



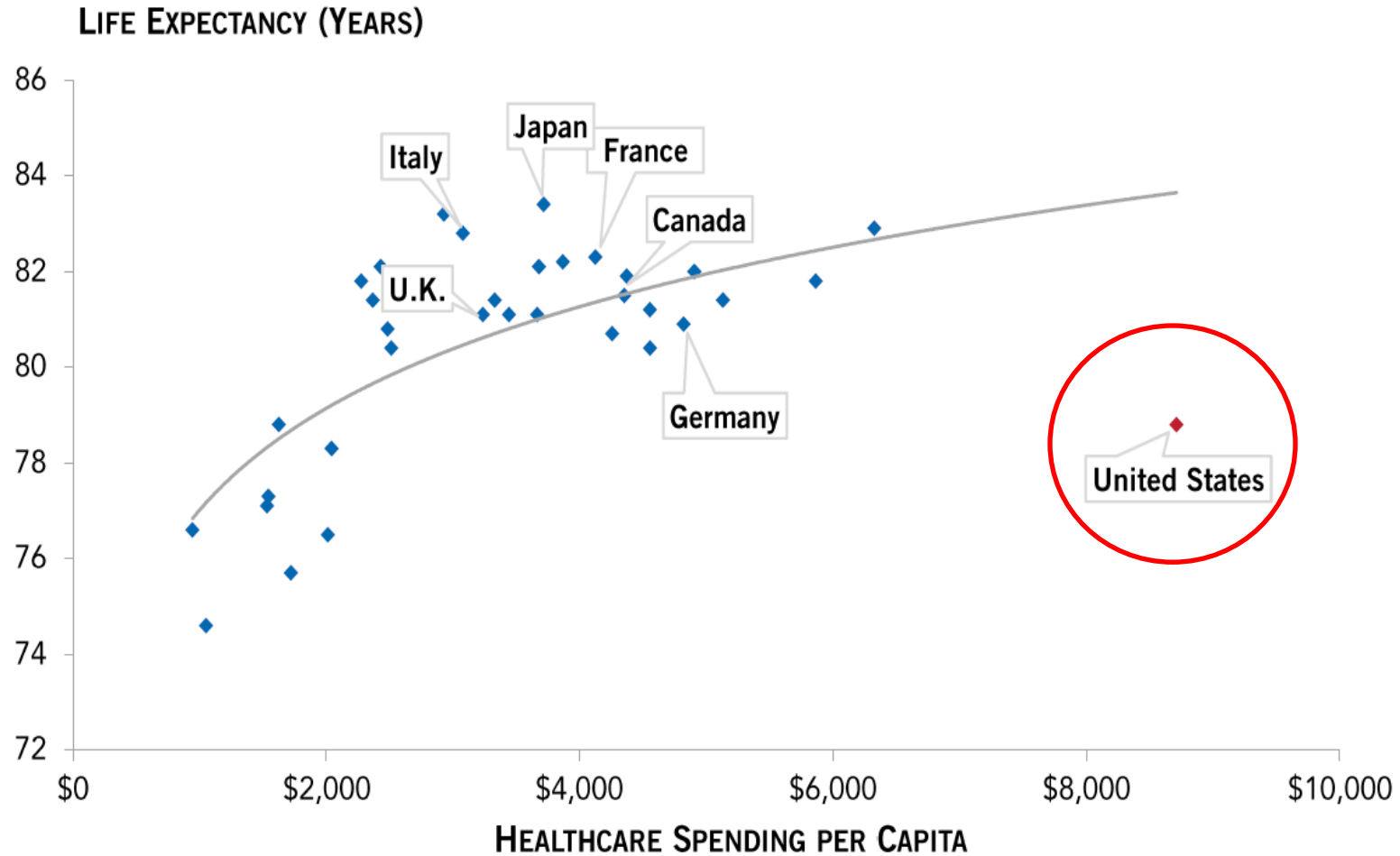
# USING PAY FOR SUCCESS TO INVEST IN THE NONMEDICAL DETERMINANTS OF HEALTH

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ASTHO Webinar: PFS Financing and Opportunities for Public Health  
Friday, January 6, 2017

