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The Case for Pay for Success in Cuyahoga County

The National Pay For Success Landscape

Pay For Success is rapidly gaining momentum across the country!



Launched Projects

- Massachusetts – Juvenile Justice
- New York – Justice/Workforce Development
- New York City – Juvenile Justice
- Salt Lake City, UT – Early Education



Active Deal Construction

- Cuyahoga County, OH – Family Homelessness/Foster Care
- Santa Clara County, CA – Chronic Homelessness; Mental Health
- New York City – Juvenile Justice
- Fresno County, CA – Asthma



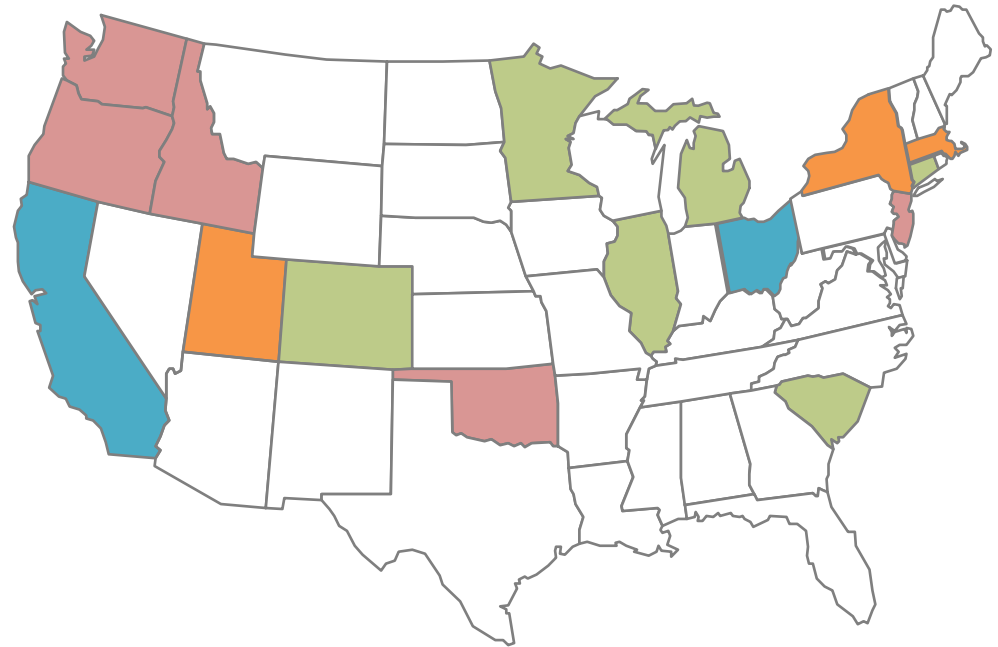
Active Government Procurement

- Request for Information (RFI)** – Denver, CO; Colorado; Michigan; Minnesota; South Carolina
- Request for Proposals (RFP)** – Connecticut; Illinois; Massachusetts



Other Government Action











- Pending Legislation** – Idaho; Los Angeles County, CA; New Jersey; Oklahoma; Oregon; Washington
- Procurement Expected** – Ohio, Pima County, AZ
- Federal Interest** – Treasury Department; Department of Labor; Department of Justice; Social Innovation Fund



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Cuyahoga County is poised to be 1st County-Level Government to Initiate Pay for Success Contracting

	Government	Issue Area	Intervention	Target Population	Budget	Time Frame
1	 City of New York	Juvenile Justice 	Coalition of organizations provide reintegration services and cognitive behavioral therapy	10,000 16-18 year old at-risk youths	\$16.8 million	4 years
2	 City of Salt Lake	Early Education 	Utah High Quality Preschool Program to increase school readiness	Up to 3,700 3-4 year olds	~\$7 million	1 year pilot; additional years pending state funding
3	 State of New York	Adult Recidivism 	Center for Employment Opportunities provides training and employment services program	2,000 formerly incarcerated adults	\$13.5 million	5.5 years
4	 Commonwealth of Massachusetts	Juvenile Justice 	Roca provides job training, support groups and education counseling	929 17-24 year old high-risk males	\$21.3 million	6 years
5	 County of Cuyahoga, Ohio	Homelessness and Child Welfare 	FrontLine Service provides specialized counseling to mothers with children in foster care, facilitating reintegration	270 homeless families with children in foster care	\$4.2 million	5 years



Why is Cuyahoga County Pursuing Pay for Success?



