

Financing an Innovative Continuum for Families in Spartanburg, South Carolina

(Results of a Feasibility Study)

(Executive Summary)

JUNE 2016

PFS

PAY FOR
SUCCESS

With support from the Institute for Child Success, the City of Spartanburg, South Carolina studied the feasibility of using Pay for Success, an innovative new financing strategy, to improve outcomes for children and families. While Pay for Success (“PFS”) projects generally fund a single intervention, Spartanburg wanted to explore a continuum of evidence-based programs to help more of its young children succeed and to help the community thrive. This continuum would be one step in transforming Spartanburg into a model community for raising children.

The study found that it *is* feasible for Spartanburg to implement an innovative continuum of services, including home visiting, parent education and support, and structural investment in early care and education, and to fund that comprehensive program through a modified version of Pay for Success, outcome-based financing.

This Executive Summary accompanies a presentation of the feasibility study findings. We hope it will be useful for others interested in using PFS, especially small- and medium-sized cities and other jurisdictions interested in comprehensive, community-based approaches to early childhood and family services.

BACKGROUND

PFS is a financing strategy that addresses both the need to scale up proven programs that have a positive social impact and the scarcity of government funds for up-front costs of expansion. PFS is a partnership in which philanthropic funders and private “impact investors”—not governments—often provide the initial funds to scale these programs. Nonprofit organizations deliver the actual programs. The government pays for the results only if an impartial evaluator determines that the program has achieved agreed-upon measures of success. If successful, a PFS-expanded program eventually saves taxpayer money that can be used to repay investors—in addition to benefitting the community or region. It also increases accountability for government spending and uses public-private partnerships to achieve the stated goals. ICS works on PFS financing because it brings new resources to early childhood systems and make them more effective. It is a valuable new tool that can help expand programs that can benefit families and children.

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INSTITUTE for CHILD SUCCESS

Through funding from the Social Innovation Fund of the federal Corporation for National and Community Service, ICS provides technical assistance for local and state governments interested in exploring PFS to expand early childhood services. The City of Spartanburg began working with ICS in March 2015.

Spartanburg is a small city of about 37,000 people, with about 650 babies born in the city each year. Poverty is high: 42.3 percent of children live in extremely low-income families. The goals of the city's investment in early childhood include creating a culture of health and boosting economic development and downtown revitalization.

Spartanburg has many existing strengths that led the city to explore PFS for an expansion of services for young children and families:

- High-quality 4-year-old Kindergarten (4K), with capacity to serve the majority of the city's 4-year-olds
- A strong local child care quality rating and improvement system (Quality Counts)
- Evidence-based home visiting and parenting programs already serving a small number of families in the community (Nurse-Family Partnership, BirthMatters, Triple P)

ICS and Spartanburg leaders collaborated to work toward expanding 4K classes in the city, which are provided through the school districts, for children from low-income families. After reviewing pre-K enrollment data, and families' use of Head Start and Quality Counts-rated childcare centers, ICS found that the vast majority of the city's 4-year-olds were enrolled in one of these programs. At this point, two key questions emerged:

- How can the city ensure all families have access to *high-quality* and *affordable* childcare that prioritizes early education?
- What other programs could help families and young children reach their potential?

THE INTERVENTIONS

Working with local stakeholders, including government, philanthropy, school districts, nonprofit service providers, and the hospital system, we recommend the city adopt and expand a full continuum of evidence-based programs to community full supportive of families with children under age 5.

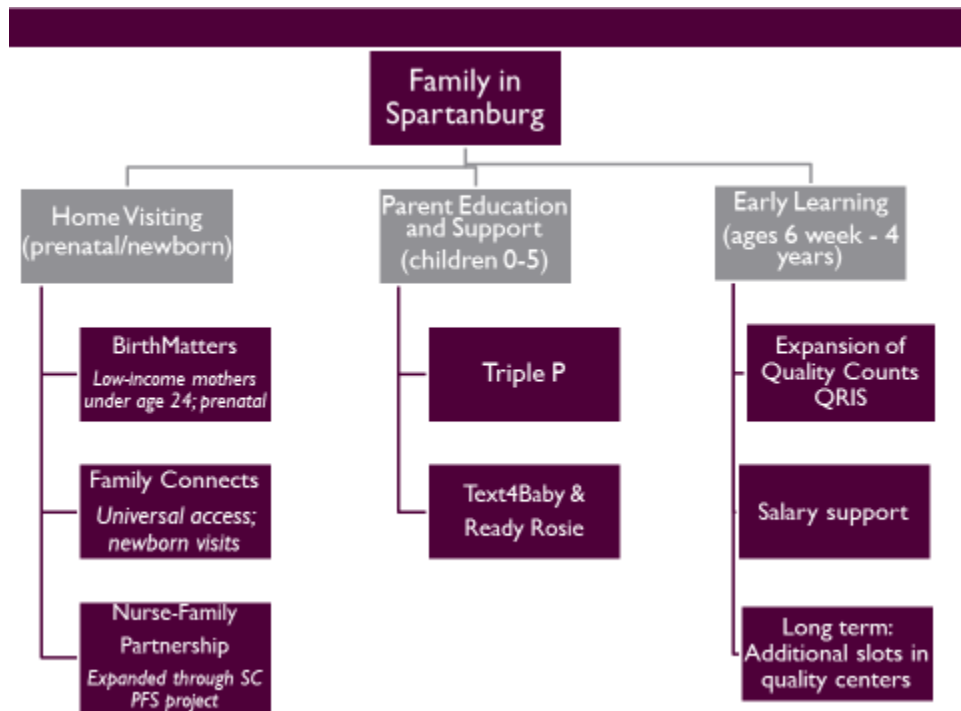


Figure 1: Spartanburg Continuum for Families

The continuum helps to improve child and maternal health, family stability, and educational attainment, and reduce child maltreatment, maternal depression, and education, welfare, and healthcare costs. The result will be a healthier, happier, more efficient Spartanburg for all children and families.

A VIABLE PAY FOR SUCCESS PROJECT

Outcomes

Three proposed programs in the Spartanburg continuum (BirthMatters, Family Connects, and Triple P) have demonstrated success in rigorous evaluations of their work. These outcomes fit the criteria for a PFS project and can lead to real improvements for families and children:

- Reduced cesarean birth rate (BirthMatters)
- Fewer preterm births (BirthMatters)
- Fewer low birthweight births (BirthMatters)
- Fewer prolonged hospitalizations (BirthMatters)
- Fewer NICU admissions (BirthMatters)
- Fewer repeat pregnancies (BirthMatters)
- Prevented infant hospital readmissions and unnecessary emergency care visits (Family Connects)
- Reduced maternal anxiety and depression (Family Connects)
- Reduced parental depression (Triple P)
- Child social-emotional outcomes (Triple P)

- Improved child behavior/reduced child problem incidents (Triple P)
- Reduction in substantiated abuse/neglect cases (Triple P)
- Out of home foster care placements (Triple P)
- Emergency room visits as a result of abuse/neglect (Triple P)

This analysis also considered expanding the Nurse-Family Partnership (NFP) program, an evidence-based home-visiting program with positive impacts on maternal and child health. During the course of this feasibility study, the state of South Carolina announced it was expanding Nurse-Family Partnership through a PFS project; eligible families in Spartanburg will be served through this expansion.

A PFS project must include specific, clear metrics of success. Investors need predictability, simplicity, and clarity in the project's goals. The study determined it is *not* feasible to measure success through all of the above goals. We recommend the following measures of success to be used instead:

- Reduced C-section rates
- Reduced child emergency room visits (first 6 months)
- Reduced cases of substantiated abuse/neglect

These goals all have a strong research base and are outcomes that can be significantly improved based on current needs indicated by Spartanburg's baselines (full details can be found in the presentation).

There are challenges to using PFS for a continuum of programs. Several of the recommended programs have been evaluated, but none have been evaluated as part of a range of services, making it difficult to predict expected outcomes. However, local stakeholders and PFS experts strongly suggest evaluating the continuum as whole rather than specific goals for each program. This reflects the city's broader goal of supporting the wide range of strengths and needs of families with young children.

Financing structure

Implementing this continuum requires about \$6 million to providing five years of services, plus the cost of an intermediary (to coordinate the project), an evaluator, and outcomes payments. (Details on the costs are in the accompanying presentation.)

The feasibility study also explored viable financial structures for this range of work in Spartanburg. Because PFS financing is relatively new, there is still significant financial risk to the investors, and government may be unlikely or unwilling to pay returns on the investment high enough to attract investors. Support from nonprofit foundation or philanthropies could

help to mitigate the risk. Philanthropy will play a critical in expanding the proposed continuum of early childhood and family services, because PFS has not been used to fund such a project. The relative newness of this model adds risk for investors.

Cost-benefit analyses or related data for three of the proposed programs (BirthMatters, Family Connects, and Triple P) suggest that each intervention is promising and has financial benefits. Comparable economic analyses were not available for the other programs in the continuum, so it is impossible to sum up the total expected financial benefit. It is safe to estimate that benefits of the full continuum will exceed costs.

