

[The Importance of Assessing PFS Project Fit](#)[Screening Criteria](#)[PFS In Practice](#)

Unsurprisingly, Pay for Success (PFS) isn't a fix for every social challenge. In this brief, we discuss criteria jurisdictions can use to decide whether PFS tools are useful for achieving their goals.

## About This Issue Brief Series

This issue brief is the first in a 10-part series written for government officials interested in learning how to use Pay for Success tools and principles.

The series summarizes best practices and lessons learned at Social Finance from a decade of designing, launching, and managing Pay for Success projects. It includes guidance on each step of the process, from deciding whether Pay for Success is a good fit to actively managing a project post-launch.

Access the complete issue brief series [here](#).



## The Importance of Assessing PFS Project Fit

All levels of government face barriers to investing in evidence-based programs. There is often real uncertainty about which programs will achieve policy goals; too little measurement of how programs are working today; and wrong-pocket problems that create walls between the agencies funding prevention and those realizing its benefits. PFS can mitigate these barriers by refocusing parties on shared, longer-term outcome goals; carefully measuring progress against those goals; and linking program funding to measured performance. As discussed in earlier briefs, PFS is a set of strategies, not a single tool.

Whether a social impact bond (SIB), outcomes-rate card (ORC), or career impact bond (CIB), the project development process can be time-consuming and challenging. These strategies demand strong evidence and data systems, require new skills or capacities from both governments and service providers alike, and call for accountability from all project partners toward achieving selected outcomes.

In over a decade of designing, launching, and managing PFS projects, Social Finance has developed a set of screening criteria to determine whether these tools are a good fit for the problem at hand. Using an assessment of these criteria, the outcomes funder and its partners can propose an appropriate PFS tool.

## Screening Criteria

### 1. DEFINED PRIORITY POPULATIONS

The first step in the PFS design process is to understand the priority beneficiaries and their needs. That analysis should go beyond simple demographics (e.g., age, race, gender) to include context (e.g., currently available community services), individual risk factors (e.g., prior health conditions), and current service offerings and utilization. To equitably meet the needs of the community, early conversations should include individuals from the priority population and local representatives who can further define the project's focus.

Screening questions to consider include:

- Is there significant unmet demand to serve this priority population?
- Is the priority population clearly defined, and are their needs well understood?
- Does the project's priority population reflect the jurisdiction's equity goals? Are members of the priority population part of the design process?

### 2. CLEARLY DEFINED OUTCOME MEASURES

Outcomes-based funding is, by definition, built around clearly defined outcomes.<sup>1</sup> For a project to be worth pursuing, project partners must agree on a set of outcome metrics that represent progress toward achieving their shared impact goals. In PFS projects, outcomes should align with community needs, policy priorities, and beneficiary goals. Reliable and consistent data sources are also required to enable good measurement.

Screening questions to consider include:

- Do outcomes of interest align with potential intervention and with the evidence for that intervention?
- Do they align with beneficiary needs and priorities?
- Can outcomes be regularly assessed based on reliable and accessible data sources?
- Can outcomes be observed and measured within the project timeframe?

### 3. PROMISING INTERVENTION

When linking payments to outcomes, it's important to be able to predict project anticipated outcomes achievement—what we think is most likely to happen—for both outcomes funders and service providers to budget appropriately.

1. [Social Finance](#), 2024.

To do this, we examine the body of evidence behind the chosen intervention, with greater weighting given to studies that are more suggestive of potential impact (i.e., that are well-designed and use more credible evaluation strategies) and that have greater contextual similarity. The interventions scaled in PFS projects typically have strong evidence, including one or more evaluations that use a comparison or control group, suggesting they will produce positive outcomes. <sup>2</sup>

Screening questions to consider include:

- Is the intervention aligned with the project’s impact goals and attuned to the project’s priority population?
- Have past high-quality evaluations demonstrated the potential to achieve positive impacts?
- Do past studies suggest the intervention can realistically be scaled to the proposed project context?

#### **4. EXCELLENT SERVICE PROVIDER**

Next, we look to identify whether there is a provider who can offer the chosen intervention at scale and with high quality. As part of this process, we look at the organization’s finances and operations; its ability to use data to track and improve programming and outcomes; its connections to the population served; and its experience offering the kinds of services required for the project.

Screening questions to consider include:

- What service providers, if any, offer the selected intervention locally? Do they have the capacity to scale?
- Do providers have a history of positive performance on priority outcomes?

#### **5. STRONG VALUE PROPOSITION**

To be a good fit for PFS, a program should present a clear value proposition, creating benefits for society that outweigh the costs of providing the services. In most cases, stakeholders will want to ensure that there is a positive cost-benefit proposition expected within a reasonable timeframe. To quantify the program’s expected value, we focus on societal benefits (e.g., improvements in housing stability, reductions in maternal mortality) as well as fiscal benefits (e.g., avoided costs due to reduced hospitalizations or jail bookings), <sup>3</sup> and using existing data from jurisdictions, academic research, public assistance program data, and local population analyses. <sup>4</sup>

Screening questions to consider include:

- Do the benefits of the chosen intervention outweigh the costs?
- Is the value of the intervention meaningful to the outcomes funder?

