

## Financing Public Health Interventions through Pay for Success: South Carolina and the Nurse-Family Partnership Seek to Improve Maternal and Child Health through Pay for Success

The South Carolina Department of Health and Human Services has engaged in a cross-sector initiative involving the South Carolina Department of Health and Environmental Control, the Nurse-Family Partnership, Social Finance, and a consortium of philanthropic funders to advance an innovative, performance-based financing mechanism to implement and sustain a home visiting program for low-income, first-time mothers. This issue brief will explore the mechanics of this Pay for Success model and its potential to lead to improved health outcomes and strengthened public-private partnerships.

### Introduction: What is Pay for Success?

Individual and community health are driven by forces larger than healthcare alone, and improved health and lower healthcare costs can be achieved by addressing the nonmedical, social determinants of health. Poor health outcomes can often be prevented and minimized through upstream interventions that fall beyond the scope of traditional clinical care, such as interventions in housing and education. State and territorial health departments and other governmental agencies are exploring avenues to support and scale such interventions despite budgetary and resource constraints. The Pay for Success model in particular offers potential to improve population health and lower healthcare costs through an innovative public-private partnership known as Pay for Success.

Pay for Success is a performance-based financing model that relies on a public-private partnership to achieve specific outcomes by scaling up evidence-based social programs. Also sometimes known as a “social impact bond,” Pay for Success is a contract between the government and an intermediary organization. The intermediary will raise start-up funds from private or philanthropic investors and pay a nonprofit social service provider to deliver services that have the potential to improve outcomes and save the government and society money. The government commits to providing payments to the intermediary only if certain pre-determined outcomes are achieved, and those government dollars can be used to repay the initial investors. Outcomes and measures are often determined with technical assistance from academic or nonprofit institutions, and metrics are associated with long-term cost savings and public value for the government. An evaluator typically determines whether the outcomes are achieved using rigorous evaluation methods such as randomized controlled trials (see Figure 1).

This model transfers financial risks for state government agencies to the private sector via building public-private partnerships and increases funding for social programs that can address nonmedical social

### Nurse-Family Partnership in South Carolina:

- In 2015, 27 percent of children in South Carolina lived in poverty, and over half of newborns were born to low-income mothers who qualify for Medicaid.
- The Nurse-Family Partnership home visitation program goals are to improve birth outcomes, improve children’s health and development, and improve families’ economic self-sufficiency.
- South Carolina is using performance-based financing, known as Pay for Success, to fund home visiting for first-time mothers, with a focus on zipcodes with high poverty rates.

Source: SCDHHS. “South Carolina Nurse-Family Partnership Pay for Success Project.” Accessed 7-20-16. Available at [https://www.scdhhs.gov/sites/default/files/2-16-16-SC-NFP-PFS-Fact-Sheet\\_3.pdf](https://www.scdhhs.gov/sites/default/files/2-16-16-SC-NFP-PFS-Fact-Sheet_3.pdf).

determinants of health. Pay for Success offers an opportunity for state government agencies to scale evidence-based interventions and strengthen upstream prevention efforts. Further, the Pay for Success model requires robust measurement and evaluation, offering the ability to measure social outcomes (such as reduced emergency department visits), not just program outputs (such as the number of individuals receiving services). This can also support continuous quality improvement efforts throughout program implementation.

