ISSUE BRIEF 5

Defining Success

Pay for Success (PFS) enables governments and other funders to shift from paying for programs to paying for outcomes. In this brief, we outline an approach to identify and select outcomes for PFS projects that align with policy priorities and represent value for the community.

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 Defining Outcomes

As the name suggests, a defining characteristic of PFS is the ability for governments and other funders to pay for the specific, policy-relevant outcomes achieved, rather than for programs that may or may not achieve results. The way outcomes are defined in a PFS project ultimately determines whether the project is considered successful; thus, the process of selecting and defining outcome metrics is one of the most critical pieces in project design.

Beyond the project itself, the outcomes selection process enables a broader dialogue about the objectives that outcomes funders are seeking to achieve; how they will measure progress against those objectives; and the relative value of each outcome. This set of conversations is, itself, important to driving systems improvement.

Selecting PFS Project Outcomes

During nearly 10 years of designing, launching, and managing PFS projects, Social Finance has developed an approach for identifying, prioritizing, selecting, and defining outcome metrics. This process is typically nonlinear and may require multiple iterations throughout project design.

1. Identify preliminary list of outcomes metrics: Selecting PFS project outcomes begins with brainstorming and compiling a list of potential metrics that might be a good fit for the project. This list can be sourced from existing resources, including, but not limited to:

    - Policy goals or stated priorities
    - Theory of change or impact logic model for the issue area
    - Existing programmatic or contractual metrics
    - Surveys or conversations with participants or community leaders
    - Review of outcomes achieved through evidence-linked interventions, using resources such as the Penn State Social Science Research Institute's Results First Clearinghouse Database
    - Review of outcomes metric databases such as the GIIN's IRIS+ Catalog of Metrics

2. Prioritize by developing a set of criteria: Most social interventions and programs have the potential to create a wide variety of societal benefits. However, in the interest of strong measurement technique and to maintain relative simplicity of predictive budgeting, PFS projects must focus on a smaller number of high-priority outcomes. Therefore, during project design partners narrow the list of metrics compiled in step one by developing a set of prioritization criteria. We have included below an example list of criteria that we include in most of our projects at Social Finance, although the list (and the relative importance of each criterion) may vary from project to project.

Example Criteria

- ✓ Aligned with participant and program need: The metric is significant to communities served and is aligned with program's theory of change.
- ✓ Evidence-based: Research suggests the metric could be achieved with high-quality delivery.
- ✓ Trackable: The metric can be regularly observed and measured using reliable and accessible data sources within a reasonable timeframe.
- ✓ Value-creating for outcomes funders: The metric generates meaningful social and financial benefits.
- ✓ Value-creating for operations: metric generates meaningful learnings for program operations.

3 Select outcomes metrics: Following the potential outcomes list from step one and using the criteria in step two, the next step is to select a set of priority outcome metrics upon which project success will be measured. As a rule of thumb, more than four outcome metrics can add too much complexity to the project; fewer than two may result in high concentration of risk in a single measurement. The example below shows one methodology for assessing potential outcome metrics.

Criteria Review Example: Missouri Children's Trust Fund (CTF)

Social Finance is working with CTF to develop and manage an outcomes rate card (ORC) to advance positive outcomes for children and families in Missouri.

		Selection Criteria				
	Metrics	**Evidence-Based**	**Participant-Aligned**	**Trackable**	**Value-Creating: Funders**	**Value-Creating: Operations**
Short- to- Medium-Term	Full-term birth	○	◑	●	○	○
	No child injury	◔	●	●	●	○
	Well-child visits	◑	◕	●	◕	○
Ongoing	Maternal substance abuse	●	●	●	●	●
	Maternal depression	●	◕	●	◕	●
	Developmental screening	●	●	●	◔	●
	Maternal work	●	●	●	◔	●

Strength of Alignment with Criteria	
○	None
◔	Limited
◑	Some
◕	Strong
●	Excellent

Uncovering Special Cases

There are multiple strategies for uncovering special cases—and thereby minimizing surprises after project launch—including conducting practice runs with historical data on selected outcomes metrics and soliciting feedback from service providers about gray areas in the proposed outcomes metrics.

