

Pay for Success in the U.S.

Summaries of Financed Projects

December 2015



INSTITUTE *for* CHILD SUCCESS



ICS's work to develop early childhood PFS is supported by the Corporation for National and Community Service's Social Innovation Fund.

(by)

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Massachusetts Chronic Individual Homelessness Pay for Success Initiative

Policy Area

Homelessness

Policy Problem

Massachusetts has a population of roughly 1,500 chronically homeless people, whose needs are not sufficiently addressed and thus need to use temporary shelter, Medicaid, and other emergency services.

Jurisdiction (implementation sites)

Greater Boston, Worcester, Springfield, Lowell, Quincy, Brockton, Framingham, Western Massachusetts, Cape Cod, Cape Ann

Who is paying for the outcomes?

The Commonwealth of Massachusetts*
United Way of Massachusetts Bay and Merrimack Valley
*Includes Massachusetts MassHealth (Medicaid) and the Division of Public Housing and Rental Assistance (Massachusetts Rental Voucher Program)

Organization(s) Delivering Services

Action, Inc.
Boston Public Health Commission
Commonwealth Land Trust, Inc.
Eliot Human Services
Father Bill's & Mainspring
Friends of the Homeless
Heading Home, Inc.
Hearth, Inc.
HomeStart, Inc.
Housing Assistance Corporation/Duffy Health Center
Lynn Shelter Association
Mental Health Associates
Pine Street Inn
South Middlesex Opportunity Council

Intervention	Based on Massachusetts Housing and Shelter Alliance's "Home & Healthy for Good" (HHG) program, which provides flexible funding for permanent supportive housing for chronically homeless individuals. HHG is a Housing First or low-threshold housing model that incorporates evidence-based practices for homeless populations. The PFS initiative integrates housing and supportive services.
Approximate Program Cost per Participant	
Intermediary: Coordinator & Borrower	Massachusetts Alliance for Supportive Housing (MASH) – a subsidiary of MHSA in partnership with the Corporation for Supportive Housing and the United Way of Massachusetts Bay and Merrimack Valley (UWMB). UWMB serves as the fundraising intermediary and financial manager.
Program Evaluator	Root Cause Institute, Inc.
Validator	None
Outcome Metric(s)	Number of days continuously housed in permanent supportive housing as part of the program during a specified period, usually a minimum of 12 months.
Evaluation Design	Root Cause Institute Inc. is verifying the number of participants housed in this initiative for a minimum of 12 consecutive months. There is a goal of an 85% housing retention rate (reflected in payment terms) based on previous performance over time of similar Housing First program models.
Target Population (criteria and size)	500 High Use Homeless Individuals, defined as i) meeting the US HUD definition of "chronically homeless", or ii) identified by MASH as homeless, anticipated high-cost users of emergency services in its reasonable judgment, including through consultation with PFS service providers. The PFS project aims to provide 500 units of stable supportive housing including 145 state rental vouchers for up to 800 chronically homeless individuals ramping up to full capacity during the first 2 years.
Size of Investment	<p>\$26.5 million = total value of project</p> <ul style="list-style-type: none"> • \$3.5 million-social impact/philanthropic investment • \$23 million-federal, state, local resources <p>The \$3.5 million social impact and philanthropic investment is anticipated to leverage an additional \$23 million dollars in federal, state, and local resources, adding up to the full cost of the intervention.</p>
Total Payments Possible (investment and return)	Up to \$6 million in success payments
Term / Timeframe (intervention and evaluation)	<p>6 years (72 months) for the intervention</p> <ul style="list-style-type: none"> • Evaluation in the form of quarterly reports within 30 days after the end of each quarter

Investors: Deal Structure/ Capital Stack (annual return if available)	<p>\$2.5 million in private debt capital:</p> <ul style="list-style-type: none"> • \$1 million funded by Santander Bank • \$1 million funded or secured through third party by United Way • \$0.5 million funded by CSH <p>\$1 million in philanthropic contributions:</p> <ul style="list-style-type: none"> • \$250,000 funded by Santander • \$750,000 funded or secured through third party by United Way
Payment Terms - Risk Sharing Structure	<p>Risk is shifted to the investor; there is no payment if an individual is not housed for at least 12 continuous months, with the exception of past participants whose days may count as Former Qualified Participant Days although they exited the program prior to the 12-month mark.</p>
Payment Terms - Details on Payment per Outcome, Payment Period	<p>Outcome Calculations:</p> <p>Payment begins after 12 consecutive months of being successfully housed and includes payment for all 365 days plus any days past the 12-month period. The payment is a per diem rate of \$8.22 amounting to an annual payment of \$3,000. Payment includes:</p> <ol style="list-style-type: none"> 1. Number of Qualified Participant Days multiplied by the per diem rate; AND 2. Days former participants were housed multiplied by the per diem rate. <ol style="list-style-type: none"> a. Only counts if former participant discontinued program due to one of four approved reasons. <p>Not to exceed \$6 million.</p> <ul style="list-style-type: none"> • Success rates >80% will return 100% of invested capital (return between 0% and 5.33% at 95% success rate) • Success rates <80% will return diminishing level of invested capital <p>Payment Period</p> <ul style="list-style-type: none"> • Within 45 calendar days following the delivery of each verified quarterly Periodic Report, with the Independent Evaluator’s confirmation
Date Announced	<p>December 8, 2014</p>
Implementation Start	<p>June 1, 2015</p>
Interim Outcome Dates	<p>September 2015 (and within 30 days of the end of each quarter thereafter)</p>
Legislation for Appropriation Risk	<p>Yes, G.L. c. 29 § 26, § 27 and § 29, effective July 2012.</p>
Other Notes	<p>Any significant change in the level of Commonwealth resources committed to supporting this initiative triggers a contractual breach, enabling MASH to return 100% of invested capital and any earned but unpaid interest at the rate of 3.33% (based on 85% success rate).</p>

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FUELED BY



The Institute for Child Success is fueled by BlueCross BlueShield of South Carolina, an independent licensee of the BlueCross and BlueShield Association, and by the Mary Black Foundation.

Headquartered in Greenville, South Carolina, the Institute for Child Success (ICS) is an independent, nonpartisan, nonprofit research and policy organization dedicated to the success of all young children. ICS pursues its mission in four primary ways:

- Proposing smart public policies, grounded in research.
- Advising governments, nonprofits, foundations, and other stakeholders on strategies to improve outcomes.
- Sharing knowledge, convening stakeholders, embracing solutions, and accelerating impact.
- Fostering the next generation of leaders.