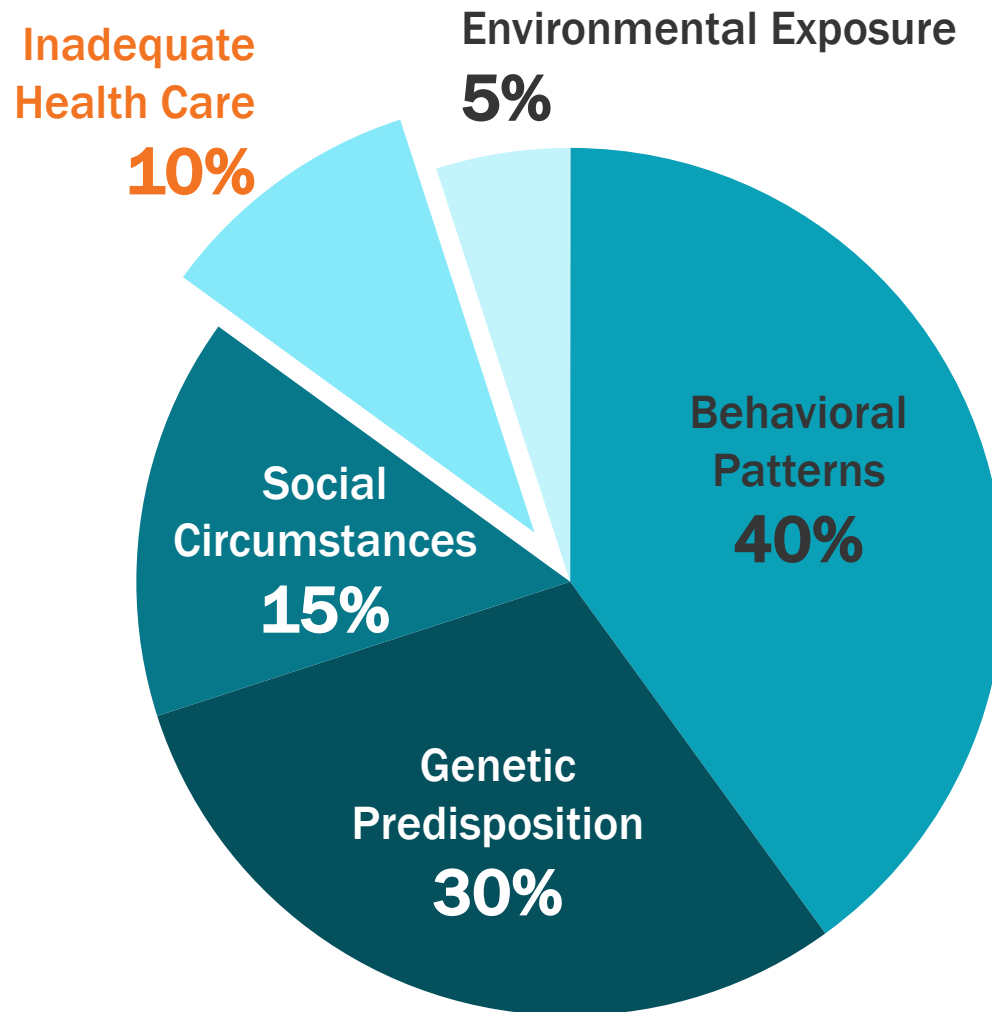
# BIG PICTURE OVERVIEW

## POOR HEALTH ROI

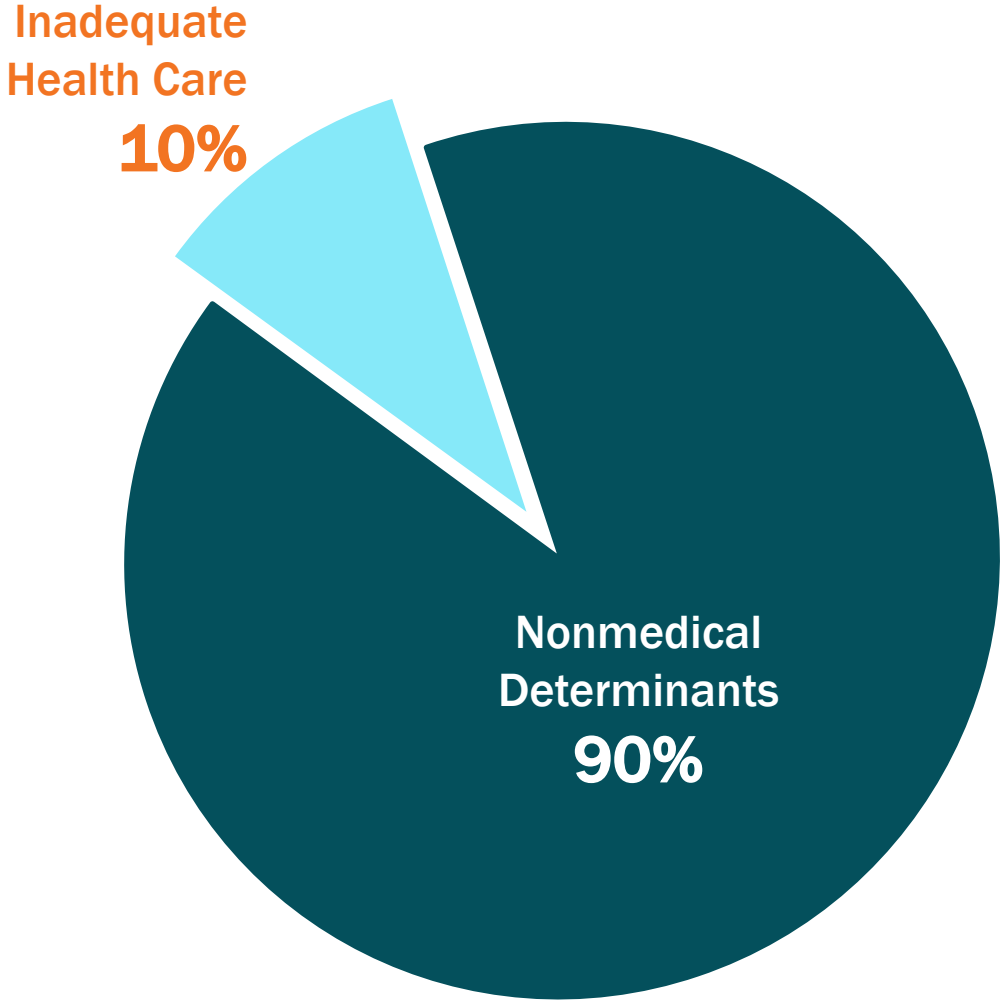


Source: Organization for Economic Cooperation and Development, OECD Health Statistics 2015, November 2015.  
Compiled by Peter G. Peterson Foundation.