Social Impact

- Prevent the recurrence or intensification of social problems through proven, evidence-based interventions
 - Improve social outcomes of county investments
-



County Finances

- Leverage new external funds to scale impactful service providers
 - Determine that some service programs can create cashable savings
 - Reduce county risk by tying payments to savings and successful outcomes
-



Innovation

- Identify best practices and evidence-based interventions with rigorous evaluation



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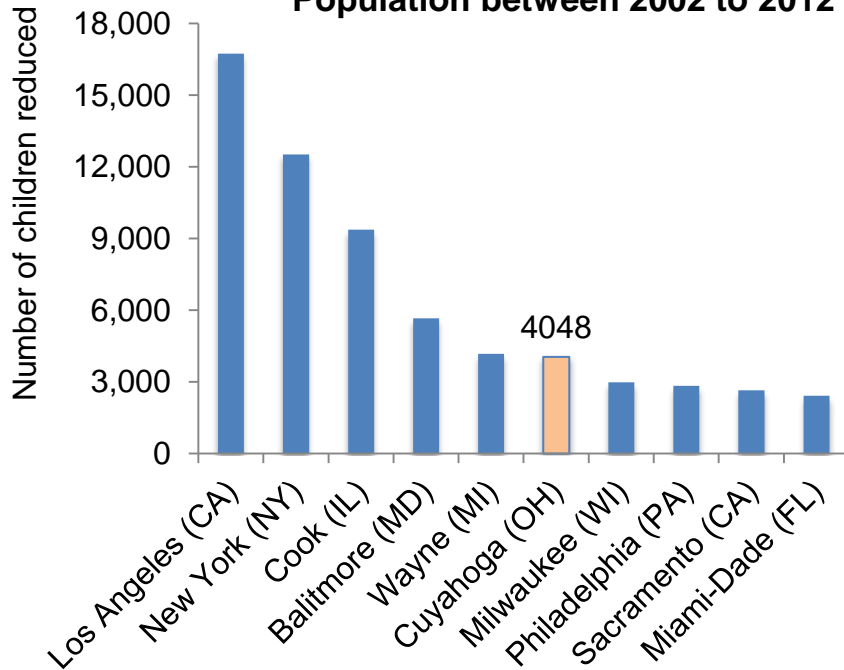
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Cuyahoga County has made tremendous strides in foster care

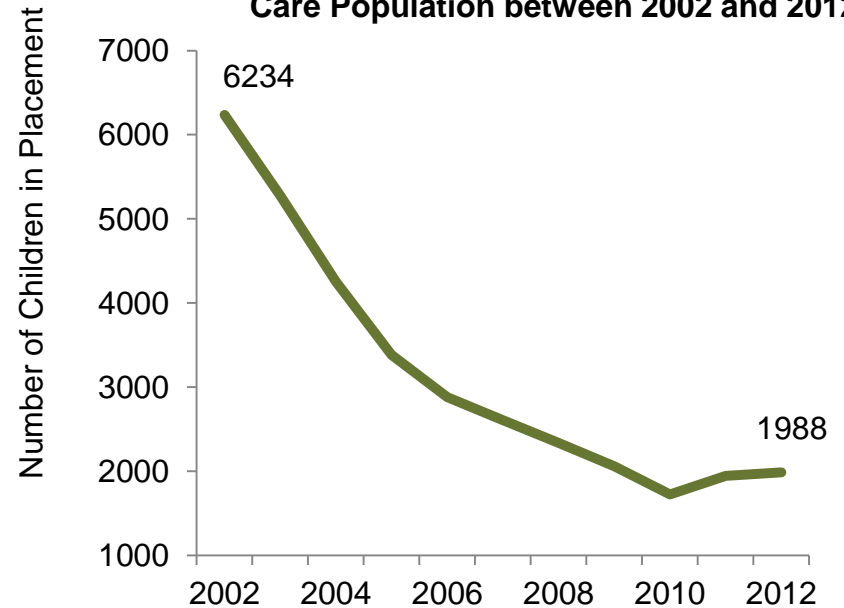
Between 2002 and 2012, Cuyahoga has successfully reduced the number of children in foster care placement by 68% from over 6,000 to under 2,000. During that time, Cuyahoga has led the country in county-level foster care reform.

By December 31, 2013, the number of children in placement was 1,655.

