

**CAN EVIDENCE-BASED PRACTICES
IMPROVE OUTCOMES FOR VULNERABLE
INDIVIDUALS AND FAMILIES?**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

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CAN EVIDENCE-BASED PRACTICES IMPROVE OUTCOMES FOR VULNERABLE INDIVIDUALS AND FAMILIES?

TUESDAY, MAY 10, 2016

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 2:12 p.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Scott, Wyden, Stabenow, Cantwell, Menendez, Bennet, and Warner.

Also present: Republican Staff: Chris Campbell, Staff Director; and Becky Shipp, Health Policy Advisor. Democratic Staff: Joshua Sheinkman, Staff Director; Michael Evans, General Counsel; and Laura Berntsen, Senior Advisor for Health and Human Services.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. This hearing will come to order. Good afternoon, everybody. I would like to welcome everyone to today's hearing on evidence-based practices and their potential impact on our child welfare system.

According to the Social Policy Institute, "Evidence-based practice is a process in which the practitioner combines well-researched interventions with clinical experience and ethics, and client preferences and culture to guide and inform the delivery of treatments and services. The practitioner, researcher, and client must work together in order to identify what works for whom and under what conditions. This approach ensures that the treatments and services, when used as intentioned, will have the most effective outcomes as demonstrated by the research. It will also ensure that progress with proven success will be more widely disseminated and will benefit a greater number of people."

Over the years, in the effort to use taxpayer dollars more efficiently, policymakers have attempted to incorporate more evidence-based practices in order to improve outcomes for vulnerable children and, of course, their families. Just looking at the jurisdiction of the Senate Finance Committee, there are a couple of major examples, such as the Regional Partnership Grants and the Maternal, Infant, and Early Childhood Home Visiting Program.

Many experts and observers agree that when implemented correctly and with strict adherence to the model, evidence-based inter-

ventions can be an effective strategy to help vulnerable families and at-risk individuals. They can also reduce bureaucracy and eliminate the creation of perpetual and redundant programs that do not work, and they can allow for local leaders to decide what is best and inject private-sector creativity into social services.

Most important, evidence-based interventions help ensure that taxpayers only pay for what works. In most programs, the Federal Government and States pay for processes or simply reimburse for costs, while evidence-based interventions, when implemented correctly, help guarantee that government pays for success in achieving a desired outcome.

This is particularly true in the context of a child welfare system. For example, we know that untreated substance abuse and mental health issues can lead to situations where children are neglected, which is the most common impetus for removing children from their homes and placing them in the foster care system.

However, if we can find ways to effectively address these conditions, more children will remain safely at home. That is why Senator Wyden and I and others on this committee have been working for some time now on a proposal to improve the child welfare system.

A key component of the Hatch-Wyden proposal is that these types of interventions must be evidence-based. Currently, we are working with our House colleagues on bipartisan, bicameral legislation that we hope will provide more effective up-front services to help vulnerable families.

As part of the discussion on evidence-based practices, we will also focus on what some call social impact financing, sometimes referred to as social impact bonds, social impact partnerships, or pay for success. I am a strong supporter of this approach, which is why I am pleased to have been able to work with Senator Bennet to introduce legislation that will foster the creation of public/private partnerships that will harness philanthropic and other private-sector investments to establish or scale up evidence-based social and public health programs.

Furthermore, under our Social Impact Partnership bill, the Federal Government would establish desired outcomes to pressing social challenges that, if achieved, would improve lives and preserve taxpayer resources. State and municipal governments could then submit proposals to work towards those outcomes by establishing or scaling up existing evidence-based interventions.

We believe this program would encourage private-sector investors to provide the necessary capital to establish or expand the interventions. Then, if an independent evaluator is able to certify that the desired outcomes are achieved at reduced costs, investors would be paid back their initial investment plus a small return from the realized government savings.

There are a number of reasons I believe that social impact financing is key to providing or improving outcomes for vulnerable children and families. For example, social impact financing provides for continual program improvement and ensures that all parties remain focused on the performance of the program and have the ability to make ongoing adjustments to ensure the outcomes are realized.

In addition, social impact financing gives local leaders the flexibility to design and address programs to fit local needs in order to ensure they have the desired impact. And, as I stated earlier, when done correctly, social impact financing ensures that taxpayers pay only for what works.

In most Federal programs, taxpayers are on the hook for set costs of processes and/or reimbursements with little or no regard for effectiveness. With social impact financing, success is measured by the ability of the program to achieve a desired outcome, and taxpayers only have to pay for whatever achieves that objective.

Now, some critics of social impact financing may point out examples where the proposed interventions have not produced the desired results. They will raise examples of specific instances in which an intervention did not achieve the desired outcome and try to claim that it was failure, but I think these critics are missing the point.

Make no mistake, there have been instances in which, under a social impact financing model, a specific proposal has not produced the desired outcome and was eventually discontinued. However, that is precisely how the model is supposed to work. Indeed, programs and policies that are flexible enough to respond to outcomes—recreating and disseminating successes while eliminating failures—is our goal with social impact financing.

That said, I am willing to admit that there is much more that we can and should learn about the implementation and delivery of social impact financing. That is part of the reason for today's hearing.

Today we will hear from a distinguished panel of witnesses who will discuss evidence-based policies and practices and share with us some of their successes and warnings for the future. So I look forward to an interesting and robust discussion of all of these issues.

With that, I will turn to Senator Wyden for his opening remarks.

[The prepared statement of Chairman Hatch appears in the appendix.]

**OPENING STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman. I commend you for holding this hearing and also making reference to an additional piece of legislation, the bill that you and I and our staffs have been working on for quite some time, the Families First legislation. My hope is that we will be able to make significant progress on that even before the end of the session.

I would also like to start off by noting, Mr. Chairman, that this may be the first ever hearing the committee has held on this issue—the question of evidence-based delivery and funding for social welfare programs. I think it is good that we are setting a precedent here, because it is long overdue.

I also want to single out Senator Bennet because, suffice it to say, practically every meeting I go to when people turn to the issue of policy, Senator Bennet comes back to the question of child welfare. He comes back to it again and again and again. I want him to know I appreciate it. He is the leader of this committee on this issue, and we are glad he is doing it.

Now, today is a good opportunity to dig into an issue that really ought to be underpinning the work that the Congress does every day. That is to say, asking whether the laws that are being written are working as they ought to be. So the real question this afternoon is, does the way the Federal Government funds social welfare programs obstruct or facilitate their improvement?

In this committee, there are shining examples on both sides of the spectrum. Home visiting grants fund a variety of models to help parents of young children essentially improve their parenting skills. More resources are available for programs that can demonstrate the best results, with help along the way for newer, promising programs to build up an evidence base.

Home visiting models have had significant success. They have led to healthier births, reduced child maltreatment, reduced criminal justice system involvement, and higher employment rates for the parents.

On the other end of the spectrum is the Temporary Assistance for Needy Families program. There are real questions about whether the way success is measured in TANF is leading to success for the families it is meant to help and who urgently need this assistance.

Instead of rewarding States for helping families find work or reduce poverty, TANF rewards States for simply reducing the number of families they serve regardless of need. While a small amount of TANF dollars is reserved for welfare research, there is really no process for collecting feedback to ensure that what is being paid for is actually producing real results. Congress ought to be finding ways to build programs that ensure continuous improvement.

Now, there are certainly limitations to this approach of funding what works and not funding what does not. To start, researching and evaluating programs can be expensive. In some programs, it could be unethical to have a control group that is actually denied services.

For example, it would be wrong to deny a child access to foster care when he or she is being abused or neglected just for the sake of scientifically evaluating the effects of foster care against a control group. Additionally, bringing evidence-based programs to a larger scale can also be expensive. They often rely on a highly educated and trained workforce. So progress can be slow on these kinds of programs.

Finally, reasonable people can differ on what it really means for a program to be successful, using a variety of measures. For example, there is no question the SNAP program has had success in reducing hunger and food insecurity for many families across the Nation, but others may place less value on those outcomes.

I know that witnesses today will speak to new approaches to testing out and paying for innovation, especially social impact financing or what has come to be called pay for success.

My home State of Oregon is exploring the feasibility of social impact financing. Like many States, Oregon is witnessing firsthand the challenges with deciding whether taxpayer dollars should be used for this type of finance.

I look forward to discussion around the strengths and limitations of the model.

So, Mr. Chairman, again I commend you and Senator Bennet for bringing the conversation about these innovative partnerships to the Senate and to this committee with the Social Impact Partnership Act. You have a lot to cover today.

I would say to our witnesses, we commend you for the breadth of expertise you bring to the conversation. We look forward to hearing from you.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Senator Wyden.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. We have a very impressive group of individuals here today. I would like to thank each of you for coming and lending your expertise to us.

First we will hear from Mr. Gordon Berlin. Mr. Berlin is the president of MDRC, a nonprofit, nonpartisan research organization based in New York City and Oakland, CA. The organization is dedicated to learning what works best to improve the lives of low-income individuals.

Before joining MDRC in 1990, Mr. Berlin was the Executive Deputy Administrator for Management, Budget, and Policy of the New York City Human Resources Administration. He has also served as the deputy director of the Ford Foundation's Urban Poverty Program, and also worked as a program analyst and project officer in the U.S. Department of Labor's Employment and Training Administration.

Next, we will have the privilege of hearing from James Lee Sorenson. Mr. Sorenson is a world-renowned entrepreneur, business leader, societal innovator, philanthropist, and impact investor. Mr. Sorenson serves as president of the Sorenson Impact Foundation, which funds sustainable, scalable endeavors that maximize the positive impact on the lives and the societies they touch and have been very, very important.

In 2012, Mr. Sorenson contributed \$13 million to the University of Utah's David Eccles School of Business for the creation of the Sorenson Impact Center, whose mission is to accelerate sustainable social change through the use of capital, innovation, data, and cross-sector collaboration.

Mr. Sorenson has been instrumental in developing several new industry innovations through his private-sector work. This has included digital compression software that has helped usher in the online video revolution and video relay services that transformed opportunities for deaf and hard of hearing individuals. I am really proud of what he has been able to do.

Our third witness will be Ms. Tesha Bright. Ms. Bright is a nurse home visitor with the Nurse-Family Partnership, referred to as NFP, of Essex County, NJ.