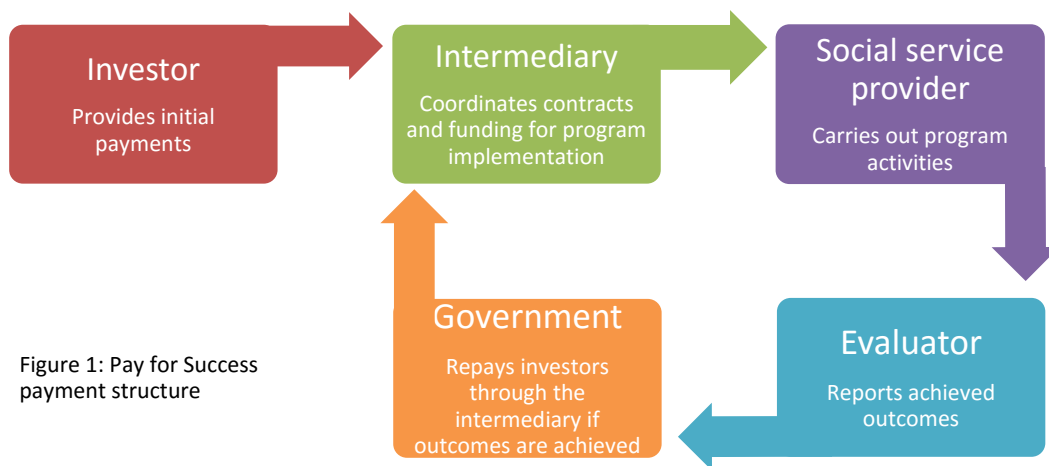


Figure 1: Pay for Success payment structure

### Pay for Success in South Carolina

South Carolina launched an innovative Pay for Success model in April 2016 to expand an existing evidence-based home visiting program that improves maternal and child health in low-income communities. In coordination with the national Nurse-Family Partnership (NFP) program, South Carolina is using a Pay for Success model to fund home visits from registered nurses for low-income, first-time mothers during pregnancy and through the child’s second birthday. During home visits, nurses offer individual coaching and counseling to teach mothers about healthy behaviors during pregnancy and how to support their child’s development. Additionally, nurses offer support to mothers as they pursue educational opportunities or seek regular employment. The evidence-based NFP program beneficially impacts an array of both short- and long-term metrics, including birth outcomes, child development, and maternal health and wellness over the lifecourse. Additionally, the program may help reduce justice system encounters, child abuse and neglect, and government services utilization. The NFP program strengthens families and improves early child development, starting even before birth.

While the NFP program offers a long-term return on investment through improved health and other outcomes, South Carolina has had to overcome funding challenges, in terms of identifying both start-up costs and ongoing funding to expand the program. The Pay for Success model is unique in that private funders provide upfront capital to expand services they believe to be effective. Only if an independent evaluator determines that the program provider has met the outcome metrics previously agreed upon by the funders, provider, and government, will the state government make “success payments” back to the funders along with a small return on their investment. Through the Pay for Success contract agreement in South Carolina, success payments will be cycled back to support future programming. Pay for Success can provide programs with more financial stability for start-up funding than more traditional funding streams like foundation funding, which typically last for a shorter time period. In South Carolina,

its Pay for Success initiative will continue funding the NFP program for the next five years, with the option for continued funding at the end of the project through Medicaid and other funds.

The following is a compilation of steps taken by the South Carolina state government and Nurse-Family Partnership to develop this model:

- The nonprofit, South Carolina-based Institute for Child Success, in partnership with the South Carolina Department of Health and Human Services (SCDHHS), conducted a feasibility study, which concluded that Pay for Success financing was a feasible way to improve maternal and child health outcomes in South Carolina. The Institute worked with NFP, local service providers, state agencies, and other stakeholders to develop a case study of how Pay for Success financing could be used to expand access to NFP services.
- SCDHHS, which is the state's Medicaid agency, decided to pursue a Pay for Success project and launched a procurement process. The state initially determined that Medicaid would be an appropriate funder since research substantiates the NFP model's effectiveness, including projected reductions to Medicaid costs associated with improved health outcomes. However, Medicaid cannot typically be used to pay for the infrastructure required to expand healthcare services. As such, the state decided to pursue a combination of Pay for Success and Medicaid financing as a balanced strategy to finance NFP expansion, with Pay for Success dollars used to expand the program and Medicaid funds used to finance the services provided.
- The NFP National Service Office (NSO), the home visiting model's centralized office, partnered with the intermediary Social Finance to develop a proposal to expand its existing program to new mothers in South Carolina using Pay for Success financing. NFP and Social Finance, in collaboration with the state government, designed and developed the PFS project, including identifying the outcome metrics, payment terms, and evaluation design. NFP selected the implementing agencies that would carry out program activities, and Social Finance raised the necessary funding from a consortium of philanthropic funders, including the BlueCross BlueShield of South Carolina Foundation, The Duke Endowment, and other funders.

The Children's Trust of South Carolina (a non-profit intermediary) holds the consortium's Pay for Success investments for this project and future payments in trust until payment is due under the terms of the Pay for Success contract between South Carolina and the NSO. The Children's Trust of South Carolina has significant experience supporting the implementation of evidence-based home visiting programs in the state through support from the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Program, which is administered by the Health Resources and Services Administration in partnership with the Administration for Children and Families, and provides voluntary, evidence-based home visiting services to at-risk pregnant women and parents with young children. MIECHV supports the implementation of several evidence-based home visiting models in South Carolina (including the Nurse-Family partnership) and also supports home visiting infrastructure in the state.

- Nine NFP implementing agencies currently participate in the project. The South Carolina Department of Health and Environmental Control (DHEC) oversees four sites implementing the NFP program at the regional level; and the Greenville Health System, Spartanburg Regional

Healthcare System, McLeod Health, Family Solutions of the Low Country, and Carolina Health Centers, Inc., are also implementing agencies.