# CONTRIBUTORS TO PREMATURE DEATH



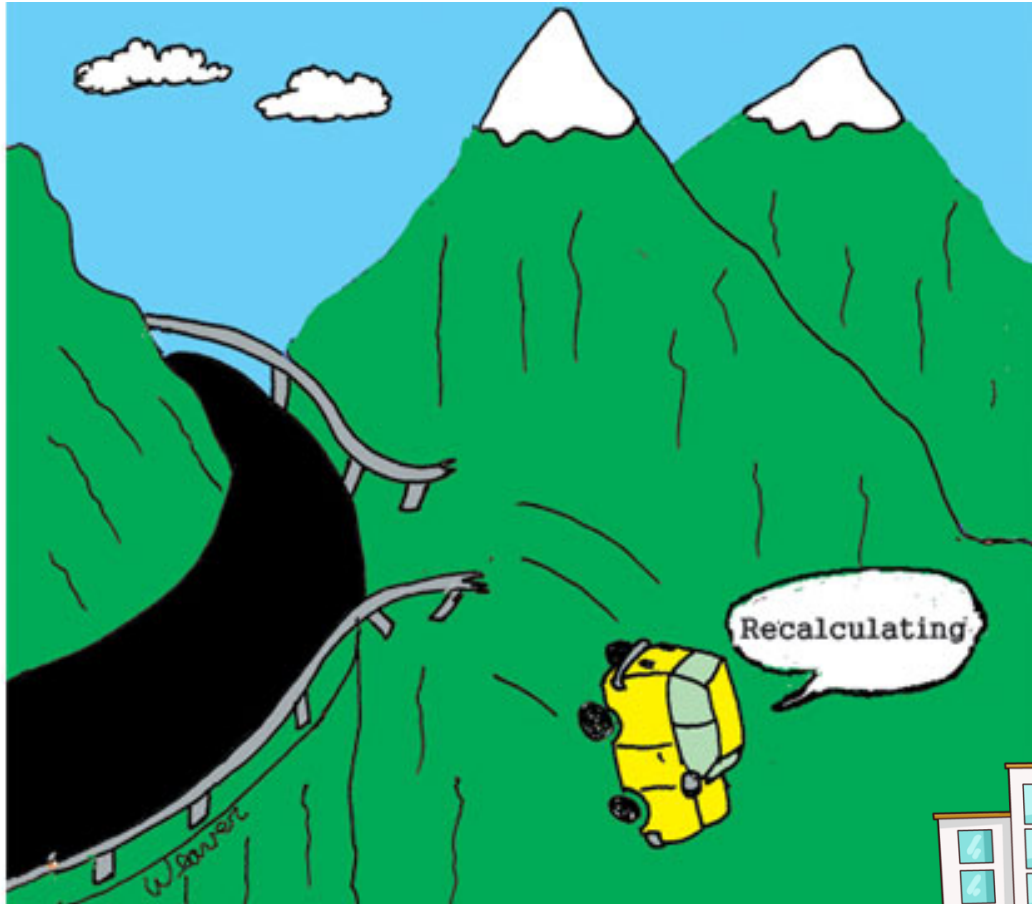
# CONTRIBUTORS TO PREMATURE DEATH



Source: McGinnis JM, et al. "The case for more active policy attention to health promotion." Health Affairs (2002).

# WHAT'S THE PROBLEM?

## LOOK OUT BELOW!



# WHAT IS PAY FOR SUCCESS? PURCHASING OUTCOMES

- Governments, insurance companies, CMS, employers, managed/coordinated care orgs, foundations (**END PAYERS**) commit in advance to pay for successful outcomes (e.g., reductions in substance abuse)
- Independent impact auditor evaluates program effectiveness
- The payer only “pays for success”

**ADDRESSES THE PAYER RISK CHALLENGE**

# WHAT IS PAY FOR SUCCESS?

## BRIDGE FINANCING (SOMETIMES)

- Banks, foundations, pension funds, endowments, high net worth individuals (**INVESTORS**) fund the service provider in exchange for a future success payment
- Financing terms are based on:
  1. Difficulty of achieving success
  2. Track record of the service provider
  3. Length of the contract
- Investors bear the risk that success won't be achieved (and that the success payment won't be triggered)

**ADDRESSES THE FUNDING CHALLENGE**

# PAY FOR SUCCESS EXAMPLE

## HYPERTENSION IN CANADA

- Heart disease and strokes kill tens of thousands of Canadians every year
- Hypertension (systolic blood pressure >140 mmHg) is the top risk factor for stroke and an important risk factor for heart disease
- Afflicts 53% of Canadians age 60 or older
- Another 24% of Canadians age 60 or older are pre-hypertensive (systolic blood pressure between 120 and 139 mmHg)



