Pay for Success

Federal Reserve of Philadelphia
Reinventing our Communities: Transforming Our Economies

*Early Childhood Programs with High Return on Investment*
September 22, 2016
Business is Invested in Early Childhood...Why?

- Starting kids on the road to life success is all about human capital development
- Business is the first mover in driving economic growth through human capital development...without capable employees there is no economic growth
- Business has powerful voice; policymakers listen to and collaborate with business
- Business speaks return-on-investment and EC program value is all about ROI.
- “Unlikely messengers of objectivity”, giving business more credibility with policy makers; cogent messaging
Pay for Success

• What is it?

*Social impact contractual arrangement that enables local, state and federal governments to scale up an early childhood program that has a proven record for improving desired outcomes and reducing government costs, at no financial risk to payers*
Mechanics of Pay for Success

1. Provide Working Capital
2. Establish Operating Model
3. Provide Services
4. Evaluate/Certify Outcomes
5. Make Success Payments
6. Repay investors

Gov't Health or Education Agency
PFS Intermediary
Early Childhood Service Providers
Target Population
Evaluator
Investors
Pay for Success Outcomes – Salt Lake County

- Granite School District (GSD) with high quality pre-school
- Only 4% of children who attended the GSD program needed special education by 3rd grade
- 95% of at-risk children who tested poorly before pre-school entry expected to need special education
- Less than 1% of that group of children actually needed special education – 1 of 110 children

Success payment made reflecting special education monies saved
Pay for Success Outcomes – City of Chicago/Chicago Public Schools

• Chicago Parent-Child Center program extended to 2,600+ at-risk 4-year olds over four years

• Three primary success outcomes being tracked:
  – Reductions in special education
  – Kindergarten readiness
  – 3\textsuperscript{rd} grade literacy

• 2/3 of first cohort students scored above 50th percentile on four of six domains (baseline success threshold for CPC) for K-readiness

Success payment made reflecting achievement of K-readiness outcome
Questions?

• For more information on Pay for Success, email Phil Peterson at phil.peterson100@gmail.com