there is a lot of interest in SIBs but too little information about the intricacies of the deals.

Allegheny County is a good place for documenting the nuts-and-bolts of a Pay for Success deal and following the evolution of a SIB because of its unique set of advantages, according to Sam Bieler, an Urban Institute research associate.

“Pay for Success is about demonstrating results, which forces governments, service providers, and funders to really look at the evidence and select high-performing programs. Before they can do that, they need good data systems to identify the most important social challenges in a jurisdiction and collect evidence about what has worked well before, and then have a well-developed local service sector that can deliver these interventions,” according to Bieler. “Allegheny County has been working on all of this for years, and it has longstanding partnerships with local foundations

who care about the community and are interested in exploring ways they can help to pioneer SIBs. The county is now ready to put in place the last piece of the puzzle: focusing on how, exactly, a SIB would be executed.”

Over the next six months, UI will be guiding Allegheny County, foundations, and potential investors in a SIB simulation, applying a process in which they simulate the components of a PFS project. Using cutting-edge cost-benefit projection technique, UI will simulate with funders the key social and financial outcomes of Allegheny County’s new technical careers program, identifying the pieces of information they need to make decisions about participating in PFS deals: how to evaluate evidence to pick high-performing programs and how to measure the risk in a project. This exercise will give Allegheny’s government and funders the tools they need to develop PFS projects that produce real social benefits and positive results for investors.

By the end of the process, the Urban Institute and Allegheny County

will publish five briefs that provide jurisdictions with specific information on the process for structuring a SIB, building social service infrastructure, and evaluating the program to demonstrate impact. These briefs will offer the county and others engaged in PFS with crucial information about how to develop deals that meet the needs of every partner in the project while delivering high-quality services to the populations that need them the most. 

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#### Reference Note

1. <https://www.gov.uk/government/news/30-million-boost-to-improve-the-lives-of-britains-most-vulnerable-young-people>

More information on SIBs and Pay for Success is available at the Urban Institute web site, [www.urban.org](http://www.urban.org).



The advertisement features the APHSA logo in the top left corner, with the text 'American Public Human Services Association' below it. The background is a blurred image of a busy office or public space with many people walking. In the top right, there is a red text box that says 'VISIT THE APHSA JOB BANK WEB PAGE AT APHSA.ORG'. In the bottom left, there is a list of six bullet points in blue text, each preceded by a red dot. The overall color scheme is blue and white with red accents.

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