As part of a robust continuum of programs, these three interventions may also lead to cross-cutting benefits beyond the measured outcomes of each program, such as economic development. To best capture these wide-ranging benefits, outcomes payments should not be based simply on savings to government but based also on the impact of the positive benefits to families and the community.

CONCLUSION

This study shows that PFS *is a **feasible***, promising way to expand and improve outcomes for Spartanburg's children and families.

Using PFS for this project could result in:

- Improved outcomes for families with children under age 5, including maternal and child health benefits;
- A positive impact on the economy, including city-wide economic development by creating a model community to families with young children; and
- New public-private partnerships to advance policy goals, developing a robust culture of health in Spartanburg.

CITY OF SPARTANBURG PAY FOR SUCCESS FEASIBILITY STUDY: INNOVATIVE CONTINUUM FOR FAMILIES

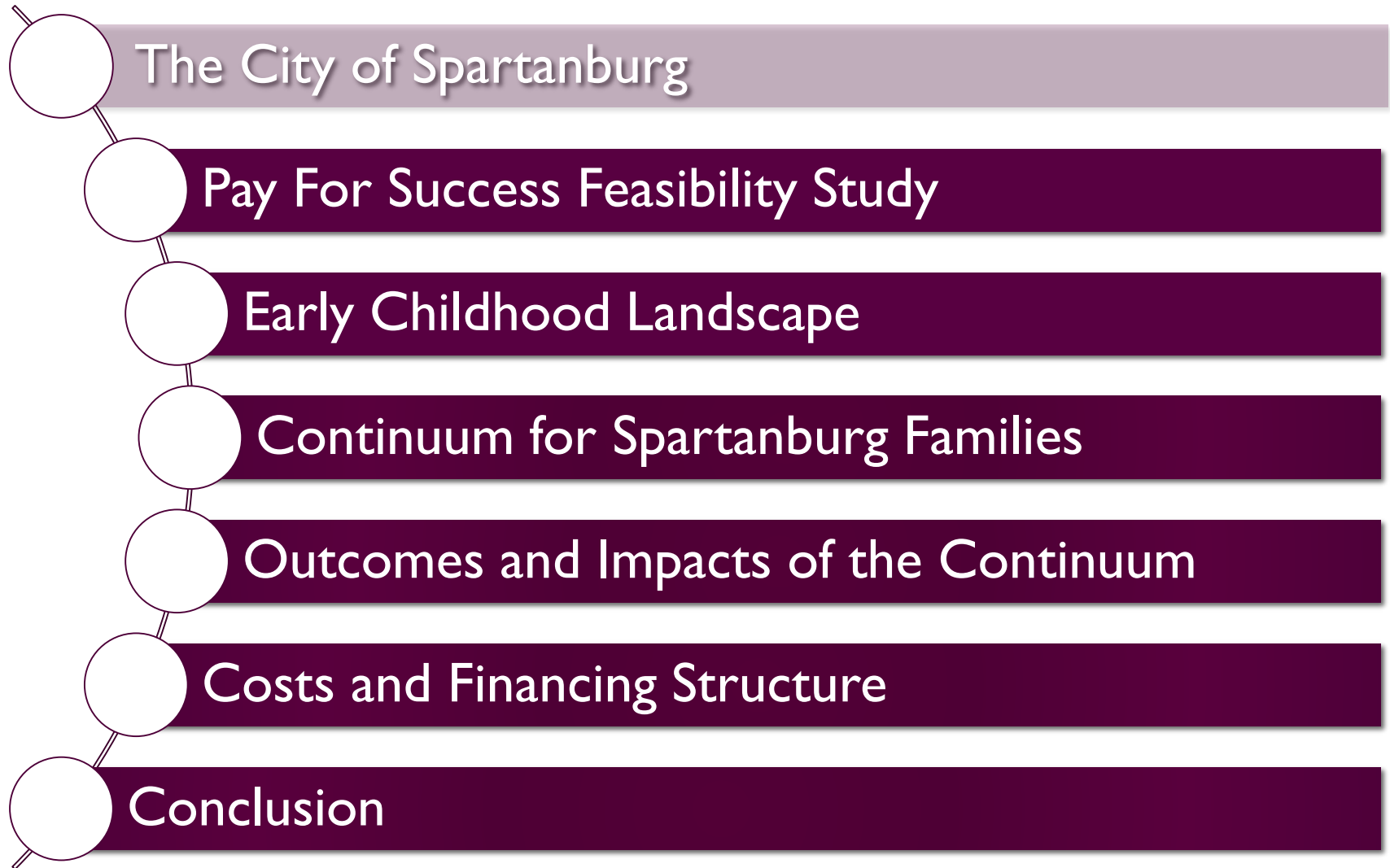
May 2016

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INSTITUTE *for* CHILD SUCCESS