For nearly 8 years, Ms. Bright has worked diligently to foster long-term success for low-income first-time moms, their babies, and the community at large by delivering the evidence-based NFP model of maternal health, child health and development, and breaking the cycle of poverty.

Prior to becoming an NFP nurse, Ms. Bright worked as a medical surgical nurse with a neurology focus and as a pediatric home care

nurse, which she continues to do in order to maintain her clinical skills.

Finally, we will hear from Robert Doar. Mr. Doar is the Morgridge Fellow in Poverty Studies at the American Enterprise Institute, or AEI, where he studies and evaluates how improved Federal policies and programs can reduce poverty and provide opportunities for vulnerable Americans. Specifically, Mr. Doar focuses on the employment, health, and well-being of low-income Americans and their children.

Before joining AEI, he was Commissioner of New York City's Human Resources Administration where he administered 12 public assistance programs.

We will hear from the witnesses in the order they were introduced. So, Mr. Berlin, we will start with you. Please proceed with your opening statement, then we will go across the table.

**STATEMENT OF GORDON L. BERLIN, PRESIDENT,
MDRC, NEW YORK, NY**

Mr. BERLIN. Thank you, Mr. Chairman.

To ensure a positive rate of return for both taxpayers and beneficiaries on the billions of dollars invested in the Nation's social education and health programs, Congress, first with the Bush administration and then with the Obama administration, has quietly forged a bipartisan consensus around the need to build evidence of effectiveness. The most recent example is the Evidence-Based Policymaking Commission.

The commitment to evidence is paying off. We are beginning to learn what works. Now the challenge ahead is learning what works at scale and ensuring that Federal funds are spent on the evidence-based programs found to work.

Perhaps the largest evidence-based program of the era is the Maternal, Infant, and Early Childhood Home Visiting program, which was largely crafted by this committee. As a model for future efforts, several elements of that law are worth emphasizing.

Using a tiered funding structure, Federal funds can be spent only on home visiting programs that meet an evidence-based designation, making it much more likely that program funds would make a difference for families. And funds were set aside for research, including a rigorous national evaluation to ensure continuous learning and to enable States to test innovative new approaches.

Congress has continued this focus on evidence in more recent legislation, including the Workforce Innovation and Opportunity Act and the Every Student Succeeds Act. Both laws contain provisions for the use of pay for success, a promising new vehicle for evidence building. The pending Social Impact Partnership Act would support States and localities in the use of social impact bonds to tackle an even wider range of social and public health challenges.

As Congress seizes the initiative on evidence building, it can make the most of its investments in the following four ways. It can create a culture of continuous improvement. Rather than being focused on up or down judgments about programs or policies, government should focus on using research evidence to make programs more effective over time, changing direction only when continuous improvement does not yield expected results.

Secondly, it can bolster agency-directed research capacity while also supporting pay-for-success innovation. Both vehicles build evidence, but in different yet complementary ways. One is not a substitute for the other. The agency research model is preferable when the goal is to develop a reliable body of evidence about what works to address a persistent problem.

The social impact bond or SIB model, with its focus on individual deals, is an excellent vehicle to encourage local innovation tied to strong evidence building and is a means of equipping local government with the tools to assess program effectiveness.

Third, Congress can improve access to data for more efficient evaluations while still protecting confidentiality. The public sector collects a wealth of data that could be used to track progress and enhance performance, yet for privacy and other reasons, Federal and State agencies and their contractors are often not able to regularly access and share data for evaluation purposes.

Fourth, we need to clarify Federal authority to conduct this kind of research. Inconsistencies in Federal authority to conduct independent research and evaluation as well as costly procurement, paperwork reduction, and other contracting rules are often obstacles to efficient evidence building.

Turning to social impact bonds, the SIB vehicle is a valuable tool for stimulating experimentation, innovation, and the scaling of promising approaches at the State and local level, and the SIPA bill is an important step forward in the effort to support new deals.

The Federal Government could enhance the value of SIBs as a learning-what-works tool by stating clearly that the goal is to build reliable evidence about what works and by supporting the evaluation costs of SIB projects only when they use rigorous research designs capable of reliably attributing causality.

Secondly, government could signal its support for a benefit-cost perspective that places equal weight not solely on government budget savings, but also on economic returns to participants and society as a whole.

Third, it could stimulate deals by supporting State and local pay-for-success projects, but insist that State and local agencies—to the maximum extent possible—commit to sustaining programs that work after a SIB deal ends.

And fourth, it could ensure transparency by requiring public release of evaluation results, the payment terms of deals, and final benefit-cost calculations including any lost savings that would result if a government did not continue to support effective initiatives.

In conclusion, the bipartisan commitment to building evidence heralds better programs, more effective policies, and more responsible use of taxpayer dollars. But there is more to be done, including set-asides with funding streams to build evidence, continued use of tiered funding structures, and rewards for localities to move more of their formula funding into programs with evidence.

Thank you very much.

The CHAIRMAN. Thank you, sir.

[The prepared statement of Mr. Berlin appears in the appendix.]

The CHAIRMAN. Mr. Sorenson, let us take your testimony at this time.

**STATEMENT OF JAMES LEE SORENSON, CHAIRMAN, BOARD
OF DIRECTORS, SORENSON IMPACT FOUNDATION, SALT
LAKE CITY, UT**

Mr. SORENSON. It is a pleasure and an honor to be with you today and discuss a matter of great importance to me, which is: how can we more effectively measure and direct social spending in this country to produce successful outcomes?

I have been an entrepreneur for most of my life. During that time, I have been greatly blessed and, as a result of that, have decided to spend more of my time and efforts and financial resources in giving back.

I was unsatisfied with traditional philanthropy in some respects in that, compared to the business world that I came from, it was inefficient, unaccountable, and really did not move the needle much in terms of solving the problems that we face with those who have needs.

Four years ago, I endowed an academic center at the University of Utah's Business School in order to help direct private and philanthropic capital to help solve some of the most perplexing social problems, both here in America and abroad, in more measureable and scalable ways. Now since its inception, the Sorenson Impact Center has facilitated over \$100 million in funding to scalable, sustainable solutions to problems like chronic unemployment, criminal recidivism in the U.S., unsafe drinking water, access to health and education, and in rural areas, poverty alleviation.

Over the past 2 years, the Center has also been engaged in structuring nearly a dozen pay-for-success or social impact financing projects around the country with a variety of stakeholders, including State and local governments, nonprofit organizations, academics, philanthropists, and other funders.

These projects are aimed at addressing some of the most complex and challenging issues facing our society today, including intergenerational poverty, homelessness, foster care, mass incarceration, chronic unemployment, educational achievement gaps, mental illness, and substance use disorders, to name a few. But most importantly—and this is the key—they do it in a way that is more effective because they employ evidence-based practices that are correlated to measured outcomes.

I would like to give just kind of a brief overview of how one of these pay-for-success projects works.

It usually focuses—number one—on a social issue where a preventative intervention is less costly than the downstream treatment or chronic care. It is a permanent fix as opposed to a temporary stopgap. Pay for success also engages the private sector to provide the risk capital in the funding intervention, which enables more innovation and trial and error to be utilized.

Number two, meaningful measured outcomes are central to pay for success—not activities, not the promise of outcomes, but actual achieved outcomes that are measured and validated. An example may be the number of homeless who obtain permanent housing, as opposed to those who may be off the streets but in a temporary shelter.

Social investors, along with foundations and philanthropists, provide the up-front risk capital to fund the service providers that pro-

vide the necessary interventions. You then have an independent evaluator that conducts a rigorous evaluation in order to determine whether the service produced specific, predetermined outcomes.

Finally, if the predetermined outcomes are achieved and the project is successful as defined by all of the parties, which usually means that the payer is saving as much or more money than they would have otherwise, then and only then does the payer, which could be a government, a hospital, or whichever entity promised to pay back those who funded the interventions, only then do they pay back the initial funders.

These projects are noteworthy for a number of reasons. They are focused on definitive, measurable indicators of success that are focused on outcomes. There is greater transparency and accountability. You learn what programs work, what programs do not work, and can allocate scarce resources to more effective funding. They also foster a competitive social services environment with a virtuous race to the top for nonprofits and other service providers to be impactful and have evidence-based programs that are eligible for the funding.

Now, while the Federal Government has thus far played a role by encouraging this developing of pay-for-success initiatives, it has been conspicuously absent in one critical and important aspect. In many of the State and local projects, the lion's share of the societal value and economic benefit generated actually accrues to the Federal Government, not the local budgets. We call this the "wrong pockets" problem, in industry terms, because there is effectively a mismatch between who gets asked to pay for the program and ultimately who stands to benefit the most from that program.

This is why I am thankful to be here in support of this legislation that Chairman Hatch and Senator Bennet are introducing that addresses this issue by enabling government to pay for a portion of the project where the benefits are accrued by the Federal Government. This will enable these programs to be able to scale up, because State and local governments cannot, in most cases, tap Federal funding to pay for outcomes.

What is remarkable about this model is the level of bipartisan support in State governments and city halls around the country. People from across the political spectrum agree that it makes sense to be more results-oriented, data-driven, and ultimately more accountable in the way we address social problems.

Also, the level of bipartisan support is a tribute to the Senate bill itself, in that it is a bipartisan effort led by Senators Hatch and Bennet, and there are 41 cosponsors in the House. It is also supported by Chairman Ryan.

In my experience as an impact investor—as one who is seeking for measurable, more effective ways to direct my philanthropy—evidence-based policies and pay-for-success financing really make great sense. They address the great social and health problems of society today in a way that produces successful outcomes.

Thank you for this opportunity for me to offer my support for this legislation.

The CHAIRMAN. Thank you, and we appreciate all of the efforts that you are putting forward, all of you. We are just very appreciative of all four of you here today.

[The prepared statement of Mr. Sorenson appears in the appendix.]

The CHAIRMAN. Ms. Bright, we will take your testimony now.

**STATEMENT OF TESHA BRIGHT, NURSE HOME VISITOR,
NURSE-FAMILY PARTNERSHIP OF ESSEX AND MORRIS
COUNTIES, NEWARK, NJ**

Ms. BRIGHT. Good afternoon, Chairman Hatch, Ranking Member Wyden, and members of the committee. Thank you for the opportunity to testify on behalf of the Nurse-Family Partnership Program serving Essex and Morris Counties, NJ in support of the life-changing potential of evidence-based programs like NFP.

