Healthy Counties Initiative
Advisory Board Meeting
Charleston County, S.C.
January 23, 2015
USING PAY FOR SUCCESS TO INVEST IN THE NONMEDICAL DETERMINANTS OF HEALTH

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Healthy Counties Initiative Advisory Board
January 23, 2015
CONTRIBUTORS TO PREMATURE DEATH

- Behavioral Patterns: 40%
- Genetic Predisposition: 30%
- Social Circumstances: 15%
- Health Care: 10%
- Environmental Exposure: 5%

NEW ORLEANS

3 MILES
25 YEARS OF LIFE

Source: Robert Wood Johnson Foundation
IN DETERMINING YOUR HEALTH...

94131 >
POVERTY IS A HEALTH EPIDEMIC

3,570 Census tracts have poor populations above 40%

20.4 million Americans live in deep poverty

1,700 American high schools have dropout rates above 40%

80% OF COUNTIES IN AMERICA HAVE FALLEN BEHIND THE LIFE EXPECTANCY AVERAGE OF THE WORLD’S TOP 10 COUNTRIES
INVEST IN BETTER HEALTH
INCREASE INVESTMENT IN THE NONMEDICAL DETERMINANTS

- Health happens outside the doctor’s office
- Community interventions key to improving health

**CHALLENGE:** Our resources ($2.9 trillion) are tied up treating illness that has already occurred

**SOLUTION:** Create an investment tool that captures future medical cost savings to pay for prevention today (Pay for Success)
WHAT IS PAY FOR SUCCESS?

Contracting and financing structure to capture downstream savings to fund upstream interventions

Diagram:
- Nonmedical Interventions
- Health Care Savings
- PFS
WHAT IS PAY FOR SUCCESS?

CONTRACTING FOR OUTCOMES

- Hospital system, insurance company, CMS, public health departments *(PAYERS)* commit funding for successful outcomes (i.e., a reduction in childhood obesity)

- Independent impact auditor evaluates program effectiveness

- The payer only “pays for success”
WHAT IS PAY FOR SUCCESS?

BRIDGE FINANCING

- Banks, foundations, pension funds, endowments, high net worth individuals (INVESTORS) fund the service provider in exchange for a future success payment.

- Financing terms are based on:
  1. Difficulty of achieving success
  2. Track record of the service provider
  3. Length of the contract

- Investors bear the risk that success won’t be achieved (and that the success payment won’t be triggered).
PAY FOR SUCCESS IS NEW (HASN’T BEEN USED FOR HEALTH YET)

New York City – Recidivism reduction at Rikers Island Prison (August 2012)

Salt Lake County – Special education avoidance (June 2013)

New York State – Recidivism reduction and labor force reentry (December 2013)

Massachusetts – Prison avoidance and employment support for at-risk young men (January 2014)

Chicago – Special education avoidance (October 2014)

Cuyahoga County – Foster care avoidance (November 2014)
600 low-income 3 and 4 year olds were enrolled in the Utah High Quality Preschool Program last fall and will have their academic progress tracked from K-6 grade.

Children participating in the program were given the Peabody Picture Vocabulary Test to determine how many, absent high impact preschool, would likely require special education services in the future.

Those that tested two standard deviations below average were assigned to the Pay for Success “treatment” group.
$725,000 senior loan from Goldman Sachs.

$375,000 subordinate loan from J.B. Pritzker (a high net worth investor).

United Way of Salt Lake oversees implementation of the project and manages investor repayments.

Every year of avoided special education generates a success payment of $2,470/child plus 5% interest to Goldman Sachs and J.B. Pritzker until senior and subordinate debt is fully repaid ($1,040/child thereafter through sixth grade).
EARLY CHILDHOOD EDUCATION
SALT LAKE COUNTY

Source: Goldman Sachs Bank USA and Federal Reserve Bank of San Francisco
LOOKING AHEAD
The Bud Clark Commons provide apartments and services for homeless residents in Portland, OR.

- Integration of health and wellness services within a supportive housing program
- Uses the “harm reduction model,” which prioritizes housing for the most vulnerable applicants and does not screen out residents who are struggling with addiction

Apartments are independent living and include full kitchens and baths. Applicants must earn below 35% AMI to qualify.
## Cost Savings to Medicaid
(Per Person, 2013)

<table>
<thead>
<tr>
<th>Services Billed to Medicaid</th>
<th>Year Before Move-In</th>
<th>1st Year After Move-In</th>
<th>2nd Year After Move-In</th>
<th>3rd Year After Move-In</th>
<th>Total Savings After 3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Behavioral Health</td>
<td>$816</td>
<td>$132</td>
<td>$204</td>
<td>$168</td>
<td>$1,944</td>
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<tr>
<td>Inpatient Physical Health</td>
<td>$6,924</td>
<td>$3,696</td>
<td>$5,976</td>
<td>$2,256</td>
<td>$8,844</td>
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<tr>
<td>Outpatient Behavioral Health</td>
<td>$2,292</td>
<td>$1,884</td>
<td>$1,968</td>
<td>$2,004</td>
<td>$1,020</td>
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<tr>
<td>Emergency Department</td>
<td>$2,520</td>
<td>$1,044</td>
<td>$696</td>
<td>$300</td>
<td>$5,520</td>
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<tr>
<td>Outpatient Primary Care</td>
<td>$828</td>
<td>$732</td>
<td>$384</td>
<td>$348</td>
<td>$1,020</td>
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<tr>
<td>Outpatient Labs &amp; Radiology</td>
<td>$1,356</td>
<td>$648</td>
<td>$348</td>
<td>$384</td>
<td>$2,688</td>
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<tr>
<td>Outpatient Specialty</td>
<td>$6,096</td>
<td>$684</td>
<td>$684</td>
<td>$996</td>
<td>$15,924</td>
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<tr>
<td>Pharmacy</td>
<td>$1,380</td>
<td>$1,260</td>
<td>$912</td>
<td>$1,308</td>
<td>$660</td>
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<tr>
<td>Other</td>
<td>$1,872</td>
<td>$708</td>
<td>$792</td>
<td>$396</td>
<td>$3,720</td>
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<tr>
<td><strong>Total Annual Cost</strong></td>
<td><strong>$24,084</strong></td>
<td><strong>$10,788</strong></td>
<td><strong>$11,964</strong></td>
<td><strong>$8,160</strong></td>
<td><strong>$41,340</strong></td>
</tr>
</tbody>
</table>

Source: “Integrating Housing & Health,” Center for Outcomes Research and Education (2014)
BUD CLARK COMMONS
PAY FOR SUCCESS FEASIBILITY

Illustrative Three-Year PFS Project
(Serving 59 People)

$2.44M
Total Savings to Medicaid

$2.05M
Total Service Cost (59 Adults)

$103K
Cost of Impact Evaluator

$290K
Net Savings Generated

$145K
Investor Return (7%)

$145K
Net Savings to Taxpayers

Principal repaid to investors

Source: “Integrating Housing & Health” (2014) and Federal Reserve Bank of San Francisco
PAY FOR SUCCESS IS NEW BUT CATCHING ON QUICKLY

- Over twenty jurisdictions exploring PFS
- $382 million earmarked for PFS initiatives at the federal agency level for FY15
- Bi-partisan bills in both houses of Congress
- Federal Reserve currently assisting four counties, two states, and two cities develop PFS solutions in the 12th District
RESOURCES

Health Affairs (November 2014) healthaffairs.org

Community Development Investment Review (April 2013) frbsf.org/community-development

Investing in What Works for America’s Communities (September 2012) whatworksforsamerica.org
Thank You!
Questions/Comments?

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Healthy Counties Discussion