Top 10 Counties Reducing Foster Care Population between 2002 to 2012

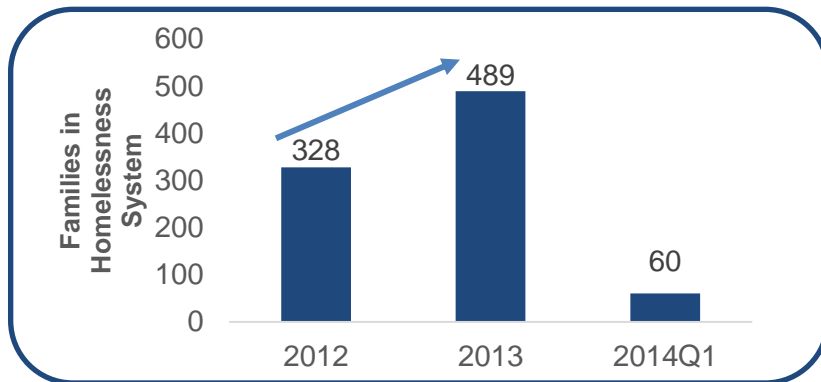


Cuyahoga County's Reduction of Foster Care Population between 2002 and 2012.



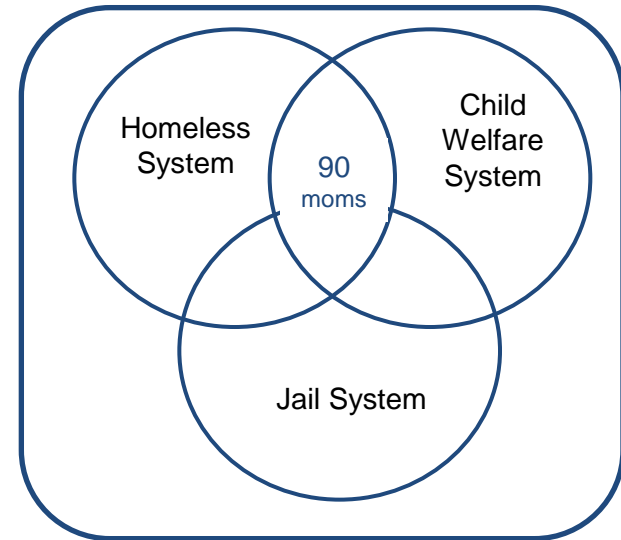
Though Cuyahoga has been a leader in homelessness & child welfare, our systems can improve their ability to serve this highly vulnerable population

The number of families in the homelessness has increased...



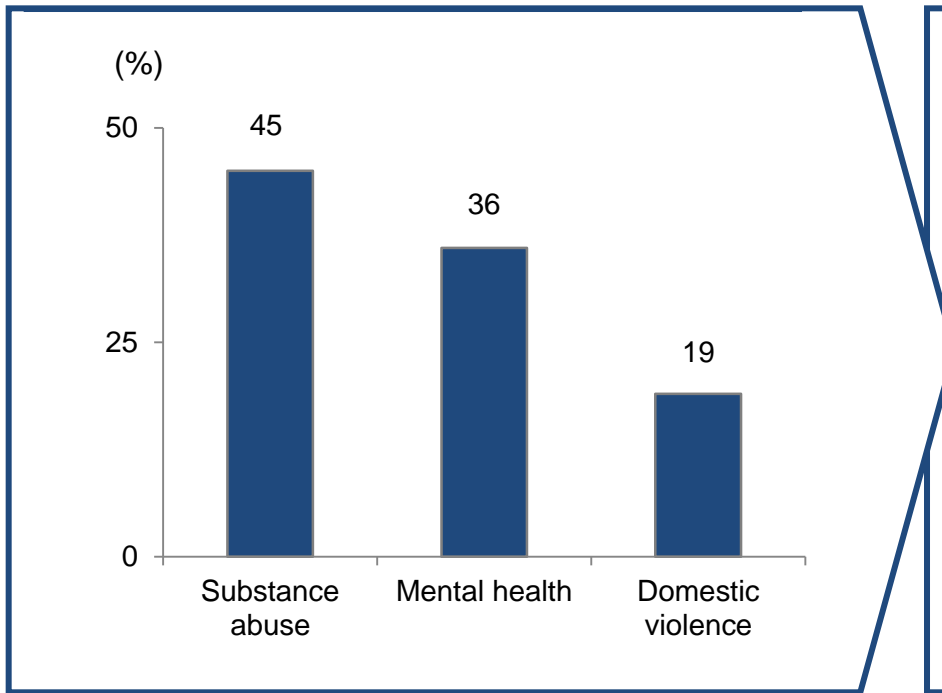
...and the foster care length of stay of families with children in foster care is high