Additionally, on behalf of the mothers, children, and families served by the Nurse-Family Partnership, I want to thank this committee for its commitment to improving the health and well-being of at-risk families with dedicated funding for evidence-based home visiting programs. Your work is paving the way for healthier, brighter futures.

I am Tesha Bright and have worked as an NFP nurse home visitor for nearly 8 years. As a nurse home visitor, I serve a regular caseload of 25 first-time, low-income mothers and families.

A multitude of unfortunate factors in a community make Nurse-Family Partnership a critical element of the counties' continuum of services for prevention and families in need. Still, we only reach about 3 percent of the population who could benefit from our services.

The Nurse-Family Partnership is a voluntary program that partners a pregnant woman and her first child living in poverty with a registered nurse who provides her with home visits beginning early in pregnancy until her child's second birthday.

Over that period of time, the nurse forms a trusted relationship with each mom that empowers her to have a healthy pregnancy, improve her child's health and development, and set goals to achieve economic self-sufficiency. By achieving these program objectives, many of the major risks for poor health and social outcomes can be significantly reduced.

Over these years, I have worked with hundreds of young parents, many involved with the New Jersey Department of Child Protection and Permanency. I have worked as part of the treatment team providing a variety of services for this population, but most importantly, my role is to provide consistency and structure as we plan and prepare for their first child.

Working with this population is especially trying, given the extensive mental health backgrounds, lack of trust, transient lifestyles, and histories of sexual and drug abuse. Throughout each client's involvement in NFP, she will experience many moments of success, but also many challenges. I am a constant partner through both of these periods.

I think of one of my 15-year-old clients who, at the time, was living in a homeless shelter and was initially denied my services by shelter staff. They believed that this client would not be parenting her child, and that the baby would be placed in a foster home upon discharge from the hospital until family could be located.

Through persistence and a more flexible visitation schedule, I was able to not only begin seeing the client, but I was also able to deliver content in creative ways and encourage excitement about motherhood.

I received a 3 a.m. call when she went into labor. Upon reaching the hospital, I discovered she was being treated without compassion. This experience had the potential to be quite traumatic for this teen, but by advocating for her and pulling staff aside, I ensured she was treated fairly.

In the end, we delivered a healthy baby girl, and capturing those first photos of mom and baby were priceless. Breastfeeding was initiated at that time. Sadly, further arrangements were not made, and mom went home without her baby, but I worked with the client to visit her infant. Over that time, this client continued to pump and provide breastmilk for her baby. Our work encouraged a continued bond until both were united at a group home shelter.

Another case involved pregnant sisters living in a foster home where lack of communication and cultural differences made the home a silent battleground of passive-aggressive behavior and disrespect. This example shows how my job is so much more than nursing duties. My training in motivational interviewing and family communication was instrumental in encouraging open communication and understanding between all parties, which afforded the development of chore charts and house rules agreed upon by all.

I have learned many things over my years as a nurse home visitor that have helped me serve my clients better. I believe that the beauty of the model is meeting our clients where they are and building on their own desire to change their lives.

NFP can help break the cycle of poverty by empowering young mothers to become knowledgeable parents who are able to confidently care for their children and guide them along a healthy life course. NFP nurses use a client-centered approach, which means the nurse is constantly adapting to the needs of the family, ensuring that each visit is relevant and valued by the parents. This can create positive, lasting change for the family that sustains long after our time as a nurse home visitor ends.

NFP applauds Congress for their bipartisan, bicameral support for the MIECHV program and, in particular, this committee for your collective commitment to funding programs proven to work. We also believe that pay for success represents an opportunity for smart policy to incentivize the growth of evidence-based programs like Nurse-Family Partnership.

The Nurse-Family Partnership thanks the committee for a continued interest in how evidence-based programs can improve the daily lives of people who need them most. I hope that the committee will continue to support and expand funding streams that promote evidence-based social programs.

Thank you again, Chairman Hatch, Ranking Member Wyden, and members of the committee, for the opportunity to testify today.

The CHAIRMAN. Well, thank you, Ms. Bright.

[The prepared statement of Ms. Bright appears in the appendix.]

The CHAIRMAN. Let us now finish with you, Mr. Doar.

**STATEMENT OF ROBERT DOAR, FORMER COMMISSIONER,
NEW YORK CITY HUMAN RESOURCES ADMINISTRATION,
AND CURRENT MORGRIDGE FELLOW IN POVERTY STUDIES,
AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Mr. DOAR. Thank you. Chairman Hatch and other distinguished members of the committee, thank you for the opportunity to testify today on how the use of evidence-based policy can improve our safety net and help low-income Americans move up.

Evidence-based policymaking entails compiling strong evidence about what works and what does not, using administrative data systems more effectively, and ending failing programs while scaling up successful ones.

During my 18 years administering State and local social safety-net programs, I have been a part of a number of efforts that modeled this approach. Today I would like to share some lessons learned in those experiences.

In New York City, we performed rigorous evaluations of over 30 new initiatives as part of Mayor Bloomberg's Center for Economic Opportunity. One initiative in particular received a lot of attention, the first conditional cash transfer program in the developed world.

The program, Family Rewards, provided cash payments to individuals who took positive actions like going to the doctor and ensuring their children regularly attended school. MDRC conducted the evaluation of the experiment.

While participants saw lower poverty levels as a result of the program, most of the income gains came from the transfers themselves, and not from increased earnings. Once the program ended, the treatments group's incomes were not substantially different from the control group.

We were also disappointed to see that these incentives did not significantly change the behavior of participants in the vast majority of outcomes sought in the program. As a result of these findings, Mayor Bloomberg ended the program.

Just as programs failing to show results must be ended, programs backed by rigorous evaluations should see more resources channeled their way. One idea that was the subject of rigorous evaluations and consistently delivered positive impact on outcomes was the Nurse-Family Partnership.

Critically, the creators of the program conducted three randomized controlled trials in different places to evaluate the program and followed up with participants in the study regularly for decades. They found that it generated long-lasting benefits for both mothers and their children.

Once the Nurse-Family Partnership model had developed this strong evidence base, it warranted being adopted on a larger scale. Mayor Bloomberg's Center for Economic Opportunity made scaling up the program a priority. The program grew by 383 percent between 2007 and 2011, and our program made a significant impact.

Children in the program are 16 percentage points more likely to be current with their immunizations at 24 months, and teenage mothers in the program are 15 percentage points more likely to obtain a high school diploma or GED.

Similarly, pay-for-success models—also known as social impact bonds—allow innovative social programs to receive funding from

private investors, and, if they meet an agreed-on metric of success, only then will government compensate this initiative and its investors. This approach has tremendous potential, but will also come with administrative challenges, and has only been utilized in a handful of trials in the United States.

Federal initiatives like the proposed Hatch-Bennet Social Impact Partnership Act are worth pursuing as they offer help to States and localities to manage such programs effectively.

In order to build the evidence base around policy ideas, researchers need high-quality data, but there are inherent flaws in government survey data, our primary tool for collecting information about safety-net programs. Dr. Bruce Meyer of the University of Chicago has documented in several studies that misreporting of income and benefit receipt are common in surveys.

In one recent study that matched State administrative records to Census Bureau survey data, he and a coauthor found that the Current Population Survey missed program receipt for 40 percent of SNAP recipients and 60 percent of TANF and general assistance recipients.

Administrative data is important not only because it provides more accurate information, but also because it enables new ways of evaluating policies and practices. For instance, randomized controlled trials are expensive and time-consuming. After separating participants into treatment and control groups and administering the treatment, researchers must keep up with the recipients for years, tracking their life outcomes through surveys.

In recent years, an alternative has emerged called low-cost RCTs, in which researchers can use existing administrative data already collected for other purposes as the basis for their evaluations. Administrative data is also key to a similar evidence-based policy-making technique: rapid-cycle evaluation.

Rapid-cycle evaluation helps policymakers make tough decisions about the best way to implement programs and whether reforms and tweaks make sense.

In New York City, we performed a number of rapid-cycle evaluations. We piloted a child support initiative that invited noncustodial parents to an initial meeting at the customer service center in hopes that we could increase the number of orders established by trying to reach an agreement in a friendlier environment than a courtroom. We tested incorporating different messages into the SNAP online education that behavioral economics evidence suggested would improve accuracy and honesty from applicants.

While all policymakers believe their decisions are backed by evidence, evidence-based policymaking is about following a specific process. New and existing programs must be evaluated in a way that establishes impact over a counterfactual.

Programs that rigorous evaluation show to be effective should be scaled up, while initiatives failing to have success must be phased out. Administrative data should be used to make it easier to conduct evaluations and to enable incremental improvements in program administration.

Thank you.

[The prepared statement of Mr. Doar appears in the appendix.]

The CHAIRMAN. Well, thanks to all four of you. I have a few questions here I would like to ask, and others as well may have questions.

Mr. Sorenson, let me just start with you. I want to thank you so much for being here today and for the incredible work you are doing out there in Utah, my home State.

There is no question in my mind you are truly an innovator and a thought leader in moving social impact financing forward. Now, you mentioned that you began the Sorenson Impact Center, in part, out of dissatisfaction with traditional philanthropy. Can you elaborate on that dissatisfaction, and how do you hope the Sorenson Impact Center could change, challenge, and help the field?

Mr. SORENSON. First of all, I want to say that I think traditional philanthropy does really good things. I do not mean to in any way impugn what they do. I just feel that because there is not always a culture where measurement is involved and transparency in what they do, that it is not as effective as it could be.

As one who is interested in really moving the needle in terms of solving problems, I think every dollar is a scarce resource, and I want to see it, in many cases, magnified, and, ultimately, I would like to see models that are more self-sustaining and scalable.

So that is why I have been involved in what is called "impact investing;" that is, looking at the use of for-profit, as well as non-profit business models that have a cash flow component to them, that help in the scalability and self-sustainability of the enterprise that addresses social problems.

This is an area that is of real interest, now increasingly so, in the capital markets—impact investing, that is—investing in businesses that produce not only positive social benefits or address social problems, but also generate a financial return because they can become self-sustaining. They can also attract more capital in the capital markets than traditional philanthropy.

So much of the work that is done at the Sorenson Impact Center is really focused on how to facilitate impact investing and how to educate those in the field and advocate for this new tool to help address the many problems that we face in society.