# COMMUNITY HYPERTENSION PREVENTION INITIATIVE (CHPI)

- Program limited to Toronto and Vancouver
- 29,000 people screened for pre-hypertension and up to 7,000 selected to participate in the program
- Goal is to reduce average blood pressure by 2 mmHg or more in six months across entire cohort
- Program cost (assuming 7K participants) is \$3.4 million
- Total possible investor return is \$4 million, allowing for \$600,000 in potential profit or roughly 8.8% IRR

# COMMUNITY HYPERTENSION PREVENTION INITIATIVE (CHPI)

- CHPI participant receives blood pressure measurement from Heart and Stroke Foundation (CHPI project manager) volunteer.
- If above 120 mmHg, the volunteer will help identify hypertension risk factors (such as inactivity or a poor diet) and set goals to reduce those risk factors.
- Participant is then enrolled in an online risk-management platform allowing them to track goals, take on weekly challenges, access expert advice, connect to behavior change coaches, learn about community activities, and earn participation incentives.
- Six months later, the platform will prompt them to receive another blood pressure measurement and review risk factors.
- Program ends with advice on how to maintain lifestyle changes.

# CHPI PFS PROGRAM

## PARTIES INVOLVED

**Heart and Stroke Foundation** is responsible for achieving the outcome targets, designing the program, coordinating the project, and delivering the intervention.

**Public Health Agency of Canada** will pay investors if the program meets its targets.

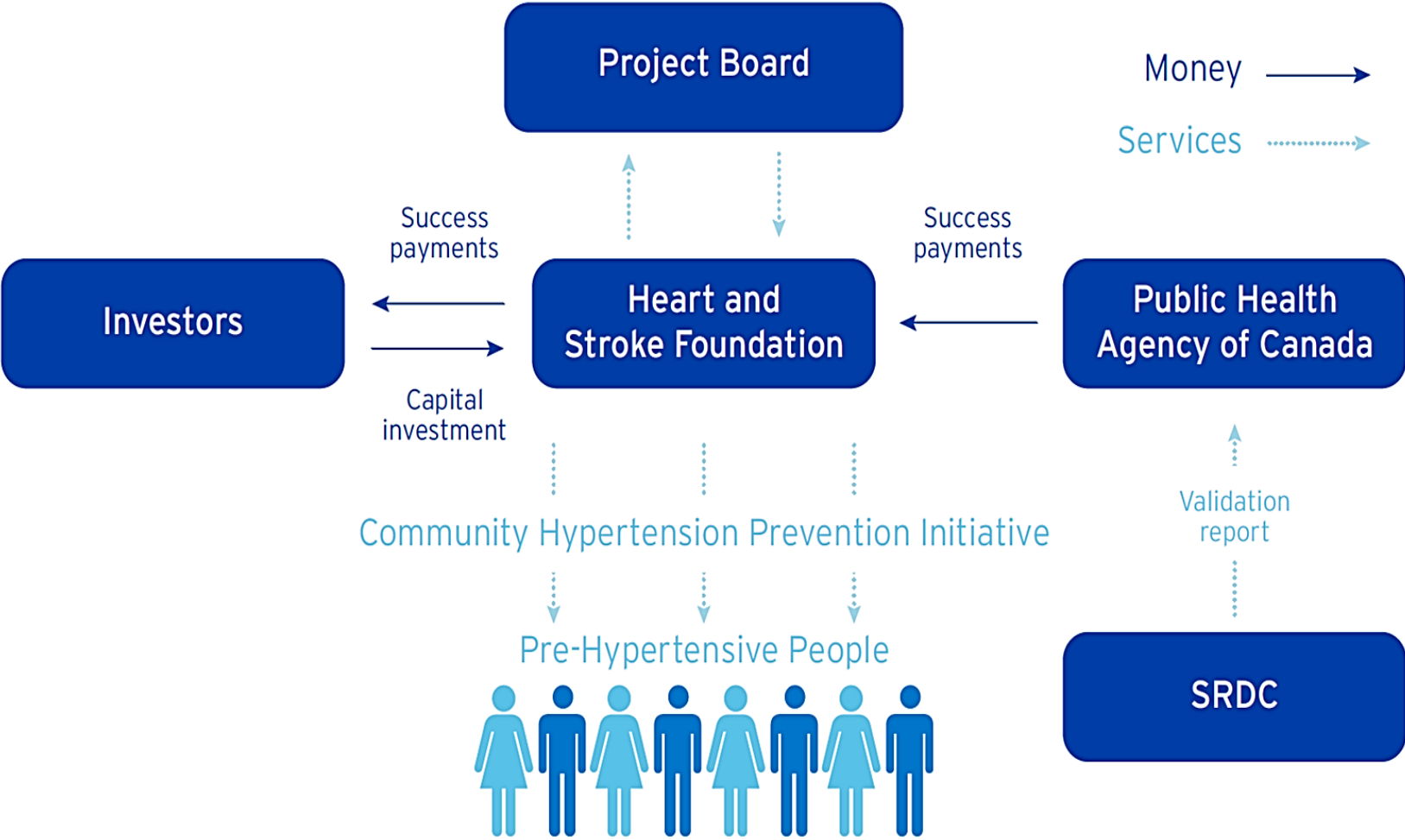
**MaRS Centre for Impact Investing** managed the capital raise, advised on the program's design and will support performance review during the intervention.