Families involved simultaneously in the Homeless and Child Welfare System are at significantly higher risk

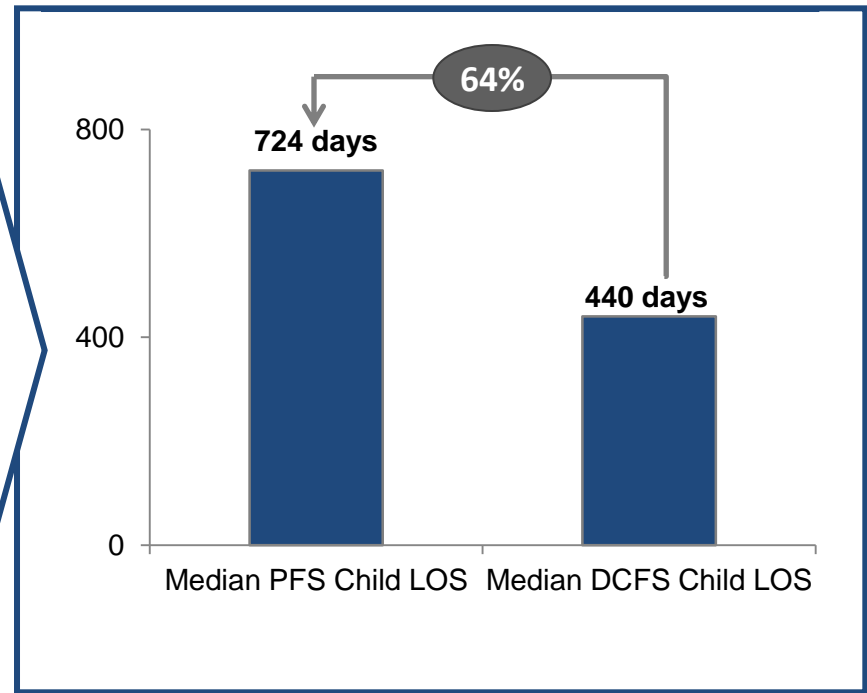


The increasingly complex barriers of homeless mothers have direct impact on the child's length of stay in foster care

All child-welfare involved homeless mothers have at least one condition...