The CHAIRMAN. Thank you. I appreciate the work that you are doing. I am very pleased that you support this bill, S. 1089, The Social Impact Partnership Act, which Senator Bennet and I introduced.

You have testified that this legislation is needed, in part, to address what is referred to as the "wrong pocket" problem. Can you discuss the current implications for the States of this "wrong pocket" problem and how the Hatch-Bennet bill would ameliorate this problem?

Mr. SORENSON. Yes. I think that the problems that we are addressing are fairly complex in terms of the different constituencies that bear the cost, particularly in the area of Medicaid, health care, for example. There could be an intervention that saves more money than it costs, but the beneficiary of that is the Federal Government as opposed to the State and local governments.

So, by being able to engage in this legislation, to pay for that portion of the benefit that accrues to the Federal Government, it helps for the Federal Government to be able to underwrite these initia-

tives, and that in turn helps them to really become more prevalent and scalable around the country. So it is a very important aspect to enable these to work, to be able to have the various constituencies that are benefitting involved.

An example of this is, in the health-care area, a preventative intervention for asthma. Now asthma is a condition that has preventative interventions that will often prevent a much more costly care or acute situation that happens if people have to go to the hospital and you have emergency room visits and you have physicians involved in very expensive services.

Well, Medicare covers the hospital part, and that is about 70 percent of the benefit in terms of cost savings, where State and local governments that would be expected to pay for the intervention are only getting 30 percent in that equation.

So clearly this would enable, for this initiative, that portion of the savings that accrued to the Federal Government to be recovered in the pay-for-success formula.

The CHAIRMAN. Well, thank you so much. Senator Bennet, let us turn to you.

Senator BENNET. Thank you, Mr. Chairman, and thank you very much for your partnership on this bill and your leadership on this bill. You and your staff have made it much better. I am grateful for that.

I am grateful for the testimony we had today. Particularly, I want to thank Ms. Bright for sharing with us the work she is doing with Nurse-Family Partnership. The Nurse-Family Partnership is headquartered in Denver, CO and is doing important work throughout the country. Its use of evidence-based intervention is a model for all public and private social service organizations. So, thank you.

My interest in this began after I was in business, and then I found myself being superintendent of the Denver Public Schools and realizing that very few of the incentives or disincentives around that system were related to the outcomes that we wanted for kids. Now I am in the Federal Government and realize it is even worse when the funding source and the service provider are not the same entity, because it is even harder to figure out how to hold people accountable.

These are the early days of this kind of work, but I wonder if—to me, it seems that this will rise or fall based on our ability to actually establish rigorous metrics for outcomes. The risk is that we will not establish those rigorous outcomes. I do not mean “we” the Federal Government; I mean the investors and others.

I wonder—starting with you, Mr. Sorenson—based on your experience, if you could talk a little bit about that, how you set those rigorous outcomes so we really do get a felicitous race to the top as you described it, instead of the reverse. Then I might ask Mr. Berlin and Mr. Doar.

Mr. SORENSON. I think that that is one of the important elements to this, and I would just say that I think, because there is engagement and collaboration from the social scientist, as well as the service providers, as well as the governments, as well as investors, that there is a level of rigor and a framework for the potential for much greater scrutiny in terms of the evidence and the outcomes

and the validation that ultimately define how these will run and be assessed. In the case of the first pay-for-success project in this country—on Rikers Island in New York City—it was determined that it was not successful.

The government did not pay. The investors ultimately ended up taking the loss, and we learned what did not work in the process.

Senator BENNET. Is there anybody else who would like to get in on this?

Mr. BERLIN. I think this is the central question. The promise that government will only pay for success depends entirely on the metrics that we use, but also on the evaluation designs that we use.

It is easy to get improvements in outcomes, for example, by changing who participates or whom you recruit into the program. So it is important to think through how to ensure that you are actually getting the effects that you promised, above and beyond what might have happened otherwise.

So I think combining the right metrics together with the right kind of research design to give you a sense about the net value added is really essential. Otherwise, government could end up paying for things that did not really make a difference at all.

Mr. DOAR. I agree with Gordon. The key thing is to be sure that you set up a structure so that you make sure that the outcome would not have happened otherwise without the intervention. That is an impact evaluation, and it takes a certain rigor.

The other is defining what success is. I think in the example that I gave, it was important to the city to have human capital development and self-sufficiency as opposed to just an income effect. I think that, as we work through this, we have to define that early as we go into it.

Senator BENNET. I only have 1 minute left for a second question. Mr. Sorenson, I will start with you again. Could you explain to the committee what level of interest there is in the private sector around this? Is it developing? Is it growing? Who are going to be the investors in this world, do you think?

Mr. SORENSON. Well, I think that is an interesting question for me, because I came to this from the investment world, the impact investment world, where I was looking at potential investments that had a double bottom-line potential, and I was contacted by my wealth manager at Merrill Lynch with the first one that I got involved in and saw right off the bat the potential for this. It captured my imagination and interest because it was data-driven, it was much more accountable, and it was really based on outcomes—all of the issues that I faced as a philanthropist wanting to find better ways to deploy my capital.

Now having said that, I think there are other investors—outside of philanthropy—who are also very interested in this model. We see within the Sorenson Impact Center about a dozen of these that are in the early stages of being set up in the western United States, and there are another 50 across the country. So we are seeing really, I think, not only an interest by investors, but by communities in setting these up and structuring them and moving forward in the issue areas that are really important.

Senator BENNET. Thank you. I am out of time. I thank the chairman, again, for his partnership.

The CHAIRMAN. Thank you. I appreciate all of the effort you are putting forward.

Senator Wyden?

Senator WYDEN. Thank you, Mr. Chairman. Just one question, if I might, for you, Mr. Doar, and you, Mr. Berlin.

Obviously, right at the heart of an effective strategy is to figure out what is going to work best, particularly for folks like TANF clients who are unemployed or are looking for better jobs. They face barriers to employment. What do you believe are the best measures now to be considered in terms of trying to help these disadvantaged populations find and hold jobs? Why don't we hear from Mr. Berlin and Mr. Doar?

Mr. BERLIN. Thank you. In terms of measures, I think we really want to see increases in employment and earnings so that people can be self-sufficient and really move forward.

I feel like we are getting a little too pessimistic. There is a really long history of the Welfare-to-Work experiments that were undertaken in California and many other places. Eventually all of the States did it under the various welfare reforms in 1988 and again in 1996, in which we invested in mixed strategies that provided job search assistance for those who were employable, but also education and training for those who needed to develop their skills.

We saw pretty substantial increases in employment and earnings and income, and also some savings in welfare. In addition, what we call the Making Work Pay experiments really made sure that when low-income people went to work, they were truly better off. They also produced pretty dramatic increases in employment and earnings, but also benefits for their children. They did better in school.

Senator WYDEN. Now, I understand that you all are advocating some sort of inventory for information that you think is most promising to help these youngsters. What do you do with the information and the inventory? Where does it go? How does it work?

Mr. BERLIN. So, when we build evidence about programs that work, the challenge is really to make sure that that evidence gets used at the local level. So one process is to create these "what works clearinghouses" that begin to pull together all of the information that we have about what is working. Another part of the process which we work hard at at MDRC is working with localities to help them actually use that evidence to move things forward.

Senator WYDEN. So if I was explaining this at a town hall meeting, what I would say is that I can use this inventory to find programs that seem particularly promising in terms of earnings and employment, and those kinds of opportunities that really lend themselves to being replicated elsewhere. Is that something resembling English that I could convey?

Mr. BERLIN. That would work. We are building a body of evidence that I think, pretty convincingly, demonstrates in each of these categories—for welfare recipients, for TANF recipients, for disadvantaged youth—that we are beginning to see really clear evidence about the kinds of strategies that work.

We are further behind for youth, but there are a number of models that have been promising. We just released results not too long

ago on a program for young people maturing out of foster care—youth villages—which showed some positive gain for them in terms of their mental health, less likelihood of being homeless, and we have several others like that that are in the pipeline.

Senator WYDEN. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Warner?

Senator WARNER. Well, thank you, Mr. Chairman. I want to thank you and Senator Bennet for your interest in this subject. I simply want to make the point that this is an area that I have enormous interest in, and I commend all of the panelists.

A couple of comments, and a couple of questions. One, I think it is important that we get the rigor, but I also think it is important that we do not spend another decade trying to perfect the models. There will be gaming, there will be mistakes. But when we are thinking about pay for performance, for example in job training, there are pretty easy metrics.

Did you get a job? Did it pay? Did you stay in that job for a period of time?

The social value that we can add—I sometimes worry that we try to set so many different metric posts along the way that we study forever, as opposed to trying, trying new programs, trying what actually works, and then rewarding it in a meaningful way.

I think Mr. Sorenson has been too generous sometimes with his comments about philanthropy. I think at times philanthropy has been reluctant to put its money where its mouth is. They want to one-off programs, but actually having programs that are incented based upon pay for performance or social impact bonds—I think we really need to be more aggressive.

Mr. Chairman, there are a series of things—if we are going to get serious in this area—that we could do. For example, the DOL recently changed part of their regulations for ERISA-managed funds around fiduciary duty. For a long time we had a fiduciary duty definition that said that if you are a State pension fund or a private pension fund that wanted to do the right thing, you could not make these social double bottom-line investments if they did not show the same EPS on a short-term basis that I think a lot of our investment strategies are plagued with.

A lot of the social double bottom-line investments require maybe a slightly longer time horizon than a quarter-to-quarter-based investment change. There was a change by DOL that said ERISA-managed funds can now look beyond simply EPS, and they can include the workers, and they can include other factors, and we ought to accelerate that.

I think one of things we talked about in the past is many of the—I am going to want your comments on this—philanthropic funds are restricted in their ability to make project-related investments with their own corpus. So you will have some of the big philanthropic funds around that are brand names that are unable to invest in programs that are social double bottom-line-based because of, frankly, an arcane, backward-looking regulatory environment.

Now on a bolder basis, if we were to look at portions of the capital gains rate based upon longer-term holds in this field to get that social double bottom line, it might take a 3- or 5-year time horizon, not a 1-year time horizon. We could incent, through usages of the

tax code, much greater experimentation in this field. But we are going to need to be, quite honestly, thinking about a capitalism that works for a broader group of people. I think your whole sector of investing here offers enormous comment.

