

BRINGING PAY FOR SUCCESS FINANCING TO SOUTH CAROLINA: RESULTS OF A FEASIBILITY STUDY

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INSTITUTE *for* CHILD SUCCESS

Outcomes for South Carolina Youth

SC ranked **45th** in overall child well-being

Economic Well-Being

- Children in poverty
- Children with a high housing cost burden
- Children with parents lacking secure employment
- Teens not in school and not working

Education

- Children not attending preschool
- Eighth graders not proficient in math
- Fourth graders not proficient in reading
- High school students not graduating on time

Health

- Low-birth-weight babies
- Child and teen deaths/100,000
- Children without health insurance
- Teens who abuse alcohol or drugs

Family & Community

- Children in single-parent families
- Children living in high-poverty areas
- Children in families where the household head lacks a high school diploma
- Teen births per 1,000

Overall Rank

- 1 New Hampshire
- 2 Vermont
- 3 Massachusetts
- 4 Minnesota
- 5 New Jersey
- 6 North Dakota
- 7 Iowa
- 8 Nebraska
- 9 Connecticut
- 10 Maryland
- 11 Virginia
- 12 Wisconsin
- 13 Maine
- 14 Utah
- 15 Wyoming

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- 43 Georgia
- 44 Alabama
- 45 South Carolina
- 46 Louisiana
- 47 Arizona
- 48 Nevada
- 49 Mississippi
- 50 New Mexico

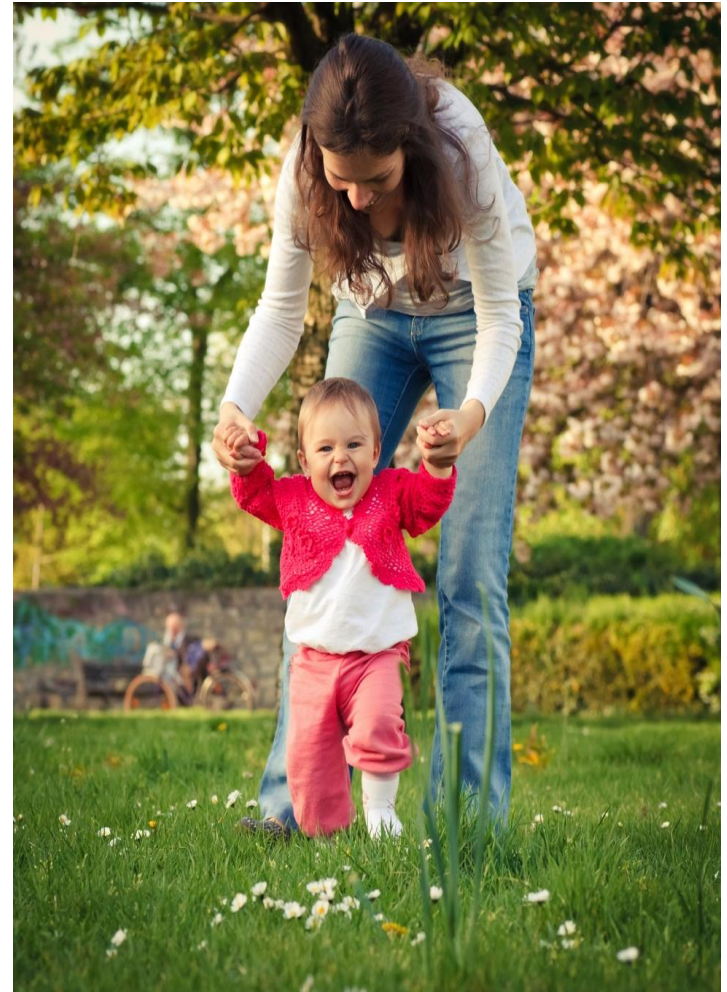
Home Visiting Programs in SC

- Nurse-Family Partnership
- Healthy Families America
- Parent Child Home Program
- Parents as Teachers
- Early Head Start
- Early Steps to School Success
- Healthy Start
- Healthy Steps
- Family Check-Up