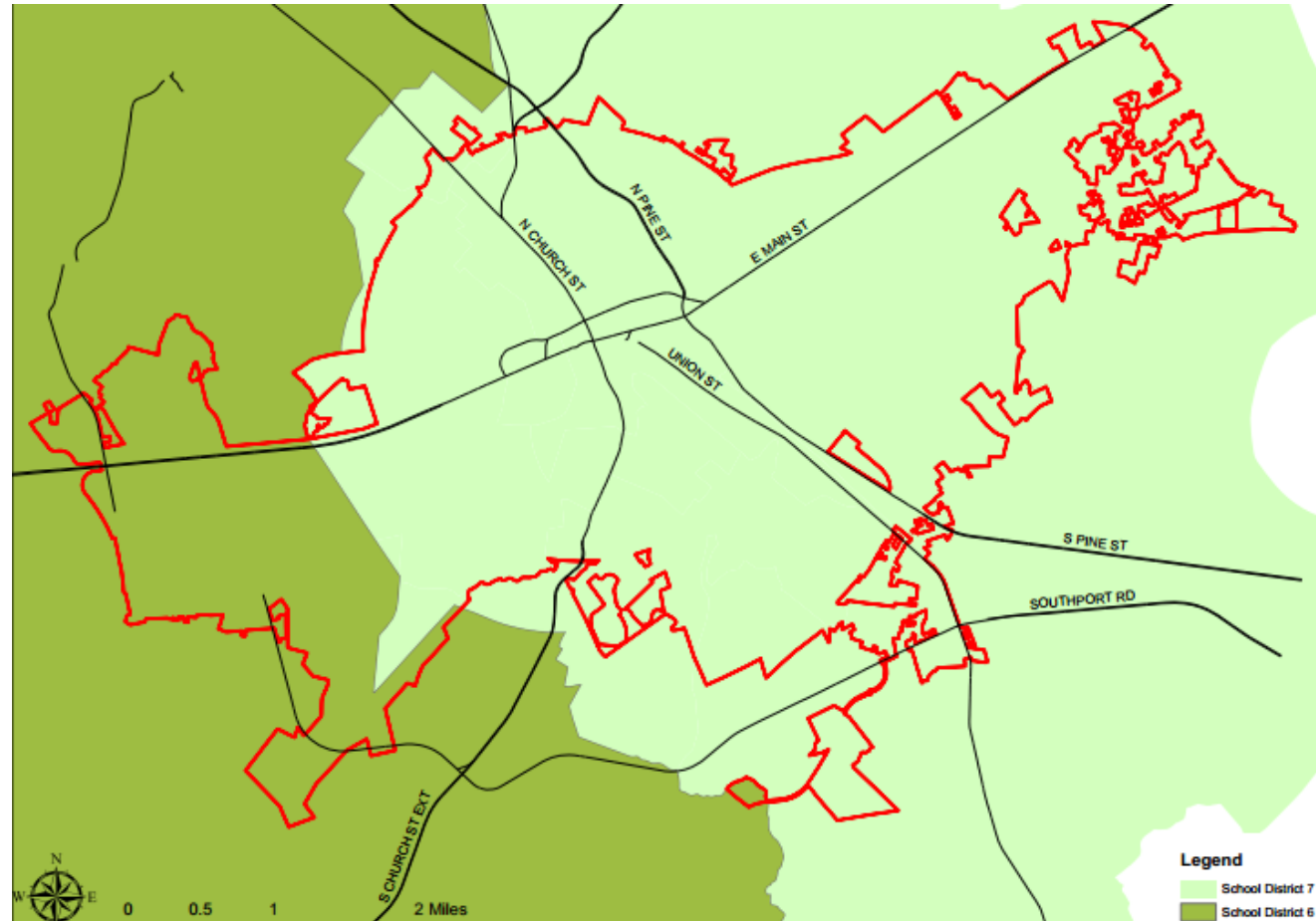


Roadmap



City of Spartanburg

- 37,000 residents
- 20 square miles
- 42.3% of city children live in poverty



The Opportunity



Spartanburg Leaders

- City of Spartanburg



- Mary Black Foundation



- Spartanburg Academic Movement



- Quality Counts



- Spartanburg Regional Healthcare System



The Vision

Provide state of the art resources for parents and young children

Create a culture of health

Redevelop downtown

Revitalize Northside community

Empower families to transition out of poverty

Attract and retain new residents

Efforts to Achieve the Vision

- Spartanburg Academic Movement



- Chamber of Commerce Strategic Visioning Process



- Northside Initiative



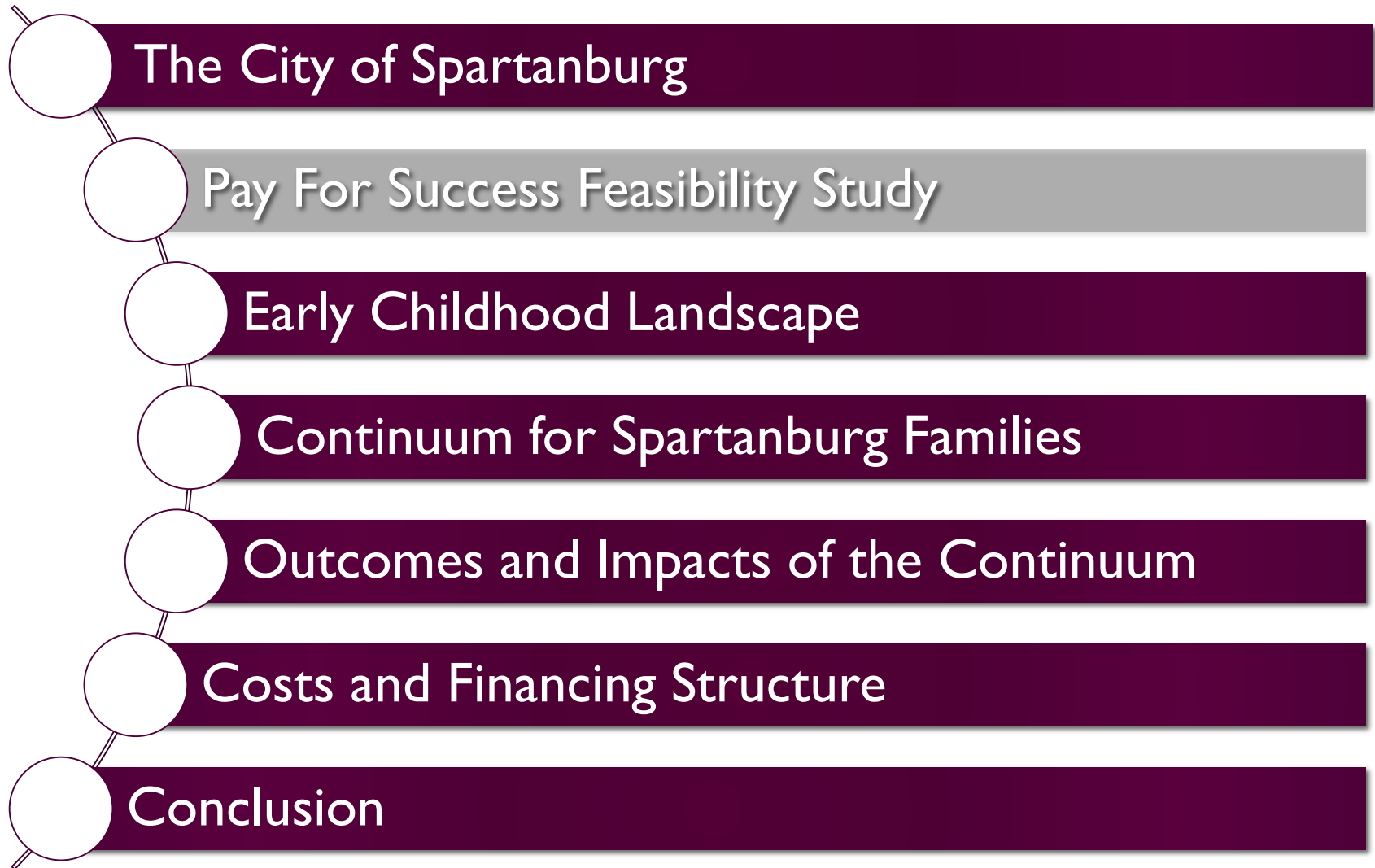
- Way to Wellville



- Early Childhood Pay for Success Feasibility Study



Roadmap



Can Spartanburg Finance Its Early Childhood Vision Through Pay for Success?



Spartanburg competitively selected to receive technical assistance from Institute for Child Success



12-month feasibility study

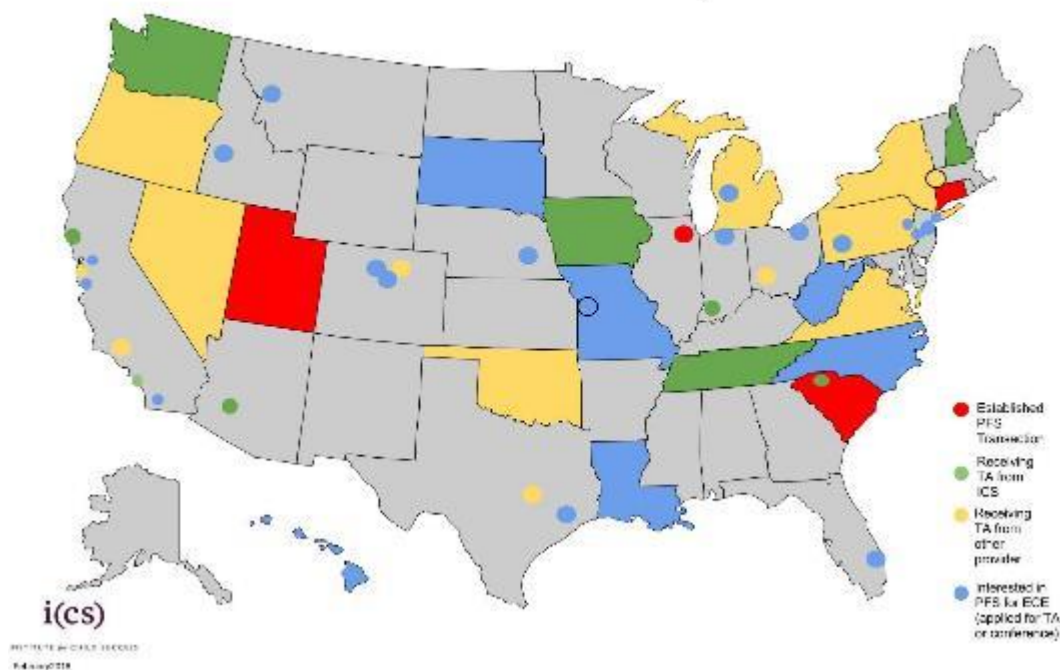
- Outcome Analysis
- Baseline Data Analysis
- Cost-benefit Analysis
- Expansion Plan

PFS: A New Way to Fund Preventive Programs

- ✓ Pay for Success is a new funding mechanism based on outcomes
- ✓ Supported by the federal government



Interest in PFS for Early Childhood



Over 50 U.S. jurisdictions pursuing or using PFS to fund early childhood programs

Key Features of Pay for Success Financing



Government contracts to pay for agreed-on, measurable **RESULTS**



An impartial evaluator assesses whether results are achieved



Service providers expand effective programs with support from foundations or impact investors

Who Benefits?