I know I have laid out a lot of points there, but I would like any of you, but particularly Mr. Sorenson, if you want to start with those, and any of the others who want to comment.

Mr. SORENSON. I think there are a lot of really great thoughts that you put forth there. First of all, let me just say that the whole area of impact investing—or in the foundation world it is often referred to as mission-related investing—is really capturing the minds and the imaginations of the investment world, and I think creating a tremendous opportunity to address problems and benefit society that has a much greater potential than I think has ever been thought.

Senator WARNER. There are regulations now that preclude—

Mr. SORENSON. There are regulations. You talked a little bit about program-related investments in the foundation world. Program-related investments are investments that foundations can make—and they typically are made at the very early stage, the high-risk experimental stage—where commercial capital does not typically make investment because of the risk factor.

It is a good place for philanthropic foundation money, but because of the ambiguity in the tax code, many foundations do not participate with program-related investments because they are concerned about whether or not they would qualify by IRS definition. If there were a way to remove that ambiguity—and we have ideas that would really be helpful in that regard—I think it would help to really provide a much more welcoming environment for foundations as it relates to program-related investments and looking at investing in more scalable self-sustaining solutions.

Mr. DOAR. I would just say that it is not just government that needs to apply evidence-based policymaking to their interventions. The not-for-profit world also could benefit from being more rigorous in evaluating their impact.

My friend, Professor Sullivan at Notre Dame, has set up a lab. He is partnering with not-for-profits around the country to bring that kind of rigor to that world. It is very much needed.

So the extent to which this legislation or this discussion sets an example for that world to be as rigorous about impact as we need to be is a good thing.

The CHAIRMAN. All right. Senator Scott?

Senator SCOTT. Thank you, Mr. Chairman, and thank you to the panelists. Senator Warner, I look forward to getting my legislation over to your office as soon as possible.

Literally what you were talking about is my new legislation which is investing in opportunity, which allows for a deferral of the capital gains tax beyond 1 year in an attempt to give investors an opportunity to make good decisions about how to invest the resources necessary to grow entrepreneurs in some of the distressed communities around the country.

It would be central from my perspective for us to continue to work together to find those opportunities to encourage the private sector to do what the private sector would prefer to do, which is

have that capital reinvested in communities that desperately need the resources, as opposed to paying a higher and higher capital gains tax.

But this only defers the capital gains tax. It does not eliminate it. So we, the government, would see the resources coming back to the government, but it would give a window of opportunity for those dollars to be redeployed into the communities that have the greatest need. Fifty million Americans around the country in all 50 States would benefit from the legislation. I will ask Mr. Doar to talk about that in a few minutes.

One of the things I appreciate about this hearing so much is that we have so many Americans who are suffering, who are working very hard, and find themselves unable to crawl out of the pit of poverty. We have scarce resources to be used effectively to help these Americans.

One of the things I find exciting and encouraging about this hearing is that we are trying to figure out how to have measurable progress in a reasonable time, how to fuse together the private sector and the public sector to joint venture in these communities and help the very people who have grown up or who are growing up in very similar fashion or similar places that I did when I was a kid, growing up in poverty.

So I am encouraged that we are having a conversation that needs to be had, that perhaps, looking at some of the programs and the overhead expense within the government, we should have had a very long time ago.

I remember serving on a nonprofit board of directors about 15 years ago in South Carolina. We stopped funding agencies and organizations and we started funding specific programs within those agencies and organizations that could provide the outcome that we were looking for.

I think that approach is just common sense, and while we are having a hearing on it, I certainly hope that most of us recognize that this really should have been the model that we were using for a very, very long time, because the very people who need the help the most are the people who seem to be stuck and still suffering because of the lack of outcome focus.

Mr. Doar, since the focus of today's hearing is on delivering social services and support to vulnerable families, I wanted to raise the issue of how we actually change the economic ecosystem of distressed communities. In addition to more effective delivery of social services, I believe that we must do more to spark economic conditions necessary to provide real economic opportunities in these communities, which is why I was talking about the Investing in Opportunity Act.

I am curious to know how you would characterize the need for greater investment and access to capital in struggling communities, and whether those issues should be prioritized alongside the issues we are discussing today. Do you believe we are effectively engaging the private sector towards this goal, and what could we do better?

Mr. DOAR. Well, I certainly believe that economic development and economic stimulation are very much a part of an anti-poverty effort, and people in social services who forget that a stimulated

economy providing jobs is wind at your back in helping low-income Americans are making a mistake.

So efforts that would bring that kind of greater economic activity, through legislation like you are proposing, if they are evaluated carefully and monitored carefully, are much needed.

The other thing that is coming out a lot in the recent data is the extent to which poverty is often place-based. There are distressed communities where there are high concentrations of poverty. We do have to turn our attention to those specific communities and give them greater attention, as opposed to broad-based solutions that attempt to cover the whole country.

So I think that efforts to stimulate jobs and economics are very much a part of an anti-poverty effort. I also think that lessons that are in this hearing about the importance of doing very rigorous evaluations are important too.

Senator SCOTT. I am running out of time. Mr. Chairman, if you would allow for one more question? Thank you, sir.

Mr. Sorenson, my Governor in South Carolina, Governor Nikki Haley, announced in February of this year a \$30-million expansion of the Nurse-Family Partnership program in South Carolina, the Nation's first pay-for-success initiative focused on improving the lives and health outcomes of mothers and children living in poverty. More than half of the expansion will be paid for by private donors, included an \$8-million gift from the Duke Endowment.

Nurse-Family Partnership has a lot of data and evidence that demonstrates their ability to produce successful outcomes for women and children living in poverty. Because of this, Governor Haley could feel confident about expanding the Nurse-Family Partnership in South Carolina through a pay-for-success initiative.

Can you talk about the importance of evaluating programs based on the outcomes instead of just the money that we are putting into those programs, and can you also speak to the importance of leveraging private capital to invest in programs that could supplement or even replace government social programs—with a lower overhead expense from my perspective?

Mr. SORENSON. Well I think, as we have talked about today, there are a lot of social services and funding for social services that are not measured or focused on outcomes or looking at accountability that focuses on a result that ends up potentially saving money. The potential for the type of delivery and procurement that we are talking about here, in evidence-based procurement for social services, is being able to develop models that determine, first of all, those metrics that measure successful outcomes and then being able to develop a framework and structure that rigorously measures them. That, I think, is pretty basic.

If I am in a business in the business world, that seems very intuitive to me. Yes, it is not as common a practice as it should be in the procurement of social services.

I think the other really innovative thing in what we are doing here is really engaging the private sector in the collaborative involvement between investors who take risks and the efficiency that is in the business world in measuring and underwriting investments and bringing that to bear in this structure. I think that that enables, really, solutions to problems that are difficult for State

and local governments to address because their resources are scarce and they are really focused on the downstream costs as opposed to innovative interventions, preventative interventions that could ultimately save a lot more than what they cost.

That is really the whole, I think, opportunity for the private investors, whether they be foundations or other investors, to really engage.

Senator SCOTT. Thank you.

The CHAIRMAN. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Let me first start off by thanking my fellow New Jerseyan, Tesha Bright, for coming to testify before the committee today. It is always a privilege to hear from a constituent, and I read your testimony. I was at another event, but I read your testimony, and I appreciate what you had to say, especially in a program that I have long championed, which is home visiting.

Nobody knows the needs of the families in Essex and Morris Counties, especially the young at-risk families that you work with, more than I do. I want to commend you and the work that the Nurse-Family Partnership is able to accomplish on behalf of the families you serve.

When we talk about evidence-based successes, this is one, Mr. Chairman. It is because of the needs facing these communities and communities like them all over the country that I have been such a strong supporter of home visiting programs like the Maternal, Infant, and Early Childhood Home Visiting programs.

Because these are evidence-based programs, we know exactly how successful they have been at helping families by reducing infant mortality, improving language development, reducing child abuse and neglect, enhancing parental engagement, and even decreasing children's exposure to the juvenile justice system during adolescence years after the home visits have stopped. That is a pretty good track record, Mr. Chairman.

I want to take the opportunity to thank my colleague from Iowa, Senator Grassley. I know he could not be here. Together he and I have been able to ensure that the MIECHV program has been extended and the funding continues to flow to these programs, because they work.

I want to thank him for his commitment and continuing to work with me to ensure that the program's funding, which is currently set to expire at the end of fiscal year 2017, is again continued and, as my hope is, expanded to ensure that more home visits can occur, more mothers have the opportunity to learn from nurses like Tesha, and more children are able to benefit from the evidence-based practices that have already proven so successful.

So thank you for joining us today. As you know, I think it is always great for the members of Congress to hear firsthand accounts about how the policies we discuss in this committee actually translate to work on the ground, people back at home. Sometimes there is a bit of a disconnect there. I always like to bring it back to home.

In your written testimony, you talk about a couple of memorable clients with whom you worked, a teenage mother and a pair of sisters in a foster home. I am hoping you can describe for us how the training for this particular model helped you connect with them,

and how your interactions might have differed compared to non-evidence-based models.

Ms. BRIGHT. Well, I can only speak to this evidence-based model. The training that I received, like I mentioned, the motivational interviewing, was painful at times, going through this training, learning not to give our opinion, but to encourage our clients to make up their own minds, just to restate and rephrase, encourage them to solve their own problems just by listening, and encourage them to talk.

The communication, family communication that I mentioned in the testimony—we have facilitators that we use in our program, and it is at the nurse's discretion when you need to bring them out. I think that having done them so many times over the last 8 years, when I noticed that this incident was going on in the family, just sitting everyone down and having them air their grievances and discuss everything was very important for the foster mother who really could not connect with the two Haitian sisters, and then just getting their voice out because they felt that they had to do everything on their own and they had no one to help them. Because they trusted me, it helped to facilitate that between the sisters and the mother.

In that instance, I think that the training I received with the motivational interviewing through the Nurse-Family Partnership was really important.

Senator MENENDEZ. So in these 8 years that you have been working at this, would you say there are successes in the families that you have dealt with that, but for your participation and that of the program, might not have been achieved?

Ms. BRIGHT. I am not going to say I can come in and change a family, but I could definitely make them think about different things.