...resulting in their children spending longer in child welfare*

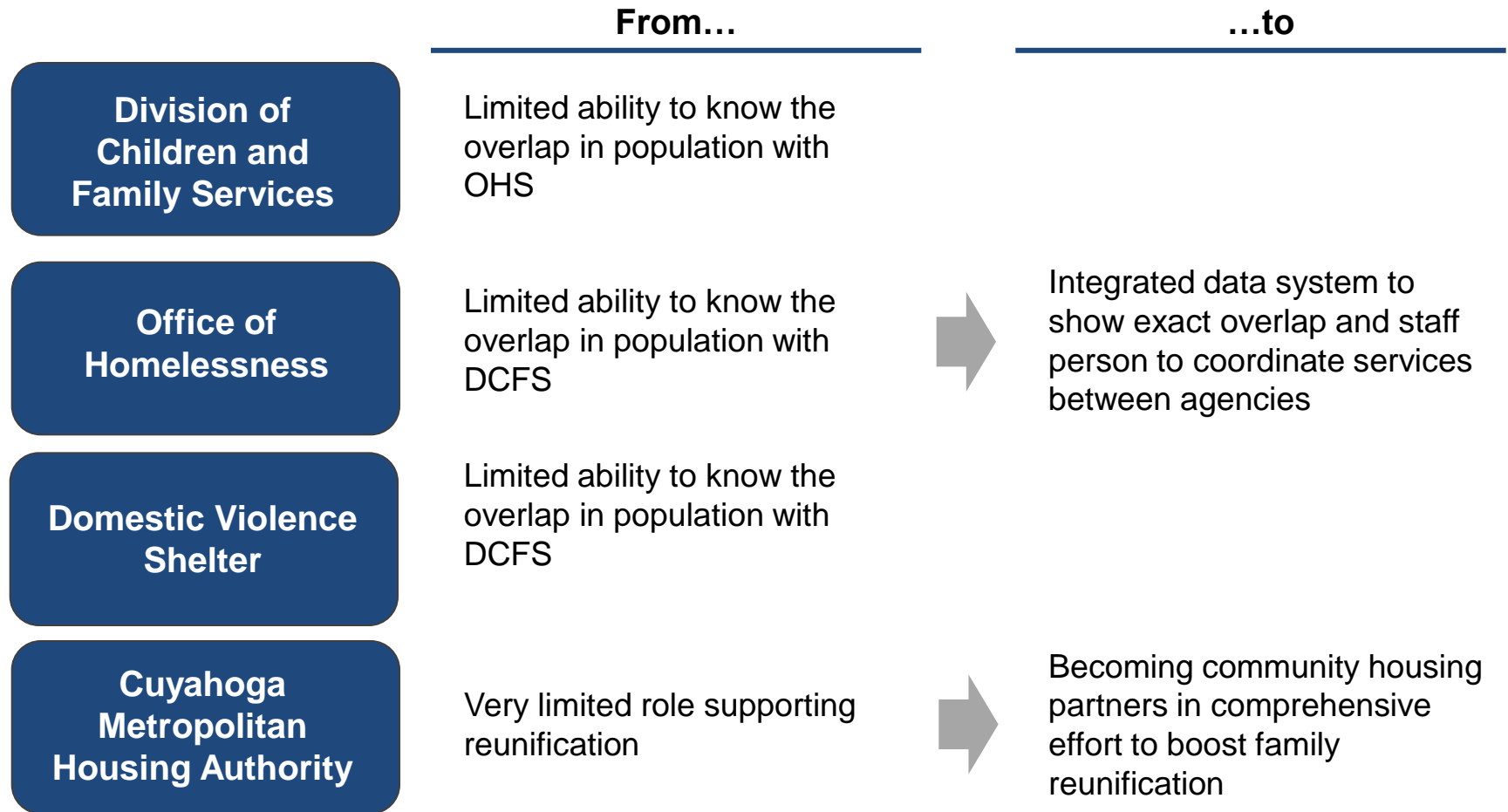


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*CWRU analysis counted the total number of days a child spends in foster care, including the time spent in permanent custody, often waiting for adoption and living with their adoptive family.

Serving a small, specialized population by getting systems to speak with each other in coordinated, real-time way



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FrontLine Service is the ideal partner to serve this population

Serving Cuyahoga for 25 years

Serves more than 20,000 adults and children in Ohio each year

Recipient of several federal grants

- Substance Abuse Mental Health Services Administration
- Housing and Urban Development
- Justice and Veterans Affairs

Homeless and child-welfare focus

- Homeless families
- Referrals for Family Preservation Services
- Coping with trauma

Innovative intervention model

Housing Plan

- Public Housing Unit through Cuyahoga Metropolitan Housing Authority
- Others

Supports

- Rental subsidy
- \$750 flexible fund
- \$667 furniture fund
- Monthly Bus Pass

Critical Time Intervention (CTI)

- One of few organizations piloting CTI nationally

Continuum of trauma-specific services

- Implementer and replicator of evidence-based practices

Project management competence

- Robust Quality Improvement and Corporate Compliance program



Status Quo: The Cost of Doing Nothing for Cuyahoga

Forecasted over a 5 year period

270 mothers
with
540 children...

...expected to
require 1716
foster care days*
at \$75 each...

\$35M
is the cost of
doing nothing



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* Over five years, and accounting for total foster care days, CWRU estimates that a homeless child will spend an average of 858 days or nearly 2.5 years in foster care. CWRU analysis counted the total number of days a child spends in foster care, including time spent in permanent custody, often waiting for adoption and living with their adoptive family.

Cuyahoga's Pay for Success Opportunity

Forecasted over a 5 year period

135 enrolled
mothers with
270 children...

...expected to
require 1716
foster care days*
at \$75 each...