Communities & Individuals

- More effective services
- Better results

Nonprofits

- Up-front funding to scale effective programs

Government

- More cost-effective services
- Better results

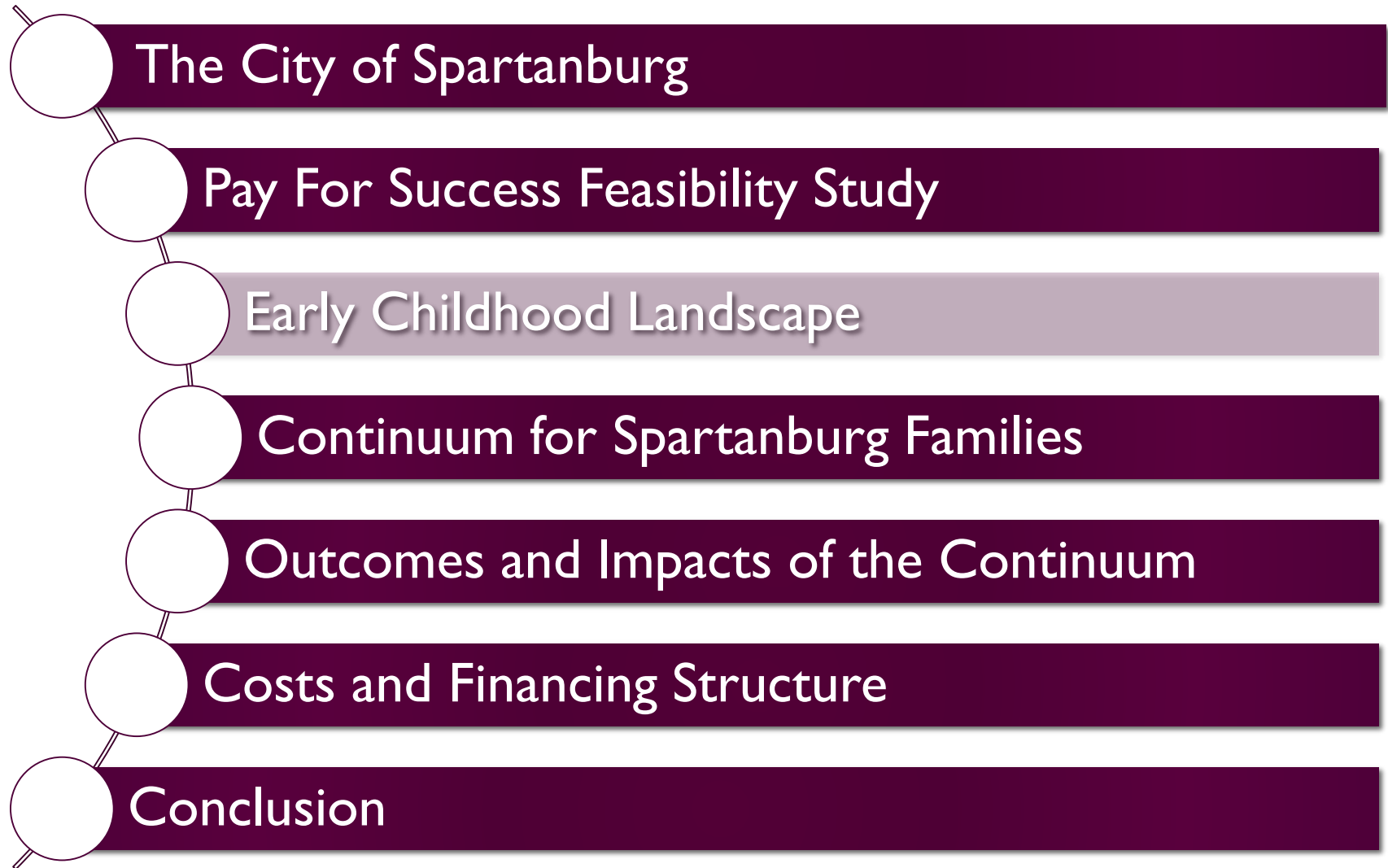
Funders

- Ability to make a positive impact
- Possibility of modest returns


Criteria for Pay for Success Financing

1. A **clearly defined intervention** shown by research to produce specific outcomes
2. **Capacity to scale up** the intervention to serve significantly more people while achieving the same outcomes
3. One or more **government agencies willing to pay** for the outcomes in a Pay for Success arrangement
4. A **feasible plan to implement the intervention** for a specific underserved population with poor outcomes
5. The program, the government and investors can **agree on specific outcome metrics** that will determine payment of sufficient amounts over acceptable timeframes

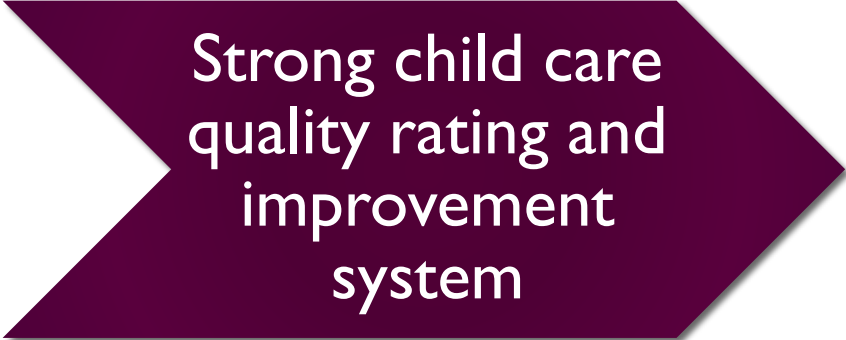
Roadmap



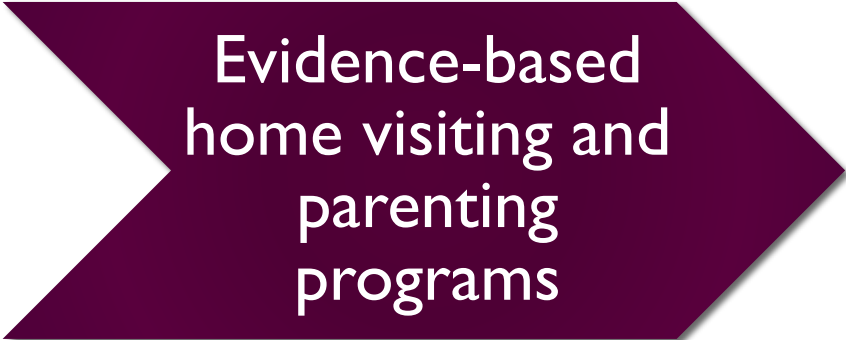
Strengths of Spartanburg's Landscape



High-quality 4K,
with capacity to
serve City 4-
year-olds



Strong child care
quality rating and
improvement
system



Evidence-based
home visiting and
parenting
programs

District 6 & District 7: High-Quality 4K

- Likely impact on:
 - Early literacy skills
 - Social-emotional outcomes
- Based on evidence from:
 - Studies of HighScope Curriculum Universal 4K in District 4
 - District 7 data on assessment scores of 3K and 4K students



Early Care and Education Capacity

Program	Infants/ Toddlers	3s	4s	Total, under 5s
School-based 3k/4k	0	26	247	273
Quality Counts centers	241	97	131	470
Head Start/Early Head Start	30	117	118	265
Total	271	241	496	1,008
Percent of population served	14%	38%	79%	32%

Strengths

High-quality 4K,
with capacity to
serve City 4-
year-olds

Strong child care
quality rating and
improvement
system

Evidence-based
home visiting and
parenting
programs

But...

Too many children
come to school
unprepared

Not enough high-quality
centers because of poor
salaries, limited
resources

Reach small % of eligible
families; Good practices
not widespread enough
to become norms

What Is Needed to Achieve Spartanburg's Vision?

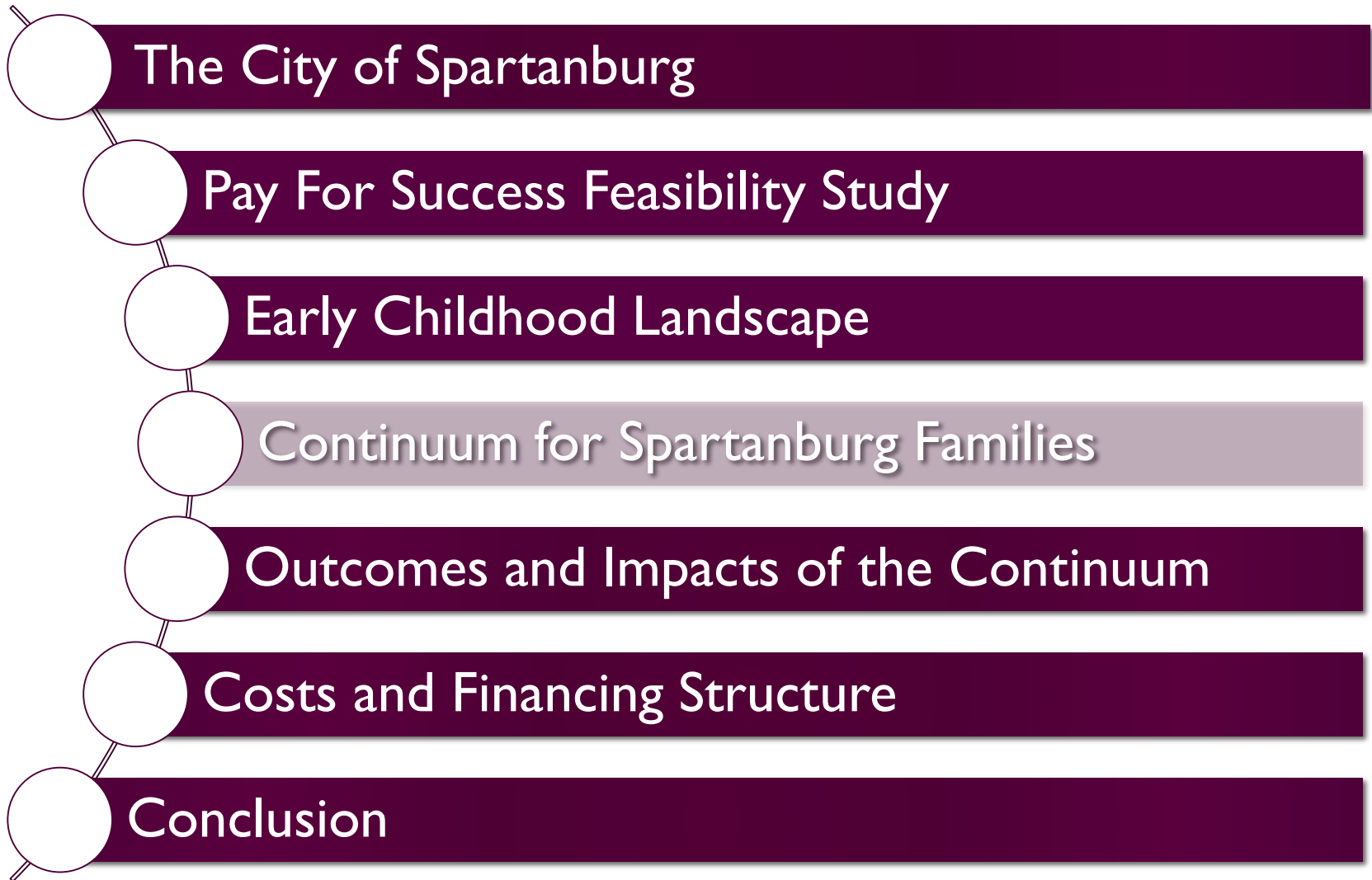
In-home assessments, information and support for all parents of newborns