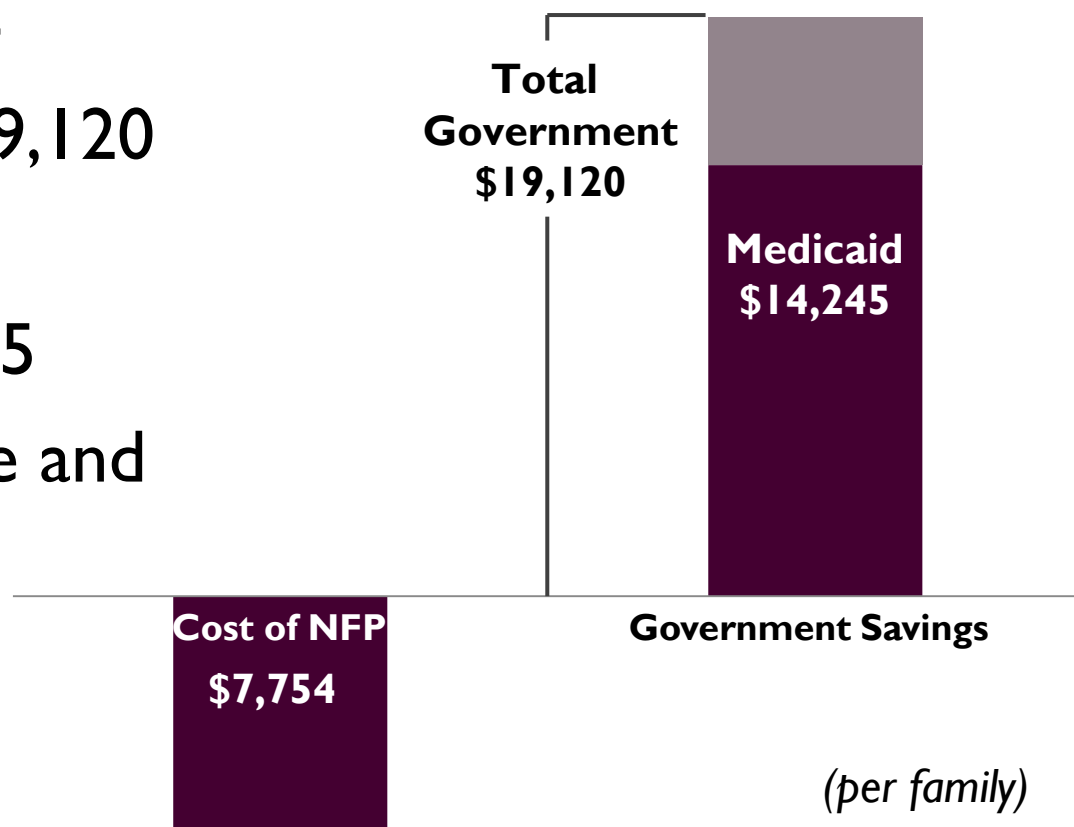
Proven Outcomes of NFP

- Fewer preterm births
- Fewer injury-related visits to the emergency room
- Reductions in child abuse and neglect
- Children more ready for kindergarten
- Fewer closely spaced 2nd births
→ lower risk
- More economically independent mothers
- Less youth crime