**Miller Thomson LLP** wrote the contracts.

**Ten investors** funded the intervention upfront.

**Social Research and Demonstration Corporation** will independently validate the intervention's results.

# CHPI PFS PROGRAM PROJECT STRUCTURE



Source: Farthing-Nichol D and Jagelowski A, "Pioneering pay-for-success in Canada: A new way to pay for social progress." MaRS Centre for Impact Investing (2016).

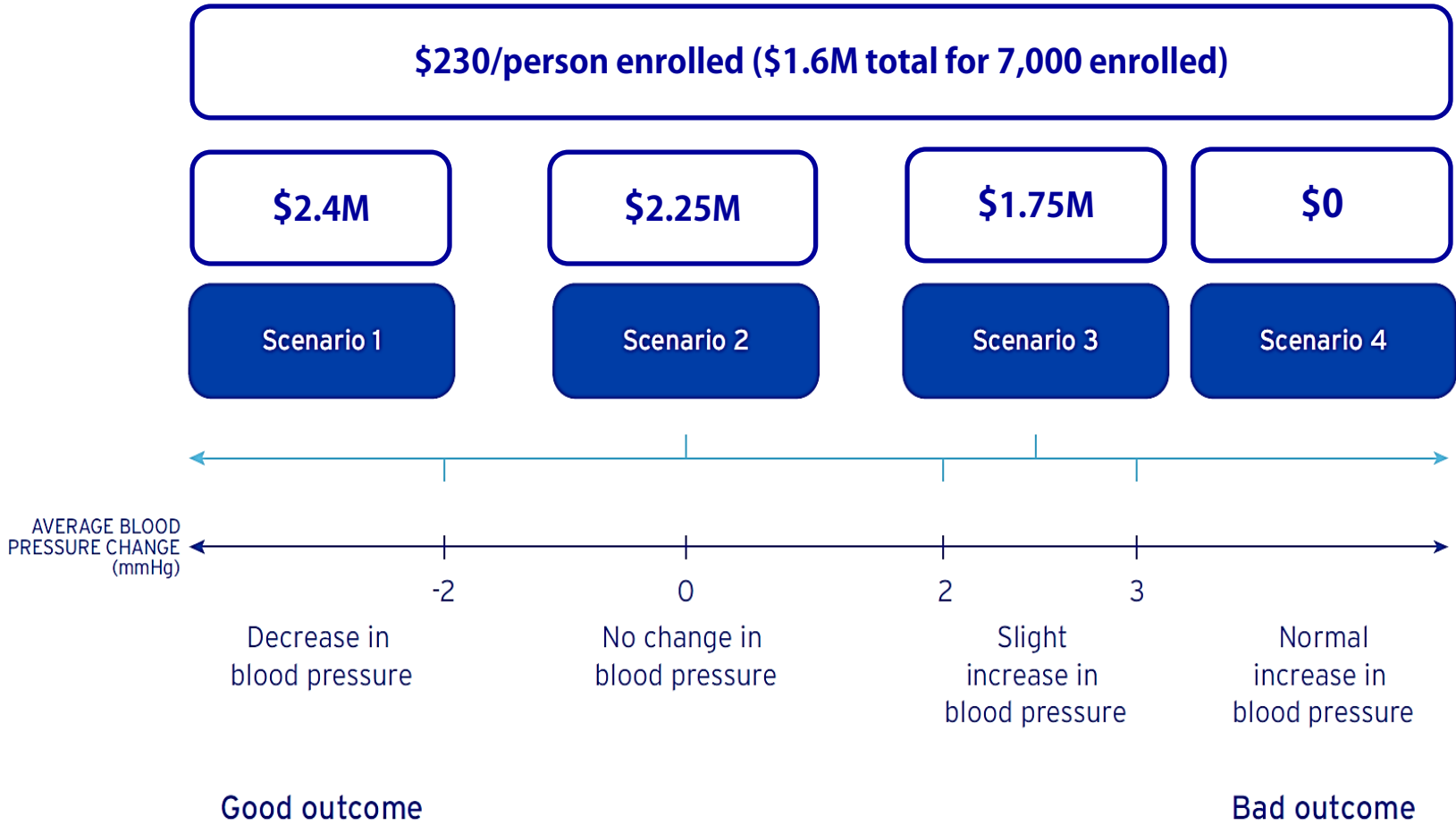
# CHPI PFS PROGRAM

## PERFORMANCE METRICS

**Intake volume metric:** The intake volume metric counts the number of people who submit to a blood pressure reading and sign up for the program.

**Blood pressure metric:** The blood pressure metric calculates the average change in blood pressure across all participants after six months.

# CHPI PFS PROGRAM PAYMENT SCENARIOS



Source: Farthing-Nichol D and Jagelewski A, "Pioneering pay-for-success in Canada: A new way to pay for social progress." MaRS Centre for Impact Investing (2016).

# **PAY FOR SUCCESS** **IN THE UNITED STATES**

**New York City** – Recidivism reduction at Rikers Island Prison (08/12)

**Salt Lake County** – Special education avoidance (06/13)

**New York State** – Recidivism reduction and labor force reentry (12/13)

**Massachusetts** – Prison avoidance and employment support (01/14)

**Chicago** – Special education avoidance (10/14)

**Massachusetts** – Supportive housing for the homeless (12/14)

**Cuyahoga County** – Foster care avoidance (12/14)

**Santa Clara County** – Supportive housing for the homeless (07/15)

**Denver** – Supportive housing for the homeless (02/16)

**South Carolina** – Home visiting for low-income mothers (02/16)

**Connecticut** – Family-based substance abuse treatment (02/16)

**11 US Projects Launched from 2012-16**

# FREQUENTLY ASKED QUESTIONS & CONTACT INFORMATION

Why doesn't government pay for proven programs directly?

Will this privatize the social safety net?

Will this lead to a "Wall Street Takeover"?

What about fraud and abuse?

How can small providers compete in this market?

Will good projects go unfunded in favor of those with the most "bankable" cash savings?



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