Intensive, evidence-based health, education and parenting programs for high-risk families and those who need extra help

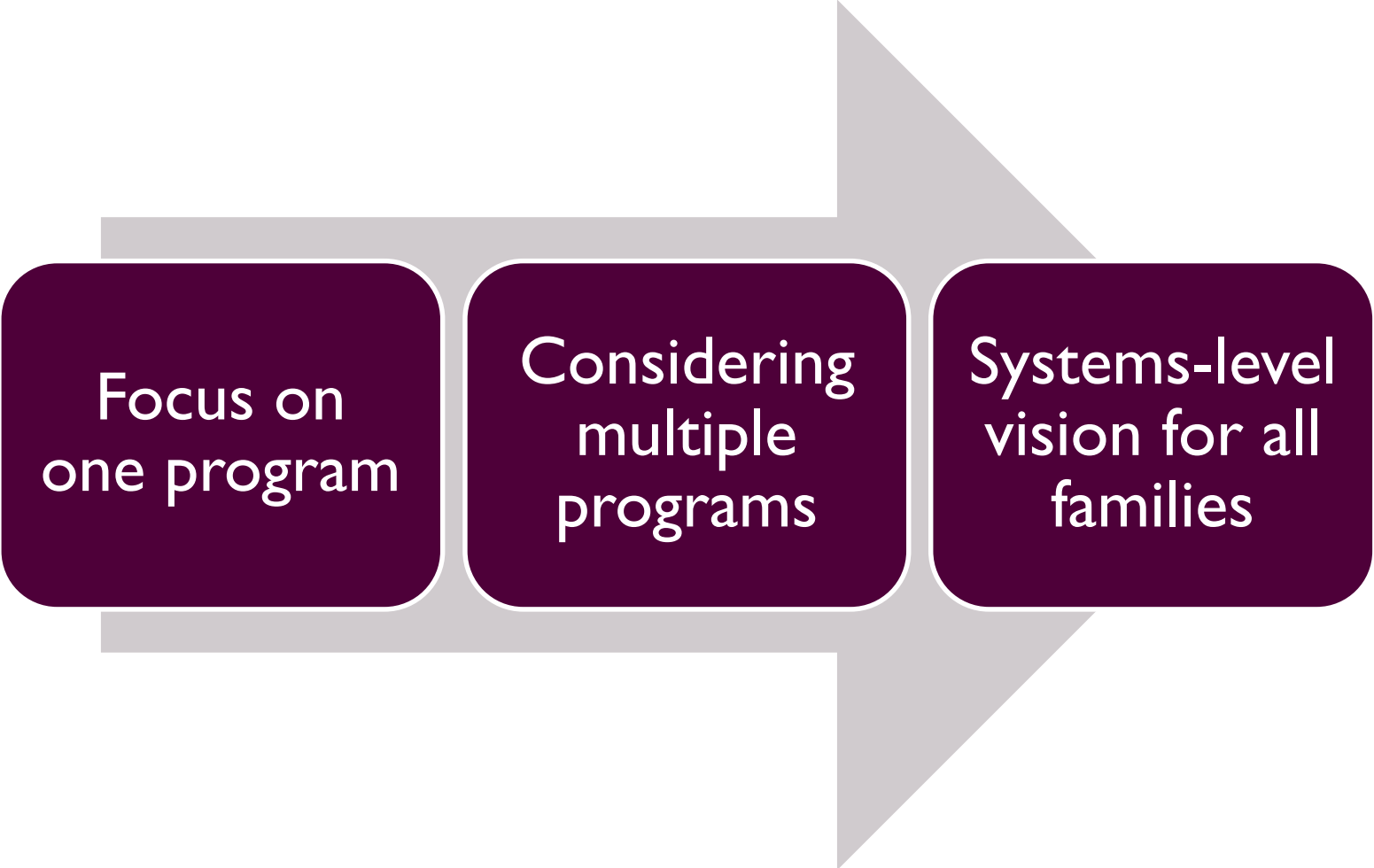
High-quality child care/education for all families who need it so parents can work

Education and culture change so good health, education and parenting practices become the norm and help-seeking is expected

Roadmap



Evolution of Pay for Success Project Focus



Focus on
one program

Considering
multiple
programs

Systems-level
vision for all
families

Family in Spartanburg

Home Visiting (prenatal/newborn)

BirthMatters

*Low-income mothers
under age 24; prenatal*

Family Connects

*Universal access;
newborn visits*

Nurse-Family Partnership

*Expanded through SC
PFS project*

Parent Education and Support (children 0-5)

Triple P

Text4Baby &
Ready Rosie

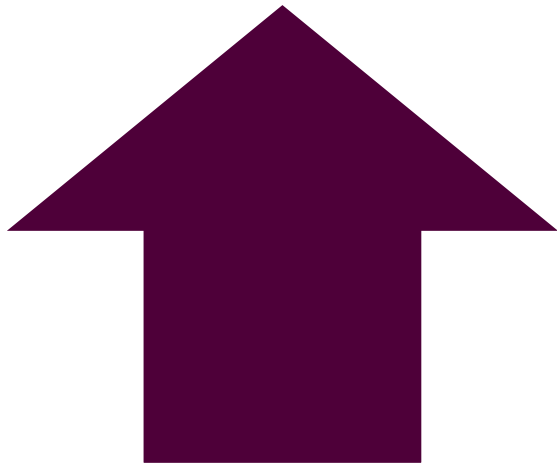
Early Learning (ages 6 week - 4 years)

Expansion of
Quality Counts
QRIS

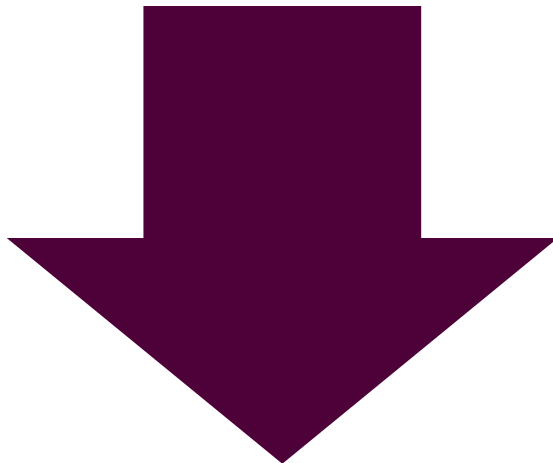
Salary support

Long term:
Additional slots in
quality centers

Continuum for Families Benefits



- **CHILD AND MATERNAL HEALTH**
- **FAMILY STABILITY**
- **EDUCATIONAL ATTAINMENT**
- **SKILLED LABOR FORCE**



- **CHILD MALTREATMENT**
- **MATERNAL DEPRESSION**
- **BEHAVIOR PROBLEMS**
- **EDUCATION, WELFARE & HEALTHCARE COSTS**

- Doula home visiting and birth support to low-income mothers under age 24
- Serves mothers 24 weeks pregnant until infant is six months old
- Educational support during critical months of pregnancy, birth, and early months of parenting

Outcomes meeting PFS Criteria

Reduced

- Cesarean births
- Preterm births
- Low birthweight births
- Prolonged hospitalizations
- NICU admissions
- Repeat pregnancies

Family Connects



- Newborn home visits from registered nurse
- All families - no income limit
- Newborn weight and health check; screen families for potential risk factors
- One month follow-up on status of referrals and if family has additional needs

Outcomes meeting PFS Criteria

Reduced

- Infant hospital readmissions and emergency care visits
- Maternal anxiety and depression

Triple P



- Equips parents with skills and confidence to be self-sufficient
- Multi-level: from universal communications campaign to intensive individual sessions for families with specific needs
- Provided by community members (librarians, health care providers) as well as specific practitioners like home visitors and child welfare workers

Outcomes meeting PFS Criteria

Improved

- Child social-emotional outcomes
- Child behavior/reduced child problem incidents

Reduced

- Parental depression
- Substantiated abuse/neglect cases
- Out of home foster care placements
- Emergency room visits as a result of abuse/neglect

Text4baby and Ready Rosie



Text4baby:

- Text messaging program for pregnant women and new mothers with an infant up to one year of age

ReadyRosie:

- Daily videos to model interactions and conversations for families and parents
- Intended for families with children up to 3 years of age

Outcomes meeting PFS Criteria

- Currently demonstrated outcomes do not meet PFS criteria
- However, worth considering these low-cost companions to parent education and early learning

Plan for Increasing High-Quality Care

Goal: high-quality child care and education slots within reach for all families who want it, for children 6 weeks through 4 yrs