One of the fundamental challenges stakeholders face when selecting outcome metrics is striking the right balance between measures that fully capture a program's impact (e.g., long-term, sustained employment) with those that are possible to quantify in a shorter timeframe (e.g., job placement at a certain wage level). One strategy to help navigate this balance is to include a mix of both types of metrics in the final set, with some metrics that capture shorter-term outcomes, and others that focus on longer-term impact.

4 Define outcomes metrics: The final step in the outcomes selection process is to refine the definition of each metric. This includes specifying the outcome target, defining the timing at which each outcome will be measured, anticipating any gray areas in the metric definitions, and considering potential unintended consequences that may come with providing incentives for achieving each metric. When the outcome refinement questions below have been answered to project stakeholders' satisfaction, the next steps are to determine the suitable outcome measurement approach (Issue Brief 6—Measuring Success) and assign prices to outcomes (Issue Brief 7—Is the Price Right?).

Key Steps For Metric Refinement

Specify outcome target	• What does successful achievement of the outcome look like (e.g., for well-child visits, is it important that a certain number need to occur for the outcome to be achieved)?
Define measurement timing	• Over what time horizon should outcomes be assessed? • How frequently should outcomes be measured?
Anticipate any gray areas of special cases not covered in metric definition	• How can the outcome definitions be refined and clarified to minimize gray area for what counts and what doesn't count in the data? • What special cases might exist for which the outcome metric definition doesn't provide clear guidance (e.g., a client who drops out of a program and then re-enrolls)?
Consider potential unintended consequences	• What unintended consequences or perverse incentives (e.g., overweighting lower-risk groups) might exist if this outcome is incentivized?

Outcomes Selection Example: Massachusetts Pathways to Economic Advancement

The following outcomes were selected through an iterative process that included input from both the government outcomes funder and service provider for the project. Once the outcomes were selected, Social Finance used historical data from the service provider to help refine the metrics and choose the appropriate measurement timeframe. To build upon existing data collection systems, the project partners opted to use the service provider's existing definition of program engagement as an outcome measure.

Metric	Definition	Type	Measurement Timing
Program Engagement	Number of participants who continue program engagement 11 days after service start in the applicable program track	Binary	Quarterly starting in Q1
Participants Earnings	Average aggregate earnings in second year post-enrollment	Continuous	Quarterly starting in Q9
Transition into College	Proportion of participants who earn 12+ college credits and up to three remedial credits at any point two years post-program	Binary	Once in Q20

Appendix: What We Mean by Stronger Evidence

Determining the strength of program evidence is not simple. Rather, it requires careful and nuanced examination of the evidence, which should include a deep look at study design, evidence relevance, and effect size. [1]

STUDY DESIGN

For each study that makes up an intervention's evidence base, it is important to consider how the impact was assessed (e.g., was the impact measured against a reasonable counterfactual? Was it measured against a historical baseline?). If there are multiple studies reviewing the program, those with more rigorous evaluation designs should be weighted more heavily than others; those with significant flaws should perhaps not be considered at all.

1. The World Bank Group, 2016.

For example, evidence from a randomized controlled trial should be relied upon more heavily than a pre-post evaluation or anecdotal evidence. For more about evaluation design, see Issue Brief 6—Measuring Success.

EVIDENCE RELEVANCE

No past evaluation will be perfectly relevant to a new situation. Even in the most predictable case, where a policymaker is replicating a tested program in the same place, with the same population, through the same mechanism, time and context are always changing. Factors to consider when determining evidence applicability include:

- Intervention specificity: Did the study review this specific intervention, or something similar? If the latter, what were key differences between the interventions?
- Outcome specificity: Did the study look at the impact on the prioritized outcomes of interest?
- Geography: Was the study based in the same type of location? Did it happen in similar environmental norms?
- Priority population: Were participants similar in terms of demographics, motivations, and vulnerability?
- Time: How long ago did this study take place? How different was the context?
- Delivery: Was the intervention delivered in the same kind of setting, through the same kinds of channels?

EFFECT SIZE

Programs with excellent evidence may sometimes demonstrate only marginal effect sizes. Conversely, the promise of strong effects may overcome other concerns or weaknesses in an intervention's evidence base. Therefore, it is important to consider not only whether a study shows impact, but also the size of that impact.

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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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