\$4.3M
are the cost
savings possible
at a 25% impact
level

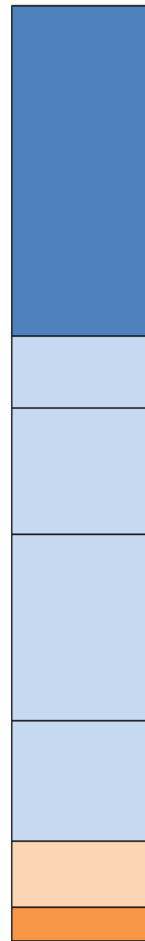


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The Proposed Cuyahoga PFS Funder Stack



\$4.00 million in Total PFS Financing:

- \$1.575 million in a senior loan
 - \$1.575 mm: Local/National commercial bank or National CDFI

- \$2.275 million in subordinate loans
 - \$1.000 mm: Local Foundation
 - \$0.750 mm: Local Foundation
 - \$0.200 mm: Local Foundation
 - \$0.325 mm: National CDFI

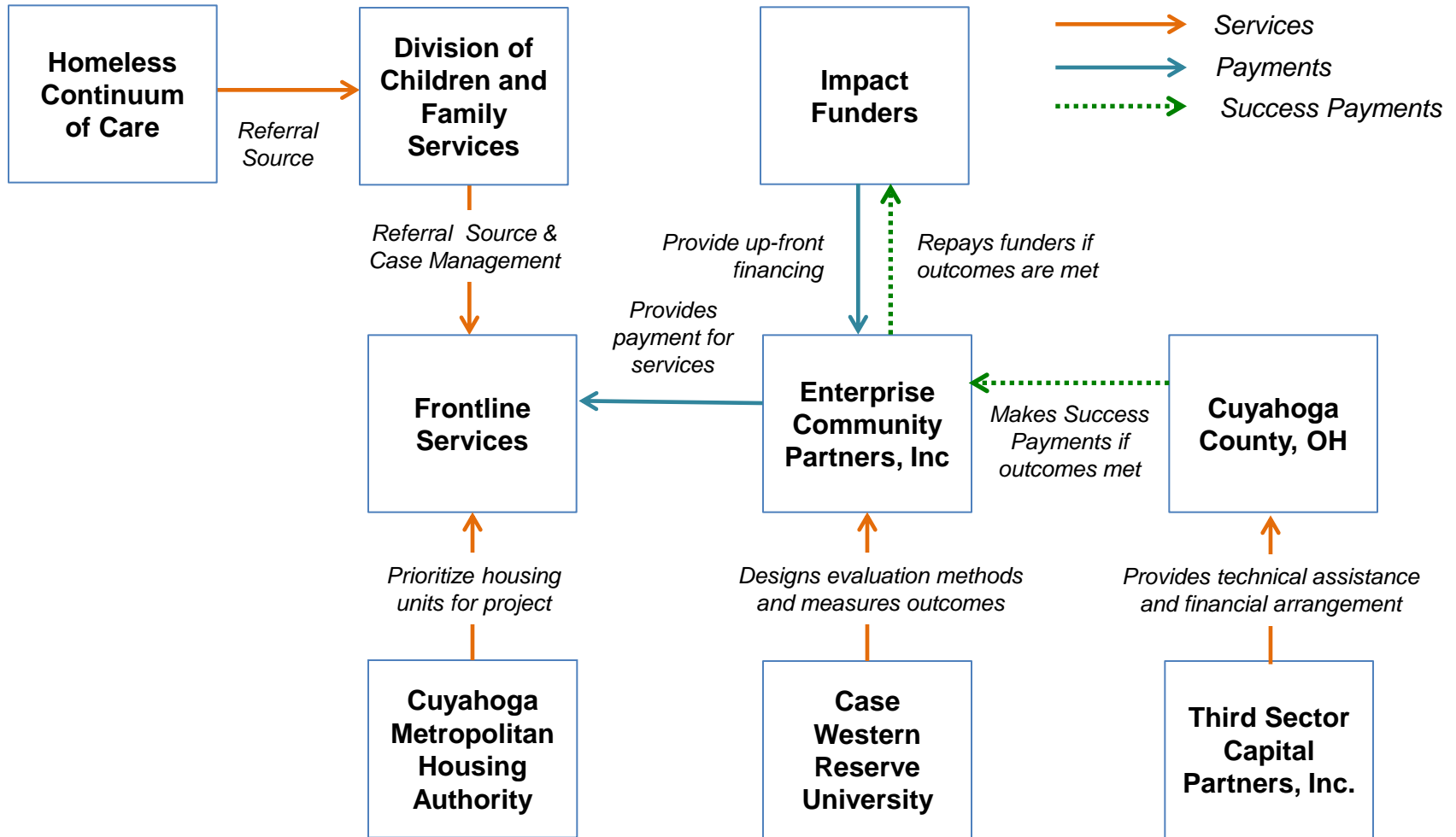
- \$.150 million in recoverable grant
 - \$0.15 mm: Local Foundation