Quality Counts
Quality Rating and
Improvement
System

Salary Support

Long-term:
expand available
slots and provide
tuition support

Quality Counts Quality Rating and Improvement System



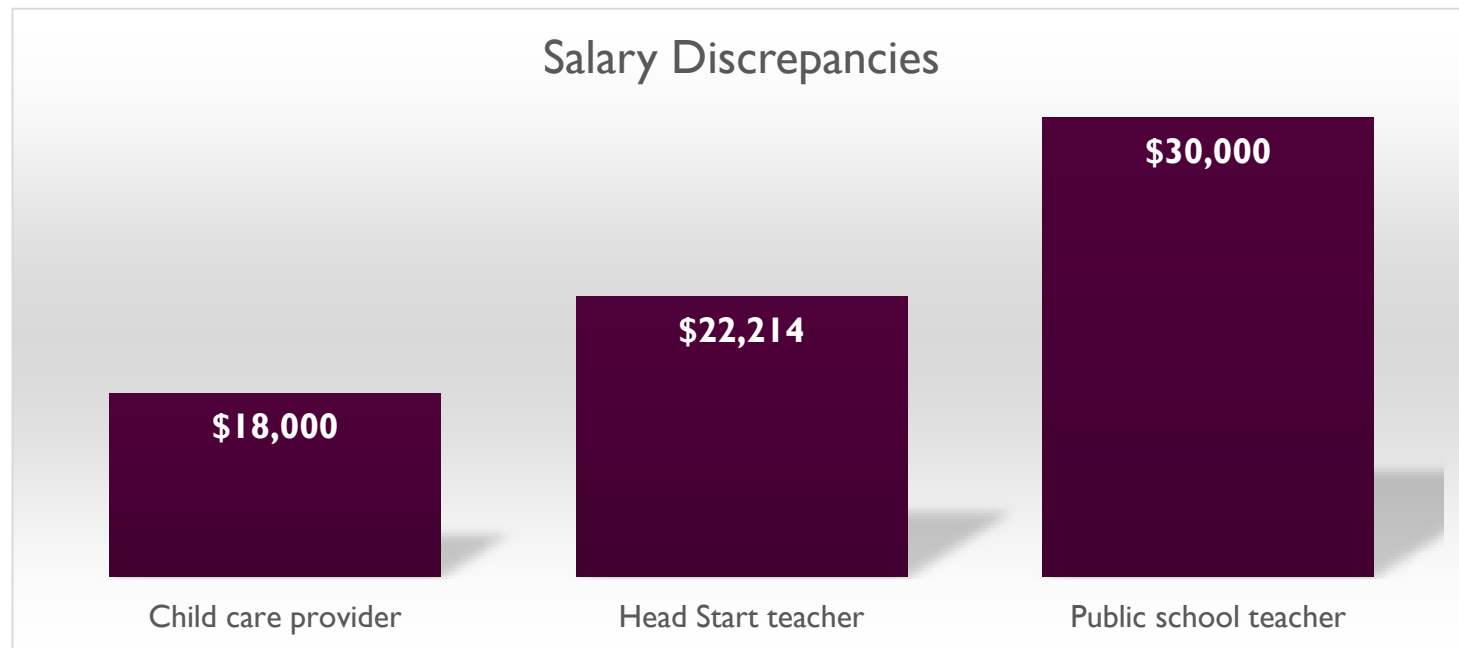
QualityCounts
recognizing excellence in early care & education

- Local voluntary QRIS to improve child care quality
- Intensive technical assistance and ongoing monitoring

Additional staff and training can bring more centers to 4- and 5-star ratings

Salary Support to Enhance Quality

- High turnover in early childhood field from low wages



- WAGE\$ model in NC provides small annual stipend based on center setting and individual education/experience

Program Reach

Program	Eligible	Likely to enroll
BirthMatters	143	72
Family Connects	650	424
Triple P (all levels)	1,808 families with children under age 5	1,808 families with children under age 5
Text4Baby	650 births per year	650 births per year
ReadyRosie	2,524 age 3 and under	2,524 age 3 and under
Early learning and child care	1,008 infants, toddlers, preschools in programs which may benefit	
Communications/ education campaign	1,808 families with children under age 5	

Meet Sandra,
an expectant
mom in
Spartanburg.



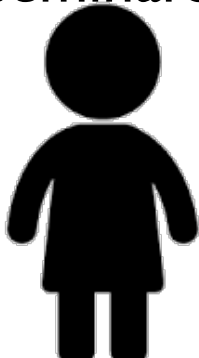
Sandra learns about
BirthMatters and
text4baby from her
doctor.

BirthMatters
Birthing at the Right Time



Sandra's Continuum

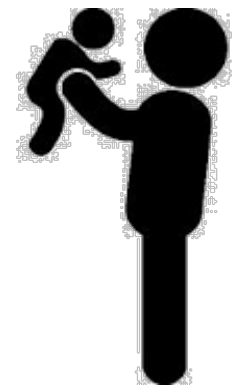
As Xavier grows, Sandra
has more questions. She
and Xavier's father attend
a few Triple P seminars at
the library.



When, Sandra goes
back to work, she is
a little nervous to
leave Xavier, but
loves their child
care center.



QualityCounts
recognizing excellence in early care & education



Roadmap



Outcome Analysis: Is There Sufficient Evidence of Positive Outcomes?

Conclusion:
3 Home Visiting Programs and 1 Parenting Program have sufficient evidence for outcome-based financing



Potential Pay for Success Outcomes

Home Visitation

Reduced cesarean birth rate

Fewer preterm births

Fewer low birthweight births

Fewer prolonged hospitalizations

Fewer NICU admissions

Fewer repeat pregnancies

Reduced infant hospital readmissions and emergency care visits

Reduced maternal anxiety and depression

Parent Education and Support

Reduced parental depression

Child social-emotional outcomes

Improved child behavior/reduced child problem incidents

Reduction in substantiated abuse/neglect cases

Out of home foster care placements

Emergency room visits as a result of abuse/neglect

Outcomes – Most Likely for PFS

Outcome	Intervention	Impact in Research
Cesarean birth rate	BirthMatters	20% reduction
Emergency medical care utilization in first 6 months of life	Family Connects	59% reduction
Substantiated abuse/neglect	Triple P	25% reduction in rate of cases

Spartanburg Baselines and Projected Impacts

Outcome	Spartanburg Baseline	Projected Impact in Spartanburg
Cesarean birth rate	34%; Estimate: 223	Reduction of 9.7
Emergency medical care utilization in first 6 months of life	Inpatient: 35 Emergency Department: 196	Inpatient: From 35 to 14.4 ED: From 196 to 80.4
Substantiated abuse/neglect	20.6 per 1,000 Estimate: 77	15.45 per 1,000 Est. 57.75

Additional Impacts

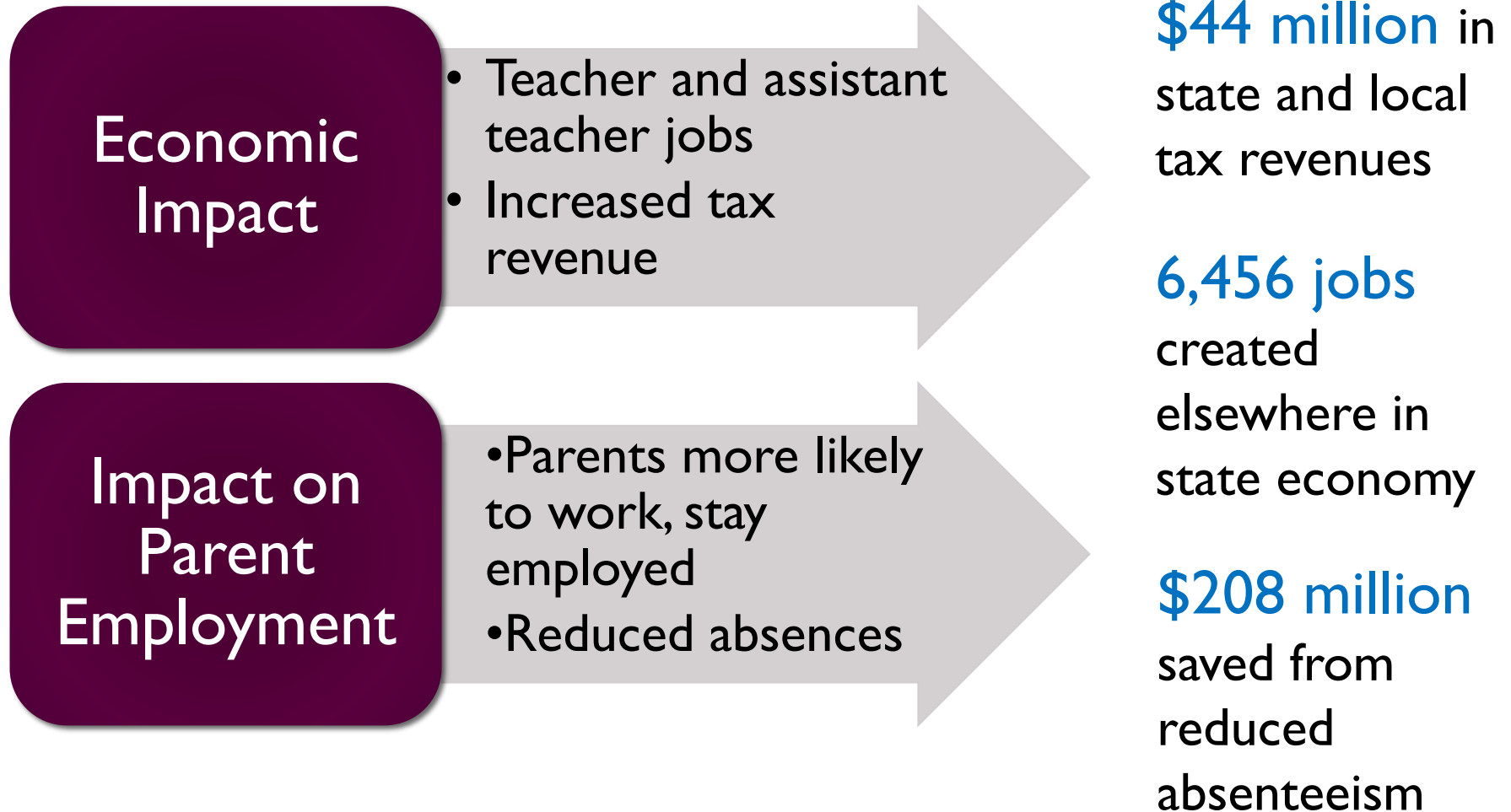
Outcome	Intervention and Impact in Research	Spartanburg Baseline (3-year average)	Projected Impact in Spartanburg
Preterm births	BirthMatters: 5.7% reduction	11%; Est: 70	Reduction of .89
Low birth weight	BirthMatters: 8% reduction	9%; Est: 59	Reduction of 1
NICU admission	BirthMatters: 5% reduction	8%; Est: 52	Reduction of .6
Out of home foster care placements	Triple P: 33% reduction in rate of cases	4.5 per 1,000* Est: 17	3.0 per 1,000 Est: 11.235