#### **6. COMMUNITY AND PAYOR ENGAGEMENT**

Finally, the outcomes produced by the program must align with the policy priorities of the community and outcomes funder. A government or a private payor (such as a managed care organization) must be willing to work with the service provider and other partners to define and negotiate key project terms, such as number of individuals served and price per outcome. An intermediary, such as Social Finance, will often be engaged in a PFS project to assist with the initial assessment and analysis, financial structuring, and project management. <sup>4</sup>

2. [Social Finance](#), 2024.

3. [Social Finance](#), 2024.

4. [Social Finance](#), 2024.

PFS projects require frequent and ongoing input and participation from multiple levels within government, typically including data managers, budget analysts, and agency leadership. But beyond the outcomes funder, strong projects are also designed with broad community input; must be able to draw on the guidance of local civic leaders; and sometimes require impact investor capital. To put together a successful project, each stakeholder help shape and strengthen the overall project vision.

Screening questions to consider include:

- What is the strength of support from public sector leaders?
- Are key individuals available (e.g., content experts, data managers) and prepared to dedicate time and resources to the project?
- Are potential outcome metrics important to the broader community (including the priority population and potential funders)? Are community leaders willing to engage in building the project?
- Has an intermediary been engaged?

## Leveraging Lived Experience





Community members often have first-hand expertise that can inform essential elements of program design and implementation. There are multiple strategies for incorporating lived expertise, including:

- Drawing on community member expertise in program design: For the New Castle County, Delaware Pay for Success Project, a \$3 million program meant to expand access to quality prenatal and postnatal care in northern Delaware, our team and partners interviewed home visiting nurses and potential program participants to understand the needs of health care service providers and families. [Learn more.](#)
- Asking community members to serve on key program committees: For a \$12.7 million PFS project (Home for Good) to address homelessness in Anchorage, Alaska, our team and partners chose to write community committee membership into the overarching contract, ensuring that a member of the community would have a voting seat on the executive committee which oversees and has contract revision authority over the project. Home For Good also engaged members of the Alaskan Native community to serve as advisors to the executive committee. [Learn more.](#)

## PFS in Practice: Fit Assessment for Permanent Supportive Housing in Hamilton County, TN

In 2021, Social Finance began working with the Hamilton County Sheriff's Office in Tennessee to design a PFS project bringing permanent supportive housing to 50 additional individuals experiencing chronic homelessness. The project is funded through multi-year grant from the Bureau of Justice Assistance. At the time of the grant application, Hamilton County hypothesized it would use a SIB that would leverage impact investor capital.

## SCREENING CRITERIA ANALYSIS

<b>Defined Priority Population</b>	Hamilton County is experiencing an affordable housing crisis and corresponding rise in homelessness. Between 2021 and 2022, the number of people experiencing homelessness in the region increased from 1,217 to 3,084, according to a recent count of people with no shelter at all. <sup>5</sup>	
<b>Clearly Defined Outcome Measures</b>	Policymakers and community members prioritize stable housing and reduced recidivism, both of which align with the evidence behind permanent supportive housing.	
<b>Promising Intervention</b>	Assertive Community Treatment (ACT) is a practice that emerged 50 years ago and draws on powerful evidence from several independently conducted randomized controlled trials (RCTs) in different US geographies. The practice, alongside its hybrid and complementary versions like ACT-lite, which Hamilton County decided on as the program model, is a key component of U.S. community mental health programming. <sup>6</sup>	
<b>Excellent Service Provider</b>	After a competitive procurement, Hamilton County contracted with Resources for Human Development (RHD), which implements permanent supportive housing programs in several jurisdictions. While RHD has an excellent reputation, it is new to services in Hamilton County, leading to uncertainty on this screening criterion.	
<b>Strong Value Proposition</b>	Independent analysis suggests that ACT programs can create significant fiscal value for jurisdictions, driven by reductions in jail time, ambulance, and emergency department costs, as well as demonstrating broader social value, including supporting participants to spend more time in housing. <sup>7</sup>	
<b>Community and Payor Engagement</b>	While government leaders, service providers, community members, and philanthropists support the program, local philanthropy had already devoted a sizable amount to the broader initiative. It was unclear where additional investment capital may come from.	

5. [Chattanooga Times Free Press](#), 2022.

6. [Rocheport](#), 2019.

7. [Urban Institute](#), 2021.

In scrutinizing the PFS criteria for its permanent supportive housing project, the Hamilton County Sheriff's Office ultimately decided to use a simpler outcomes-based contract than a social impact bond, deploying bonus payments that use existing grant capital rather than seeking additional impact investor funding. This decision was driven by uncertainty around the service provider's newness to Hamilton County and the local philanthropic community's ability to invest in the project.

## Acknowledgements

This issue brief series was made possible with funding from the Robert Wood Johnson Foundation (RWJF) as part of their work to promote cross-sector alignment to better address the goals and needs of people and communities. The views expressed here do not necessarily reflect the views of the Foundation. To learn more about RWJF's work in cross-sector alignment, visit [alignforhealth.org](https://alignforhealth.org).

## About Social Finance

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Social Finance is a national nonprofit and registered investment advisor (SF Advisors, LLC). We work with the public, private, and social sectors to create partnerships and investments that measurably improve lives. Our Impact Investment team designs, launches, and manages impact-first investments. Our Advisory team partners with government and philanthropy leaders to implement data-driven programs for social impact. And through the Social Finance Institute, we aim to build the field and change systems through actionable research, communities of practice, and educational outreach. Since our founding in 2011, we have mobilized more than \$350 million in new investments designed to help people and communities realize improved outcomes in workforce and economic mobility, health, and housing.

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*Updated June 2024.*