A good example would be nutrition. If I see that the majority of the family is overweight and I am discussing nutrition and healthy eating with the mom of the toddler, I can be creative with it and bring in smoothies, and bring in a blender and show them how you can make smoothies and use vegetables so that your child is getting fresh vegetables, using the WIC checks to buy fresh vegetables from the local farmers' market and then using those vegetables, and then just encouraging them to try one new thing every month, and bringing something new. I think that impacts the whole family. Just small change is all we are looking for.

Senator MENENDEZ. Small changes sometimes bring big results, Mr. Chairman.

Thank you very much. Thank you for coming.

The CHAIRMAN. Senator Scott has one more question he would like to ask, and then we are going to recess.

Senator SCOTT. Thank you, Senator Hatch.

Ms. Bright, just a quick question. In South Carolina, the Nurse-Family Partnership serves about 1,200 families currently. With the new initiative, we will be able to serve another 3,200 families.

My question really is on building a new culture because, from my perspective, it appears to me that once you have an impact on a family, that family has an impact on their community. If you have enough folks receiving assistance and projecting forward, you will

have an opportunity really to have a new culture within a community.

Can you talk to the ability to impact families outside of the specific family that is being served?

Ms. BRIGHT. Yes. I have a great example of that. I have a client—well, I had a client. She has graduated now. Working with her, I was able to work with the mom, give her different job opportunities that came through our e-mail system, visiting with her, not just in her home, but meeting her at a baby shower and going to her graduation. I was able to meet the grandmother and then the aunts.

I do a lot more than just nursing. I find that—I made a deal with her: if you graduate, I will drive for your prom. It was just our basic family car, but I was able to drive her to her prom, and just being involved with that family—multi-generational—made a difference. It made a difference.

It is funny. Many of the times, they do not know my first name. They just know me as “the nurse.” They refer to whatever I say as, “Well, the nurse said.”

That makes a difference, because it is not just my client saying that, it is her mom or her grandmother referring to something that I mentioned. It could be just as simple as healthy eating.

Senator SCOTT. That is awesome. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Scott.

We are very grateful for your testimony here today. This is serious stuff. We intend to pass this bill. The House is working on their version as well. Hopefully before the end of this year, we can work out a bill that you all will be very satisfied with. If we do, it will be in large measure because of you taking the time to come and see us today.

With that, let me just say that I would ask that any questions for the record be submitted by Tuesday, May 24th.

With that, then, I think we will just adjourn this hearing. I think I am going to see you a little later, Mr. Sorenson.

Thank you all for being here. I really appreciate you.

[Whereupon, at 3:30 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF GORDON L. BERLIN, PRESIDENT, MDRC

USING EVIDENCE AS THE DRIVER OF POLICY CHANGE: THE NEXT STEPS IN SUPPORTING INNOVATION, CONTINUOUS IMPROVEMENT, AND ACCOUNTABILITY

Good morning, Chairman Hatch, Ranking Member Wyden, and members of the committee. I appreciate the opportunity to participate in this hearing on the role of evidence-building in the future design and evolution of the Nation's education and social welfare policies and programs.

My name is Gordon Berlin, and I am president of MDRC, a nonprofit, nonpartisan education and social policy research organization that is dedicated to learning what works to improve policies and programs that affect the poor. Founded in 1974, MDRC evaluates existing programs and develops new solutions to some of the Nation's most pressing social problems, using rigorous random assignment research designs or near equivalents to assess their impact.

The Federal Government spends billions of dollars on policies and programs designed to improve the human condition; ameliorate poverty; increase employment, earnings, and income; invest in education to build human capital; and ensure America's competitive position in a technologically advancing world. But to make a real difference, to ensure a return on investment for both taxpayers and the beneficiaries of these programs, we have to do things that actually work.

Over the last decade and a half, during a period defined in the public consciousness by political partisanship, the legislative and executive branches have quietly forged a bipartisan consensus around the need to build evidence of effectiveness that would ensure high rates of return on investment for the Nation's social programs. The establishment by Congress of the new Evidence-Based Policymaking Commission is only the most recent example of this consensus.

In my testimony today, I offer a brief history of the Federal Government's fruitful investment in evidence-building; then concentrate on several of the most recent efforts, including supporting pay-for-success initiatives; and conclude by identifying obstacles to effective evidence-building, offering potential solutions and suggesting a framework for exploiting the opportunities that lie ahead.

A Brief History of Evidence-Building

The history of evidence-building has evolved through four phases: in the 1980s and 1990s, Federal waivers made the States the engine of innovation; in the early 2000s, the Office of Management and Budget drove the Federal agencies to focus on developing rigorous evidence, and the Congress created the Institute of Education Sciences; in the late 2000s, the Federal Government built partnerships with the nonprofit and philanthropic communities and defined tiered standards of evidence; and today Congress has taken the lead, building on the earlier phases to create new evidence-building frameworks and pay-for-success initiatives that seek to support innovation and stronger results.

Putting States in the Lead: The Waiver Era. The earliest roots of the evidence evolution can be traced to the 1980s and 1990s when the Nation turned to the States as laboratories of innovation. Using the Social Security Act's 1115 waiver authority, the Federal Government allowed States to experiment with new approaches to welfare policy. In return, States were expected to subject their programs to rigorous evaluation, nearly always using random assignment, to demonstrate that the

reforms had the intended effects and were cost neutral. The Federal Administration for Children and Families and its Office of Planning, Research and Evaluation (OPRE) played a key role in managing the waiver process and organizing that research—as well as in setting the agenda in subsequent years for advancing our understanding of the contributions job search, training, and community work experience could make. The remarkable body of evidence built during this period provided the backbone for passage of the 1988 Family Support Act and the 1996 welfare reform law. No one understands the results of that work better than the members of this committee: together with a strong economy, the resulting welfare-to-work programs and related supports embodied in Federal law led to an unprecedented increase in employment rates among welfare recipients and a sharp decline in the Nation's welfare rolls. I turn later in this testimony to some of the challenges associated with the waiver authority in health and welfare policy broadly and the current state of the Temporary Assistance for Needy Families program specifically.

Creating Capacity: The Era of Investment in Federal Research Centers. With OPRE's rich body of research evidence on welfare as one example, the Office of Management and Budget in the Bush administration began encouraging all Federal agencies to use randomized controlled trials to evaluate the effectiveness of the programs they funded. In 2002, Congress passed the Education Sciences Reform Act, which created the Institute of Education Sciences (IES), the independent statistics, research, and evaluation arm of the U.S. Department of Education. IES has been universally recognized for raising the standards of evidence in education research. In 2008, recognizing that States had little incentive to allocate dollars to programs with the strongest evidence, President Bush and Congress appropriated \$10 million to support States that committed to scale up evidence-based home visiting programs. This bipartisan action laid the groundwork for the next era in evidence-based policy.

Partnering With the Nonprofit Sector: The Era of Tiered Evidence. During the third phase in the late 2000s, Congress capitalized on innovation and creativity in the nonprofit sector in legislation that created the Investing in Innovation Fund (\$650 million) at the U.S. Department of Education, the Workforce Innovation Fund (\$125 million) at the U.S. Department of Labor, the Teen Pregnancy Prevention Program (\$110 million) at the U.S. Department of Health and Human Services (DHHS), and the Social Innovation Fund (\$50 million) at the Corporation for National and Community Service. Each of these funding streams employed “tiered” evidence structures that allotted the largest dollar amounts to the programs with the strongest evidence, each encouraged new program development, each emphasized taking what works to scale, and, importantly, each required that additional evidence be generated as programs expanded. Programs funded by these streams include such effective interventions as the Success for All school model, the Reading Partners volunteer tutoring program, the Youth Villages YVLifeSet program for young people transitioning out of foster care, and the transitional employment program for reentering prisoners run by the Center for Employment Opportunities.

Perhaps the largest evidence-based program of the era is the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program, which provided \$1.5 billion in funding for home visiting programs over 5 years. In many respects, MIECHV, which was largely crafted by this committee, was a model of building and using evidence to shape policy. The authorizing legislation reflected the considerable amount of research that had already been conducted on home visiting in two ways. First, it required DHHS to establish transparent criteria to determine which models of home visiting had prior evidence of effectiveness. It then required States to spend the majority of their MIECHV funds on those models.

Recognizing that prior studies had also shown gaps in where home visiting was effective, the legislation also encouraged States to innovate by allowing part of the funds to be used for promising approaches to home visiting. For example, home visiting programs have historically not had large effects on maternal mental health, so states could use these funds to pay for new services to try to ameliorate maternal depression. At the same time, the authorizing legislation recognized a need for continued learning about the effects of home visiting. To that end, it specified that 3 percent of the budget should be spent on technical assistance and research activities. Finally, the legislation also required a national evaluation of the MIECHV program, noting that random assignment designs were to be used “to the maximum extent feasible.”

In sum, there are several elements of MIECHV worth emphasizing:

- Prior evidence was used to influence how Federal funds could be spent, making it more likely that the funds would make a difference for families.
- The legislation recognized that there were areas where home visiting was not as effective as desired and offered States funds to test innovative approaches.
- Funds were set aside for research to make sure that learning continued under MIECHV and could influence future realizations of home visiting.

Together these initiatives laid the groundwork for the modern era of evidence-building that Congress has now embarked upon.

Today: Using Evidence as a Driver of Change. Building on past efforts, this Congress is actively using evidence as an instrument of change—setting aside a small fraction of funding for evidence-building, charging the executive branch with using tiered strategies that privilege those programs and models with the best evidence with the highest levels of funding, and requiring that States look to evidence-based models as they expand federally funded programs. In addition, recognizing that context matters, these set-asides include funding for innovation in the private and nonprofit sectors and also in States and localities.

Indeed, social impact bond financing—a strategy that brings together private-sector capital, nonprofit know-how, and government urgency in a partnership designed to take promising new approaches to scale—is an important part of the Workforce Innovation and Opportunity Act of 2014 (WIOA) and the Every Student Succeeds Act of 2015 (ESSA).