Additional Outcomes From Early Care & Education Improvements and Continuum

- Increased kindergarten readiness
- Improved math, literacy, HS graduation
- Increased work hours for parents
- Spartanburg more attractive to new families
- Expanded tax base



Economic Impacts of Early Care and Education



Source: O'Donnell, The Economic Impact of Early Care and Education in SC. Figures reflect statewide impact.

What is Needed to Achieve Outcomes

Data system

- Track enrollment and outcomes across continuum

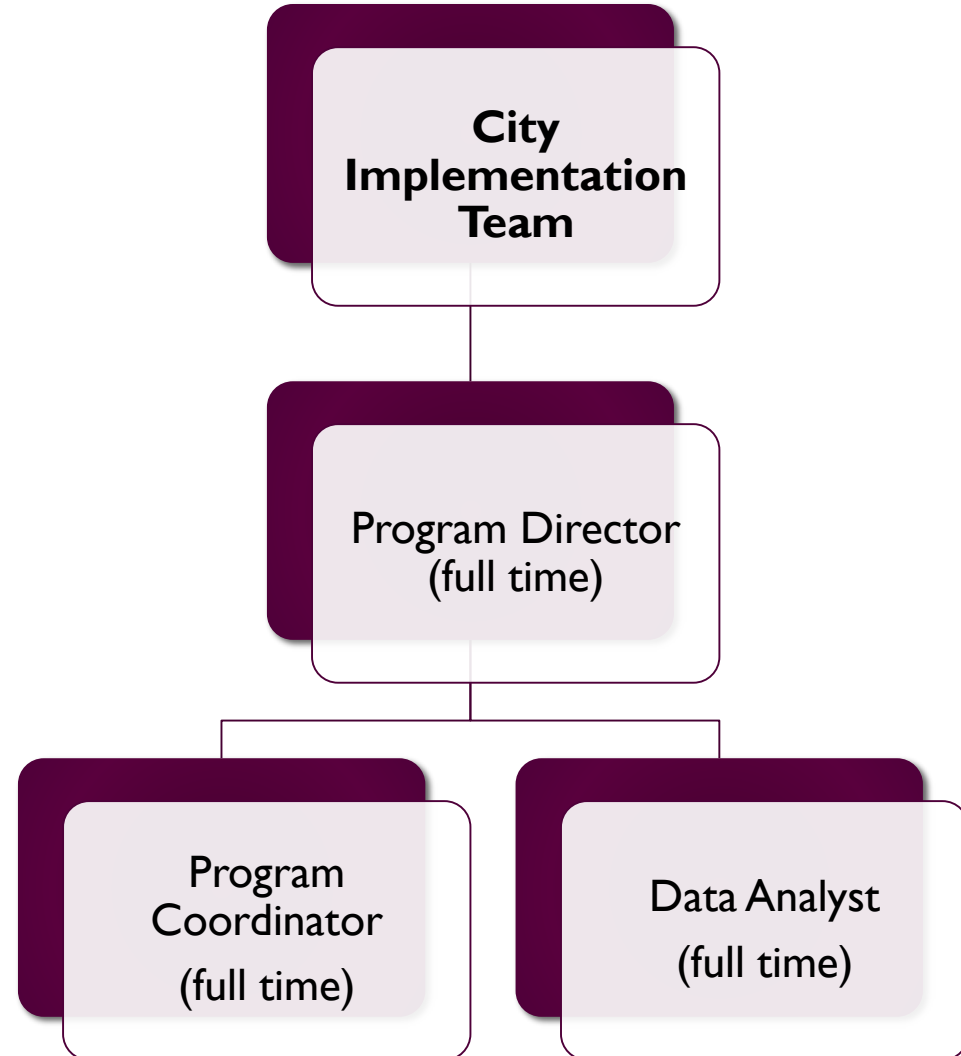
Residency verification tool

- Prioritize city resident enrollment

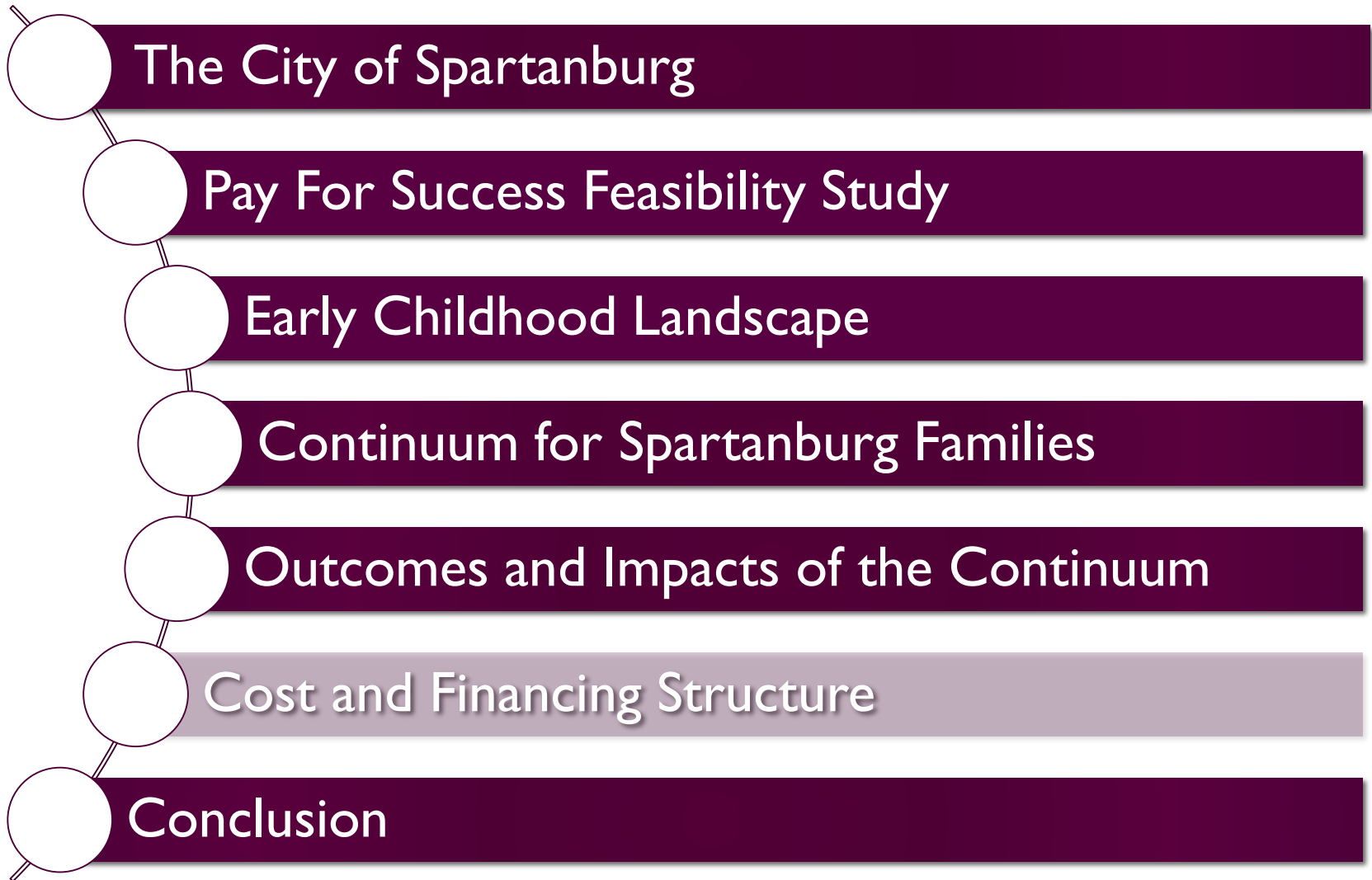
Communications campaign

- Weave continuum into community identity

Implementation team



Roadmap



Cost of Effective Early Childhood Continuum

Program	Cost, Year 1	Total, 5 Years
BirthMatters	\$144,000	\$720,000
Family Connects	\$300,000	\$1,500,000
Triple P	\$50,000	\$71,000
ReadyRosie & Text4Baby	\$3,000	\$15,000
Early Learning (QC expansion and teacher stipends)	\$345,000	\$1,725,000
Continuum Supports (communications, staffing, training and travel costs)	\$305,000	\$1,525,000
Continuum Total	\$1,147,000	\$5,556,000