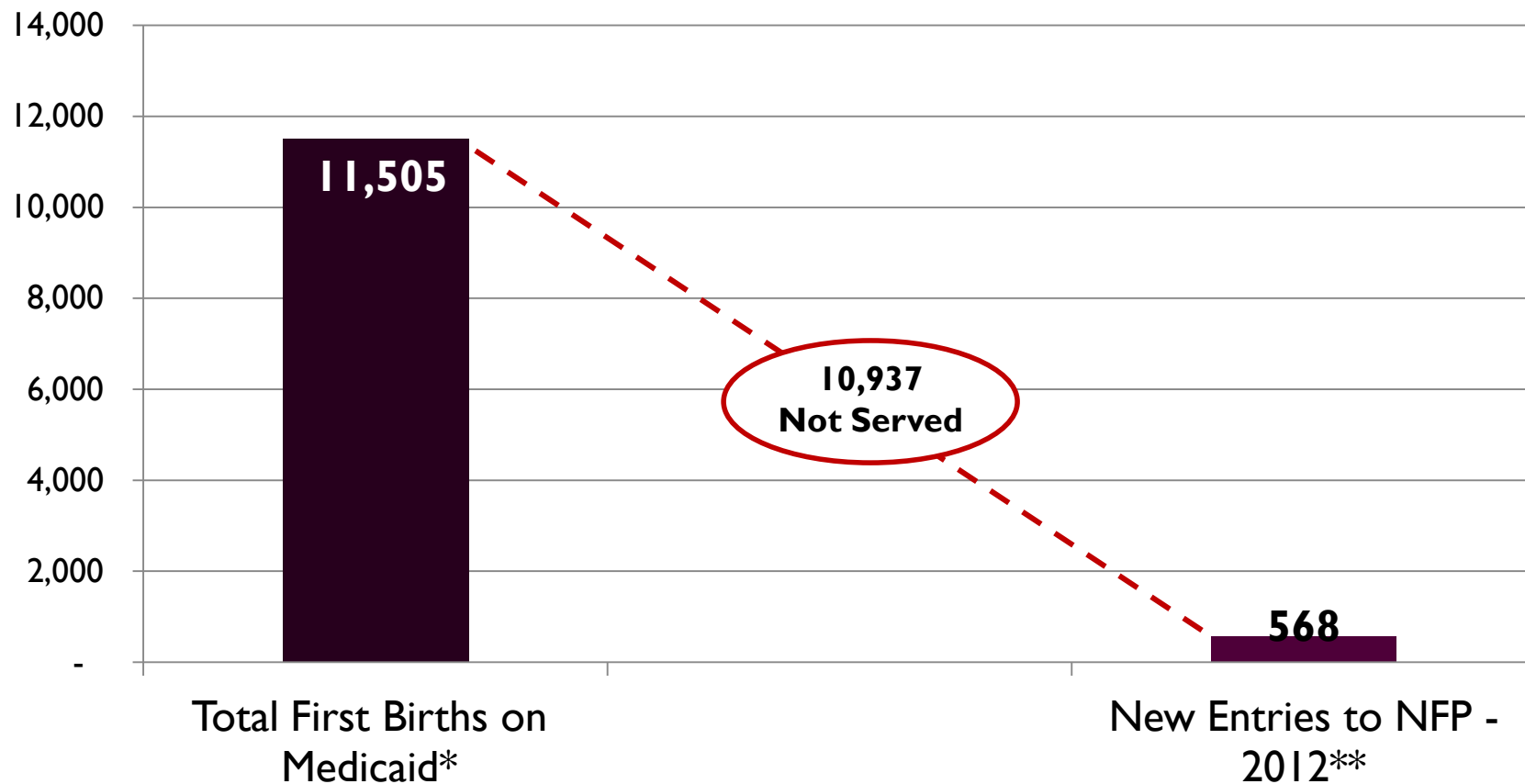


Government Savings* More Than Cover Cost

- Cost of NFP = \$7,754
- Government saves \$19,120 over 18 years
- Medicaid saves \$14,245
- Savings shared by state and federal governments