WIOA places new emphasis on evidence-based decision-making by asking States and the U.S. Department of Labor (DOL) to identify, evaluate, and share promising and proven practices. In addition, DOL is charged with establishing a robust program of research to fill crucial knowledge gaps, including learning what works to help disconnected youth return to school and enroll in postsecondary training and conducting regular and rigorous evaluation of programs for dislocated workers and of the Job Corps. States are required to evaluate their programs annually using rigorous methods, and the law sets aside dollars for Governors to encourage experimentation at the State and local level. Surprisingly, the law doesn't employ the tiered evidence strategies pioneered in other bills. The law also created new authority for local workforce investment boards to use up to 10 percent of funds across all three formula grant programs—Adult, Youth, and Dislocated Workers—to support pay-for-performance or social impact bond projects. As we begin to learn more about what works, emphasis should turn to ensuring that this evidence is used in the design and delivery of local workforce programs:

- A tiered evidence strategy could be employed to signal the value of developing new approaches, testing promising programs at some scale, and expanding programs with the strongest evidence.
- State and local workforce agencies should work with the Department of Labor to build the data systems necessary to support both better performance management and evidence-building.
- As a complement to the mandatory sanctions that current law imposes when States fail to meet performance goals, create funding streams that reward performance improvement and the use of evidence-based programming.
- To encourage innovation and evidence-building, Governors should use a portion of WIOA discretionary dollars to co-fund with DOL a series of workforce innovation laboratories to experiment with new approaches.

The Every Student Succeeds Act (ESSA) allows States to use some of their title I, part D, and title IV, part A, funds to support pay-for-performance initiatives as long as they also conduct a rigorous third-party evaluation to determine if the project actually worked. ESSA also provides a clear definition of evidence modeled after the Investing in Innovation (i3) tiers of evidence. It requires low-performing schools to use evidence-based interventions and sets aside 7 percent of title I funds so that States can pay for them. ESSA also clearly values the development and evaluation of innovations in education by codifying a tiered approach in the Education Innovation Research Grants Program, which replaces the i3 program, and by allowing the Institute of Education Sciences to pool money set aside for evaluations of individual programs. But several key features in the new law could also be improved:

- School districts should be offered incentives to choose the interventions that have the strongest evidence.

- The law’s definition of evidence includes correlational studies, which are weaker than experiments, and could end up supporting unsubstantiated interventions.
- Substantial discretion is left to the States in gauging evidence quality but without a strong framework or support; therefore, application of evidence is likely to be uneven and too easily overridden by political and other considerations.
- A clearer connection should be established between the evidence built by IES and summarized in its What Works Clearinghouse and what constitutes reliable evidence at the State level, where officials are charged with deciding what “evidence-based” will mean.

In addition, the separate Social Impact Partnership Act (S. 1089) would authorize \$300 million to support States and localities in the use of social impact bonds (SIBs) to tackle social and public health challenges—of which \$10 million is allocated for feasibility studies, \$45 million for evaluations, and the remaining funds to support deals and pay for administrative costs. The purpose is to spur State and local experimentation, build better evidence about what works, and foster the bundling of philanthropic, private investment, and public funds to scale effective social programs operated by nonprofit organizations and local governments. To promote wider use of this new vehicle, Federal funds can be used to support project costs—essentially allowing the Treasury Department to be a financing party in SIB deals, providing dollars to State and local entities so that they may in turn pay back investors if an initiative is found to be effective by a rigorous third-party evaluation. While the bill admirably specifies a comprehensive list of acceptable project outcomes, that list does not include pre-k or college outcomes, two promising areas for pay-for-success investing.

Lessons From Experience on Social Impact Bonds

Social impact bonds—or pay-for-success initiatives—are attractive across the political spectrum as they bring together the concepts of lending for a social purpose, return on investment, and payment based on performance. In the simplest terms, a SIB uses private funds to pay for a social, educational, or health program, and the government repays investors (plus a return) only if the program achieves prespecified results. A SIB can be a valuable new tool in the evidence-building movement. A financing mechanism for testing and scaling innovative new approaches to complex social problems, it provides important flexibility to State and local authorities, who might not otherwise have the resources to experiment with new approaches. This is a valuable complement to the broader agency-based Federal role that should be retained as the centerpiece of future evidence-based policy-making.

At MDRC, we have first-hand experience with social impact bonds, having served as the intermediary at the center of the first SIB initiative in the United States, which financed the Adolescent Behavioral Learning Experience (ABLE) program at Rikers Island in New York City. It was designed to learn whether a cognitive behavioral therapy program delivered to all 16- to 18-year-old adolescents awaiting trial at Rikers Island jail would equip them with the social and decision-making skills to help take responsibility for their actions, avoid rash and impulsive reactions, make more constructive life choices, and ultimately avoid a costly return to Rikers.

The Rikers SIB sought to answer two distinct questions, each of which should be judged independently. The first was: did the program reduce recidivism? The short answer is no; ABLE was discontinued after 3 years when results from an independent evaluation by the Vera Institute of Justice demonstrated that it was not meeting its goal of reducing recidivism among 16- to 18-year-olds. The second question was: Is a social impact bond a viable mechanism for financing, testing, and scaling a social program innovation? Here the answer is clearly yes. Government got to try something it would not otherwise have attempted, while investors assumed all of the risk.

But, as Rikers proved, SIB funding does not guarantee programmatic success. A SIB-supported program that turns out not to work can result in losses for investors, no cost savings for the government, no opportunity for long-term growth for nonprofit service deliverers, and limited benefits for participants. Yet while the intervention may not have worked, the SIB structure did succeed: the government did not pay for ineffective services, but learning what didn’t work may have helped point the way to what might.

As early adopters like us gain real-world operating experience, the reality of SIBs is turning out to be more nuanced than either proponents or detractors have prom-

ised. As I argue in *Learning From Experience: A Guide to Social Impact Investing*, emerging lessons from Rikers and other deals reveal both SIBs' value to government entities and also the reality that this value will only be realized if the tensions inherent in structuring the terms of a SIB deal can be addressed squarely. These include:

- **The balance of risk and reward.** The returns governments are able to pay may not be proportional to the risks some lenders are able to take.
- **The focus on narrowly defined government savings.** Many deals still depend on the possibility of government savings. But insisting on government savings can unnecessarily rule out projects that might otherwise offer valuable and readily quantifiable returns to participants and society at large.
- **The role of evidence.** SIBs reduce risk for government entities by promising that they will have to pay *only* for successful interventions. To fulfill that promise, a SIB must include independent, rigorous evaluation of a program's effectiveness over the status quo—a requirement that poses a new form of investor risk. Unfortunately, efforts to mitigate that risk have driven some SIB deals to rely instead on simple outcome measures, which may misleadingly provide only the illusion of benefits and savings to government entities.

What does that mean for Congress moving forward on pay-for-success? The SIB vehicle is a valuable tool for stimulating experimentation, innovation, and the scaling of promising approaches at the State and local level. But it is not a substitute for a comprehensive agency-directed research agenda, which is essential if evidence is to be harnessed effectively to improve performance. The Federal Government can enhance the value of SIBs as a “learning what works” tool by:

- Stating clearly that the goal is to build evidence about what works.
- Signaling its support for a benefit-cost perspective that places equal weight on quantifiable government budget savings, benefits for participants, and benefits for society as a whole.
- Supporting the evaluation costs of SIB projects only when they use rigorous research designs capable of reliably attributing causality, requiring those studies to collect a range of relevant outcome measures (not just the single measure that payback would be based upon), and insisting that those measures be quantifiable measures of success.
- Stimulating deals by supporting State and local pay-for-success projects in the form of backend payments as specified in the Social Impact Partnership Act, WIOA, and the Social Innovation Fund Classic competitions, but giving broad latitude to dealmakers (public agencies, investors, and nonprofit service providers) by not being overly prescriptive about the requirements governing a SIB deal—in essence, allowing the private market aspects of SIBs to work, while still insisting on rigorous evidence and payment terms that are fair to both taxpayers and investors.
- Sustaining what works by requiring, to the extent possible, that State and local agencies continue supporting effective programs after a SIB deal ends.
- Insuring transparency by requiring that public agencies using Federal funds must release publicly the final results of evaluations, the payment terms of deals, and final benefit/cost calculations, including the lost savings that would result if the government did not continue to support effective initiatives.

Looking Forward: The Future of Evidence-Building

The Federal investment in evidence over the past two decades has yielded great benefits in our understanding of what works in education, workforce development, health and human services, and housing policy. As this evidence base continues to grow, however, we must address a number of challenges to make the most of what we are learning by: (1) creating a culture of continuous improvement with incentives for using research evidence to make programs even more effective; (2) balancing the role of agency-directed research with pay-for-success innovation in the States and localities; (3) making better use of Federal waiver authority; (4) improving access to data for more efficient evaluations, while protecting confidentiality; and (5) clarifying Federal authority to conduct research.

Continuous Improvement Instead of Up-or-Down Judgments. Historically, we have failed to build a reliable record of what has worked and what has not, dooming ourselves to constantly repeating past mistakes and relearning the same lessons over and over again. With its actions in the last decade or so, Congress has taken decisive steps to build that record and to drive policy and funding with evidence.

But to be successful, consensus will also be needed around means and ends. Is the goal simply to fund what works and end what does not? Or is it to invest in continuously improving the Nation's social programs? Those who are skeptical of the efficacy of social programs question whether we will really act on evidence when programs do not work. On the other side, supporters of social programs worry that evidence will be used as a blunt instrument to justify diminishing the Nation's investment in ameliorating social problems. Both sides have a point.

To take just one example: in the early 1990s, the national evaluation of the Job Training Partnership Act's youth employment programs found few effects for youth, and Congress moved decisively to defund all of the Act's youth training and employment programs. The discontinuation of Federal summer youth employment funding closed down one of the Nation's largest employers of young people; funding for training programs was also terminated, and even the Job Corps experienced reductions. But no research and development investments were made in their stead to learn what might work better. Twenty years later, the Nation is in the midst of the worst youth unemployment crisis in recent history. Fortunately, Congress has built a learning agenda about youth employment in the recently passed WIOA, but many years and lives were wasted in the interim.

Eventually, we do have to say no when efforts to enhance a given approach repeatedly fail to produce evidence of effectiveness. But that doesn't mean doing nothing when the problems remain pressing. In short, the evidence-building agenda should be framed around long-term goals, and the tactics should focus on the means to that end. Like a business committed to becoming a dynamic learning organization, government should commit to continuous improvement and focus on making its programs more effective over time. The Edna McConnell Clark Foundation, one of the first (and largest) Social Innovation Fund intermediaries, offers an excellent example of building evidence and using it to continuously improve the programmatic and organizational capacity of its youth-serving grantees.