- In order for agencies implementing NFP to bill for services, South Carolina requested a 1915(b) federal Medicaid waiver from the Centers for Medicare and Medicaid Services (CMS) at the U.S. Department of Health and Human Services.<sup>1</sup> CMS approved the waiver in October 2015. SCDHHS pays the implementing agencies on a fee-for-service basis at a rate of \$176 per visit.
- The NSO will use private funding raised through Pay for Success to pay sites directly for a portion of the costs associated with program expansion and development. The philanthropic consortium funding serves as seed money to cover expansion and a portion of implementation costs. Sites bill SCDHHS for the remaining portion of service delivery costs on a reimbursement basis. In this model, the implementing agency is fully funded for the cost to deliver the NFP program, and the payments are tied to the site's ability to meet enrollment metrics, including enrollment of 65 percent of NFP participants from low-income zipcodes. There is no state-level funding for program administration.
- Project partners have agreed to four outcome metrics that are associated with better health and life outcomes for low-income mothers and their babies; a reduction in pre-term births, a reduction in emergency department utilization and child hospitalizations, an increase in healthy spacing between births, and increased service delivery in zipcodes with high concentrations of poverty. If the independent evaluator for the project determines that NFP has achieved each of these outcome metrics, SCDHHS will make a "success payment" up to \$7.5 million back to the philanthropic consortium, which will in turn recycle the funds back to NFP for continuation of services in South Carolina.
- NFP launched a statewide marketing campaign, which includes on-the-ground outreach workers who encourage high-risk mothers to enroll in the program. Additionally, SCDHHS regularly refers newly identified, first-time pregnant women enrolled in Medicaid to implementing agencies.

The pilot phase for this project lasted from January to March 2016, with full implementation starting in April 2016. Twenty-nine of South Carolina's 46 counties are currently receiving services. NSO, in partnership with Social Finance, is routinely examining each site's referral sources and how patterns vary across regions in order to determine how to best promote the program and expand access in target areas, which are defined as zipcodes with high concentrations of poverty. As part of the project, NFP is determining whether it can maintain important health, education, and self-sufficiency outcomes for mothers and children while also reducing programmatic costs, in part through model modernization strategies. SCDHHS will ultimately decide whether to pay for future home visits depending on the results of the project.

### **Emerging Lessons**

Ultimately, South Carolina is in the early phase of implementing this Pay for Success project; however, stakeholders are learning that Pay for Success may be an effective financing mechanism for high-performing nonprofits that deliver social service programs and have a robust evaluation history, and there are emerging lessons that can be adapted to other states.

- *Ability to scale innovative social programs with limited risk to tax payers:* Pay for Success payments are conditional based on the achievement of specific and predetermined outcomes, which reduces the government agency's financial risk. Further, the mobilization of the consortium of philanthropic funders or other investors can help scale evidence-based social programs that otherwise may not have the start-up funds necessary to expand their services. In South Carolina, the development of the Pay for Success project has also led to Medicaid payments for NFP services, which may otherwise have not been a priority.
- *The importance of building infrastructure and relationships first:* South Carolina had received support for its home visiting program through MIECHV.<sup>ii</sup> This and other local investments positioned South Carolina well for successful implementation of Pay for Success to scale access to evidence-based home visiting programs. All fifty states have received MIECHV investments and may also consider exploring the use of Pay for Success to scale evidence-based programs.

An additional benefit to working with NFP is that the program has well-documented evaluations and a strong track record, which is helpful in developing performance standards and attracting investors. Local funders in the state had been highly focused on infant mortality reduction and maternal and child health programs, and the NFP program has benefited from having an engaged and previously mobilized group of stakeholders. NFP had also previously established a referral network in South Carolina before the Pay for Success model was introduced. Close partnerships and strong referral networks have enabled open, ongoing communication and information-sharing.

- *Opportunities to utilize implementation science and build a strong evidence base for addressing social determinants of health:* Pay for Success implementation and evaluations can help develop strong continuous quality improvement practices and build the business case for interventions that address the social determinants of health and upstream prevention. Pay for Success payments are based on the outcomes achieved (e.g., a reduction in pre-term births), not just according to the program outputs (e.g., the number of clients receiving services). MIECHV legislation includes a requirement for programs to demonstrate improvements in six quantifiable, measureable benchmark areas, including improved maternal and newborn health; prevention of child injuries, abuse, and neglect and a reduction in emergency department visits; improvement in school readiness and achievement; reduction in crime or domestic violence; improvement in family economic self-sufficiency; and improvement in coordination and referrals among other community resources.<sup>iii</sup> South Carolina's experience in implementing those rigorous standards has well-positioned the state to implement Pay for Success and provide assurance that investments in prevention and social determinants of health will translate into improved health reduced healthcare spending. The strength of the evidence base surrounding the NFP program and home visiting may encourage other stakeholders, such as hospital systems or coordinated care organizations, to support and pay for similar interventions among their own beneficiaries and their communities.
- *High-level leadership can be integral to program sustainability:* Pay for Success projects are a new type of public-private partnership that involve legal, budget, and programmatic decisionmakers, so it can be beneficial to generate support at all levels of government. High-level support can help foster a willingness among agencies to work together in this unique