Unmet Need for NFP in SC



Source: * 2011 Data; Michael G. Smith, SC DHEC, Bureau of MCH

** NFP State Nurse Consultant, South Carolina DHEC

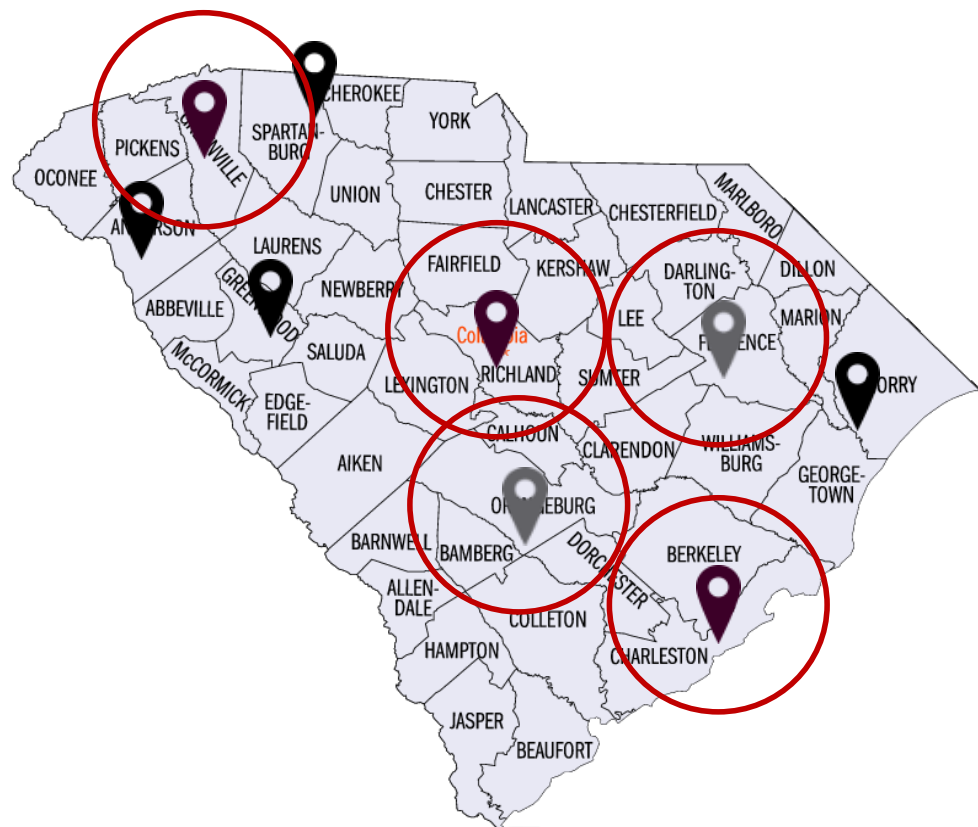
Potential NFP Expansion Strategy

Expand three current locations:

- *Greenville*
- *Richland*
- *Charleston*

Add new location(s):

- *Orangeburg?*
- *Florence?*



Expected New NFP Clients by Site

Region	First Births Paid by Medicaid*	Number Expected to Enroll in NFP per Year	Current Capacity**	Number of New Clients from Expansion
Greenville	1,548	387	94	293
Richland	1,793	448	79	369
Charleston	1,352	338	95	243
Orangeburg	477	119	-	119
Florence	1,153	288	-	288


x 25%

Estimated Costs and Savings

Number of New Clients
2,750
Average Cost of NFP per Family*
\$ 7,754
Cost Over Length of Program
\$ 21.3 million
Net Government Savings
\$ 31.3 million

*Source: Average cost for full 2+ years of program services; Miller, *Cost Savings of Nurse-Family Partnership in South Carolina*, April 2013

Proposal: Base PFS Contract on Health Outcomes

- Health outcomes happen relatively quickly
 - At birth/in first 2 years
 - Can do 4- or 6-year deal
- Government interest in using Medicaid dollars more efficiently

Most promising health outcomes

- Reduce preterm births
- Reduce ER visits for injuries in first 2 years
- Improve spacing of second birth to lower risk

Expected Preterm Birth Reduction by Site

Assuming NFP reduces preterm births by **27.4%***

Region	Current Rate	Post-NFP Expansion Rate
Greenville	11.2%	8.1%
Richland	11.1%	8.1%
Charleston	10.9%	7.9%
Orangeburg	9.7%	7.0%
Florence	13.8%	10.0%

Possible Financing Structures

- Several possibilities for mixing private, philanthropic & government financing to create a viable deal
- Tolerance for risk, required returns vary by funder type
- Government may need to make some non-outcome-based payments to limit down-side risk (i.e. risk that funders lose everything if outcome not achieved)
- The two largest intermediary organizations have prepared proposed structures to consider in Phase 2



Illustrative Term Sheet

Investment Required	\$24 million (\$21.3 m for program + \$2.7 m for intermediary and evaluation)
Term of Financing	6 Years
Total Lifetime Government Savings ¹	\$52.6 million
Government Payout	Up to \$30 million
Commercial Investment	\$12 million
Philanthropic Investment	\$12 million (first loss position)
Investor IRR/Rate of Return	6.0%-10% ²
Philanthropic IRR/Rate of Return	0%-4% ²
Outcomes metrics	Reduction in pre-term births (illustrative)
Evaluation Methodology	TBD
Service Provider	Nurse-Family Partnership Implementation Agencies
Individuals Served	2,750 low-income, first time mothers and their families in South Carolina
Intervention Model	Nurse home visitation during pregnancy and after birth up to age 2

¹ Represents federal and state savings. Source: Miller, *Cost Savings of Nurse-Family Partnership in South Carolina, April 2013, p 1*

² Investment return dependent on various assumptions, including capital drawdown schedule and timing of investor returns.

Early Childhood PFS Challenges

- Early childhood programs have multiple benefits that yield savings to multiple government agencies.
- Benefits take time to accrue.
- High-stakes single outcomes are risky.

Getting Started

- Which outcomes are you confident the program will achieve?
- What savings/benefits do those outcomes produce? To which agencies?
- What will scaling look like? How many people will be served? How much will it cost?
- Do the benefits/savings exceed the costs?
- Is there a government agency (or agencies) willing to pay for the outcomes?

Conclusion



Pay for Success is a *feasible* and promising way to improve outcomes for South Carolina children



Analysis shows PFS could be used to scale up Nurse-Family Partnership; it also may be appropriate for other early childhood interventions



South Carolina should pursue Pay for Success financing for early childhood programs



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