Anticipated Savings and Benefits for 3 Evidence-Based Programs Only

Program	Return on Investment
Family Connects	\$3 per \$1 invested
Triple P	\$9.60 per \$1 invested
Doula home visiting (e.g. BirthMatters)	\$410 saved per Medicaid participant \$938 per private insurance participant*

* CBA is not available of BirthMatters. Data on savings from study of doula prenatal home visits in three states.

Additional benefits expected from child care/early education improvements, parent education and culture change...

A Feasible Pay for Success Project?

- Implement full continuum for 5 years
- Pay for outcomes in years 3-6
- Payment terms may include:
 - lower-risk maternal/child health outcomes,
 - child welfare outcomes
 - measures of child care quality (output measure)
 - economic indicators
- Combination of government, philanthropic, and impact investment funding



Differences from Typical PFS Projects



- Ideally, multiple service providers **collectively responsible for outcomes** rather than each service provider only responsible for its own proven outcomes
- Some outcomes (economic, educational) are logical but not proven through rigorous research => **higher risk**
- Goal is citywide, **population-level change** rather than impact on high-risk individuals, requiring a different evaluation strategy
- Openness to **innovation to achieve outcomes** (e.g. through communications campaign)

Outcome Payments for Full Continuum

Operating
Cost

\$5,556,000

Across 5
years

Additional
Outcome
Payments
Required

\$556,000

Costs of outcome
measurement,
administration,
success insurance

Total
Outcome
Payments

\$6,112,000

Paid out over
3 years if
outcomes
achieved

+

=

Parties Interested in Outcomes

- City of Spartanburg
- Spartanburg School Districts 6 and 7
- Spartanburg Regional Health System
- Mary Black Health System
- S.C. Department of Health and Environmental Control
- S.C. Department of Social Services
- S.C. Department of Health and Human Services



Potential Payment Terms

Maternal-child
health
(lowest risk)

- C-section rates
- Emergency room visits
- Substantiated abuse/neglect

Early care &
education
(mixed risk levels)

- # of City residents in 5-star ECE centers
- # of City residents in 4-star ECE centers
- Kindergarten readiness

Economic
development
(innovative)

- Net migration of 25-24-year-olds
- Tax revenues?

Potential Financing Structure

UP-FRONT COSTS

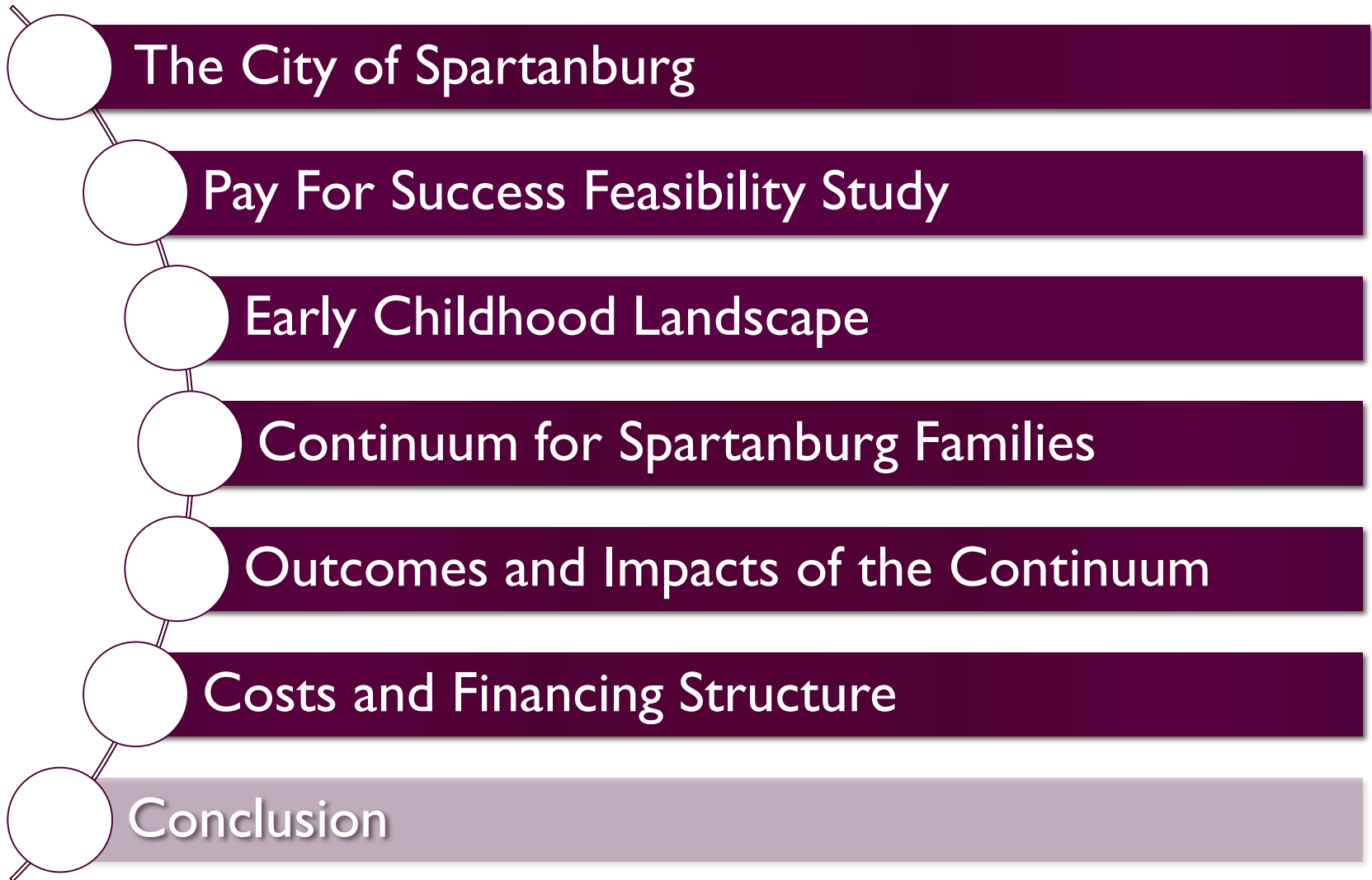
- Foundation grants
- Impact investments (e.g. banks, community development financial institutions, individual impact investors)



OUTCOME PAYMENTS TO IMPACT INVESTORS

- City of Spartanburg
- Other government entities

Roadmap



Conclusion

Spartanburg could feasibly implement an early childhood continuum that would have multiple positive outcomes for the City

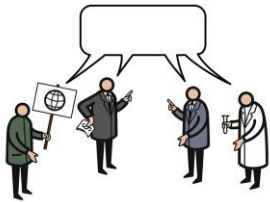
While Pay for Success financing is challenging to apply in small communities and to a continuum of programs...

The City of Spartanburg could fund a continuum for families using a modified PFS structure.



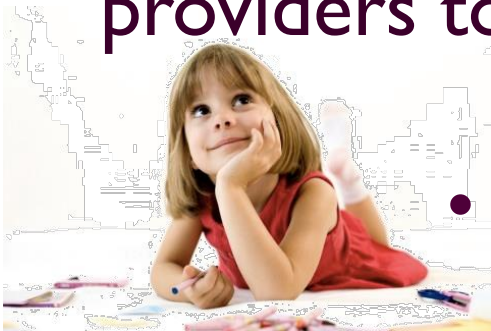
Benefits of Pay for Success Financing Model

- Multiple stakeholders work together to ensure an effective system



- Tracks and incentivizes outcomes for Spartanburg residents

- Provides support for community-based service providers to implement according to best practice



- Government can pay only if positive outcomes are achieved

Next Steps

- Identify interested philanthropies and impact investors
- Determine size and source of government payments
- Agree on financing structure
- Finalize and price outcome metrics
- Determine how to evaluate success



Stay Tuned to Learn About...



Our ideas for a
communications
campaign
that will change
community norms

Contact Information



INSTITUTE *for* CHILD SUCCESS

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