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The Pay for Success Structure ensures a rigorous evaluation and that Success Payments are only paid if impact is achieved



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The project structure also mitigates several key risks for financial and social impact success

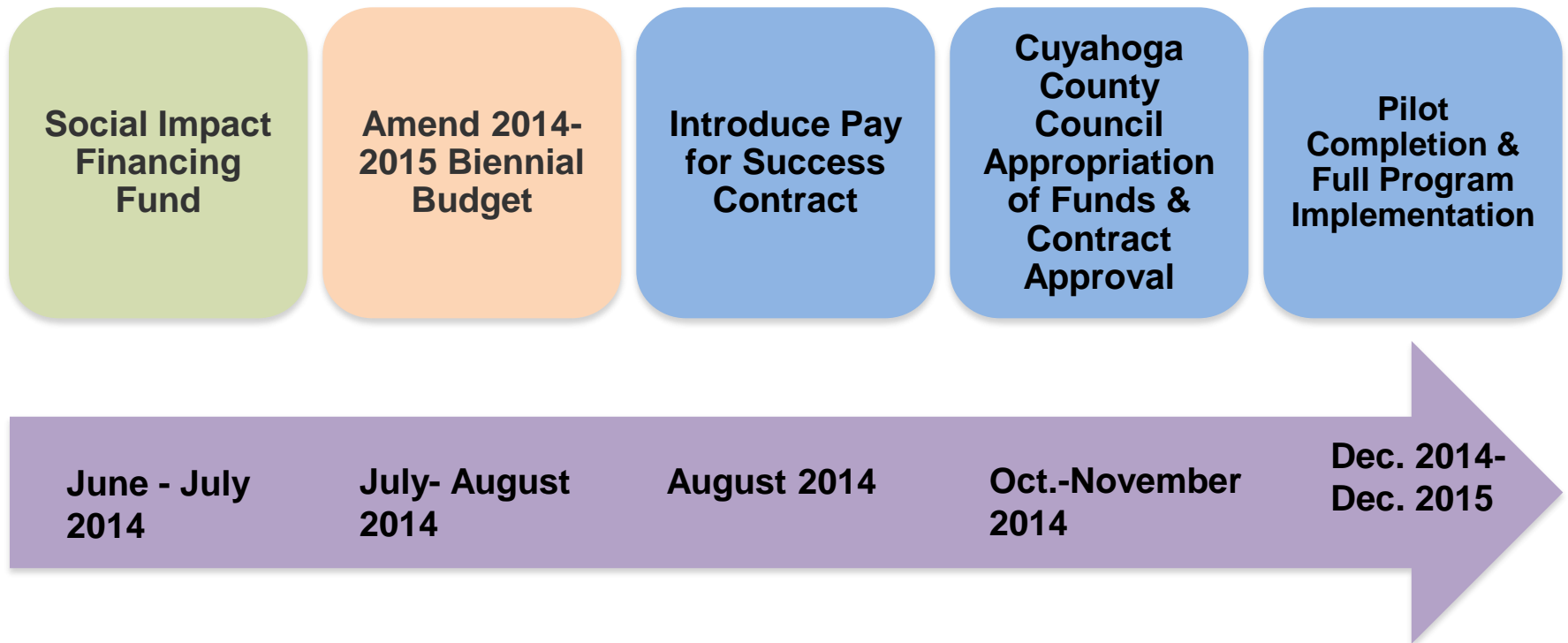
Potential Risk	Mitigation strategy
1 County government decides to end project early	Annual appropriations 1 year in advance; contracts revert to cost-reimbursement
2 Intervention design doesn't work; assumptions prove wrong	Conditions precedent to spend funds triggered; project wind-down thresholds triggered
3 FrontLine receives too few referrals	FrontLine sources referrals from the Continuum (many) and DV Shelter
4 Insufficient housing stock	In addition to CMHA housing preference; developing Housing MoU with several local for-profit/non-profit housing partners with family units; 3-month rental subsidy to help transition
5 Default/Early Exit by CWRU/FrontLine/Funders/PM	Trigger project shutdown



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Recent Project Milestones



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