public-private partnership. Stakeholders have learned that there are fixed administrative costs associated with Pay for Success projects, including staff time, resources spent on feasibility assessments, and intermediary and evaluator fees. In a large number of Pay for Success projects, the intermediary and evaluation fees have been borne by the private investors and the government therefore only pays these costs if positive outcomes are achieved. Therefore, senior leadership can help facilitate executive-level discussions across different agencies (such as with Medicaid agencies) and fully bear the cost long-term.

### **Conclusion**

A number of states and localities in the United States are beginning to develop Pay for Success projects to address a range of issues that can affect poor health outcomes; however, most of these Pay for Success projects are still currently under development. South Carolina and NFP are pioneering the use of this innovative financing model to achieve specific health-related outcomes. Their early work demonstrates the potential for Pay for Success financing to support interventions that target upstream prevention and social determinants of health. State and territorial health departments, along with other governmental agencies interested in scaling evidence-based social programs, may wish to consider pursuing this model as a way to improve population health, reduce healthcare spending, and sustain long-term public-private partnerships.



## Resources for Further Learning

- [Exploring Social Impact Bonds/Pay for Success Models: Innovative Financing Model for State and Territorial Health Agencies](#) – ASTHO provides two webinars offering an introduction to the Pay for Success model. In the January 2017 webinar, Ian Galloway, Federal Reserve Bank of San Francisco, discusses opportunities for state public health to use Pay for Success to finance interventions that improve the social determinants of health. In the April 2014 webinar, Cason Schmit, CDC Office for State, Tribal, Local, and Territorial Support, gives an overview of state legislation. South Carolina also provides an overview of the programmatic and administrative challenges experienced during the development of the state's first social impact bond program.
- [Using Pay for Success in Health Care](#) – The Corporation for National & Community Service published a report that details project characteristics and early insights from Pay for Success projects launched to date in the United States and the health-related projects under development (October 2016).
- [Pay for Success Learning Hub](#) – The Nonprofit Finance Fund provides a library of resources that illustrate structure and risk, provide tools to assess readiness and conduct due diligence prior to investment, sample Pay for Success contracts, and templates from successfully launched projects. The toolkits are intended for multiple types of stakeholders, including service providers, governments, intermediaries, and evaluators (2016).
- [Pay for Success Resources Microsite](#) – The Institute for Child Success has created a microsite that provides summary materials on Pay for Success, connects users to technical assistance, and publishes a blog and recent news coverage (2016).
- [Foundational Concepts and Terms of Pay for Success](#) – The Urban Institute offers this issue brief to address frequently asked questions among governments and social service providers and to provide a foundational understanding of the field. The issue brief addresses contract construction, negotiation, and execution, as well as important considerations for evidence and evaluation (December 2015).
- [Social Impact Bonds for Public Health Programs: An Overview](#) – The National Governors Association published an issue brief detailing how governors can use a social impact bond model to provide funds to nonprofit organizations that can successfully deliver social, health, or educational services on a small scale (August 2015).
- [Social Impact Bonds: A Guide for State and Local Governments](#) – The Harvard Kennedy School Social Impact Bond Technical Assistance Lab offers a step-by-step overview of the development and planning process. Chapters include instructions on how to determine if Pay for Success is an appropriate model, how to navigate the development process, how to approach implementation and monitoring, and how to interpret final results (June 2013).

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<sup>i</sup> South Carolina Department of Health and Human Services (2015). The Enhanced Prenatal and Postpartum Home Visitation Pilot Project and Managed Care Program. Accessed 2-21-2017. Available at: [https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/Downloads/SC\\_Enhanced-Prenatal-Postpartum-Home-Visitation-Managed-Care.pdf](https://www.medicaid.gov/Medicaid-CHIP-Program-Information/By-Topics/Waivers/Downloads/SC_Enhanced-Prenatal-Postpartum-Home-Visitation-Managed-Care.pdf).

<sup>ii</sup> Office of the Administration for Children and Families (n.d.). Home Visiting. Accessed 4-4-17. Available at: <https://www.acf.hhs.gov/ecd/home-visiting>.

<sup>iii</sup> Health Resources and Services Administration (Oct. 2012). Guidance for Meeting Legislatively-Mandated Reporting on Benchmark Areas, Demographic Data, and Service Utilization. Accessed 4-4-17. Available at: <https://mchb.hrsa.gov/sites/default/files/mchb/MaternalChildHealthInitiatives/HomeVisiting/tafiles/guidanceoct2012.pdf>.