Bolstering Agency Research Capacity and Supporting Pay-for-Success Innovation. In recent legislation, support for evidence-building, especially as it relates to innovation and scaling, has taken two forms: (1) traditional research and demonstration funding that charges the research arms of Federal agencies with building bodies of evidence about what works; and (2) social impact bonds or pay-for-success structures that attract private funding for innovation.

While both vehicles will build evidence, they approach the task differently, with each having advantages and disadvantages. Simply put, the agency research model is preferable when the goal is to learn what works for a broad and persistent problem like the transition from foster care, where one wants to develop a reliable body of evidence, one study building on the last. Agencies should be charged with creating a portfolio of research about a problem's underlying causes and to test a range of possible solutions, always answering three questions: what difference did the program make, how did it do so, and why? To support that work, Congress could authorize Federal agencies to set aside at least 1 percent of existing program funds for evaluation, a solution that is budget-neutral. And because context matters, agencies should also be encouraged to pay attention to the systems in which programs operate—something Federal agencies too seldom do. It is not enough to learn what works; introducing what works into broader systems and maintaining quality at scale is the next frontier in evidence-based policymaking.

The SIB model is best used when the goal is to encourage local experimentation and innovation and as a means of ensuring local buy-in. Its principal disadvantages are the narrow focus on a single outcome measure to determine success and the difficulty of packaging a deal that adequately balances risk against reward and that satisfies both investors and government payers.

The Role of Waivers. Unlike the story of the welfare waivers in the 1980s and 1990s, the use of waiver authority in health and health care offers a cautionary tale. As documented by the Government Accountability Office in 1995, 2002, and 2008, States have used 1115 waiver authority to experiment with new service delivery models, eligibility rules, and other strategies with the goal of improving outcomes and patient experiences and lowering costs in the Nation's Medicaid program. While the waiver process unleashed an exceptional amount of State experimentation, little evidence was generated because there was no requirement that rigorous evaluations be conducted of the innovations. The Center for Medicare and Medicaid Innovation created as part of the Affordable Care Act is now hard at work attempting to more rigorously build that evidence base.

Ironically, we now face the very same problem in welfare policy. The waiver structure that spurred experimentation and nourished evidence-building no longer exists, even though we face a next generation of problems—incomes have stagnated, child poverty rates remain alarmingly high, and the fraction of families with neither earnings nor government-provided benefits has increased. We need to refine our understanding about how to promote job advancement and retention; how to understand the role of public employment during severe economic downturns and in urban, rural, and tribal areas where unemployment is perennially high; how to serve those with severe, persistent, and multiple employment barriers; and how best to engage with noncustodial fathers who owe child support and are unemployed. Initially, the block grant structure of TANF and the surpluses States enjoyed as a welcome by-product of the remarkable economic expansion of the late 1990s fueled a new round of State-led innovation. But the economic slowdown and States' reluctance to commit State funding to new endeavors have limited the amount of experimentation in a number of critical areas. An annual set-aside of program dollars that States could apply for on a matching basis to pay for pilot tests of new ideas—tests that include requirements for rigorous, independent evaluations—is needed.

Improving Access to Federal Data for More Efficient Evaluations. In evaluating the effectiveness of social programs, researchers need ready access to administrative data. Research firms that are funded by Federal agencies to evaluate programs often rely on data collected by States from employers on employment and earnings, for example, data that the States already report to the Federal Government for certain child support enforcement and other purposes. These data are housed in accessible form at the Federal level within the National Directory of New Hires (NDNH) database. However, research contractors face severe restrictions in accessing this essential database for assessing whether federally supported programs actually work. Instead, they are forced to get the *very same data* directly from the States, at great cost to the Federal Government and at considerable burden in duplicative reporting for the States. If the NDNH database were made more widely available to evaluators (with appropriate privacy safeguards), it would enable Congress and the Federal agencies to assess the impact that social programs have on jobs and earnings at much less cost and burden to the Federal Government and the States.

Similar opportunities exist for building robust data systems from the wealth of data about individuals' experiences with the health care, public assistance, criminal justice, child welfare, school, and college systems. Integrated data systems would save time and money and reduce paperwork burdens in the conduct of evaluations, while providing comprehensive information about program effectiveness over time. The American Opportunity Study being overseen by a committee of the National Academies of Sciences, Engineering, and Medicine and housed at the U.S. Census Bureau in a secure data environment would take an important step in that direction. Private industry is far ahead of the public sector—exploiting big data to understand customer desires, track trends, and assess performance, so that low-performing business units can learn from high-performing ones. The public sector has the data to build comparable integrated systems to track progress longitudinally and to enhance program performance, yet Federal and States agencies (and their contractors) cannot regularly access and share data for evaluation purposes. We can do better. Agencies and their contractors need clear authority to access and link administrative data for evaluation purposes when it is housed at the Federal level and similarly clear authority when it is housed at the State level. Government efficiency hangs in the balance.

Protecting Confidentiality. At all levels and branches of government, there is a tug of war between those who are focused on improving program effectiveness and those who are concerned with protecting privacy. Staff responsible for managing data are rightly charged with keeping it secure and protecting privacy but too seldom with developing protocols for sharing it securely with other agencies and evaluators. Although the stakes are high and the opportunity significant, the program office that houses the data often have little or no interaction with the same agency's evaluation office. If these two objectives—measuring program effectiveness and safeguarding privacy—remain mutually exclusive, continued paralysis is the inevitable result.

The Family Education Rights and Privacy Act (FERPA) illustrates the challenge. Congress is considering amending FERPA because of concerns over threats to the privacy of student data, and meanwhile State legislatures have stepped in. Just last year 47 State legislatures introduced over 180 bills to address student data protection issues, a reaction originally prompted by public outcry over educational tech-

nology vendors and their use of children's information for advertising and commercial gain. Unfortunately, education researchers from academia and other nonprofit institutions have gotten swept up in the furor. Under current Federal law, education agencies can share data with researchers only for research projects to benefit students and improve instruction—and only under extremely strict privacy conditions. But some are suggesting that Congress should significantly scale back even that authority. Without access to student data, little education research could be conducted at all. The bottom line is that it's essential to continue to protect the security and privacy of student data, but we must be careful to not unintentionally end the analysis of student data for its original purpose: assessing and improving education.

To strike the right balance between protecting privacy and confidentiality while still allowing access for research, Congress could start by specifying required levels of encryption and protection using the highest standards established by the National Institute of Standards and Technology (NIST). The NIST standards are appropriate for research data that must be kept confidential to protect the privacy and well-being of study participants.

Clarifying Federal Authority to Conduct Research. Inconsistencies in Federal authority to conduct independent research and evaluation as well as procurement and contracting rules pose additional hurdles for efficient evidence-building. To guide policy, research must be independent, objective, and reliable. However, the authorizing legislation establishing agency research departments does not always set forth these requirements—for example, the law governing the Institute of Education Sciences does while the one over the Office of Planning, Research and Evaluation at DHHS does not. When authority is clear, agencies and their contractors have less difficulty accessing data, recruiting sites, establishing data-sharing agreements, and getting local buy-in. For example, in our experience studying home visiting programs, we found States and localities willing and ready partners in a random assignment research design when legislation instructed the Federal agency to make program funding contingent upon participation in the evaluation. In a complementary home visiting study that was not explicitly described by Congress, however, site recruitment proved difficult.

Procurement and process obstacles to cost-effective evaluations should also be addressed. While its goals are laudable, the Paperwork Reduction Act's requirements for clearance by the Office of Management and Budget and for filing two public notices for every survey involving more than 10 people add time and money to fielding studies. Rules designed to improve government procurement of goods and services can create havoc in evaluation research—for instance, an 18-month follow-up survey may span fiscal years and the pace at which the survey will be fielded is difficult to predict, but the funding of that survey can't cross fiscal years. Research, demonstration, and evaluation projects are not readily severable. Given the need for long follow-up periods, studies may spread over 5 or more years. Under current procurement rules, contract requirements and dollar amounts for each year must be specified separately. This has dramatically increased costs to administer and manage research.

Conclusion

The bipartisan commitment to building evidence by Congress has created a new generation of innovation in education and social policy—better programs, more effective policies, more responsible use of taxpayer dollars. But there is more to be done. It is not enough to identify isolated examples of what works. We need to build a culture of continuous improvement and accountability, always striving to learn more and to more effectively direct funding at all levels of government to those programs with the strongest evidence.

Thank you for the opportunity to testify today.

PREPARED STATEMENT OF TESHA BRIGHT, NURSE HOME VISITOR,
NURSE-FAMILY PARTNERSHIP OF ESSEX AND MORRIS COUNTIES

Good morning, Chairman Hatch, Ranking Member Wyden, and members of the committee. Thank you for the opportunity to testify on behalf of the Nurse-Family Partnership (NFP) program serving Essex and Morris Counties New Jersey in support of the life-changing potential of evidence-based programs like NFP. Additionally, on behalf of the mothers, children, and families served by Nurse-Family Partnership, I want to thank Chairman Hatch and this committee for their commitment to improving the health and well-being of at-risk families with dedicated funding for

evidence-based home visiting programs. Your work is paving the way for a healthier, brighter future for at-risk children and families.

I am Tesha Bright, and I have worked as an NFP Nurse Home Visitor for nearly 8 years. As a nurse home visitor, I serve a regular caseload of 25 first-time, low income mothers and their families. In those 8 years, I have experienced several meaningful examples of how this innovative program can empower young mothers to succeed.

Every year, approximately 800,000 first time, low-income mothers become pregnant with their first child. Nationwide, the NFP model has served over 239,000 families since replication began in 1996, and currently has over 31,000 first-time families enrolled in 43 States, 6 tribes, and 1 territory (USVI). We believe that the national replication of our program is dramatically improving lives of vulnerable families and yielding significant returns to society by more stable and productive families. For every 100,000 families served by NFP, research demonstrates that 14,000 fewer children will be hospitalized for injuries in their first 2 years of life; 300 fewer infants will die in their first year of life; 11,000 fewer children will develop language delays by age 2; 23,000 fewer children will suffer child abuse and neglect in their first 15 years of life; and 22,000 fewer children will be arrested and enter the criminal justice system through their first 15 years of life, among other outcomes.

In New Jersey, NFP is part of the State's Home Visiting Initiative led by a joint effort of the Department of Health (DOH) and the Department of Children and Families (DCF). The first program was established in Trenton, NJ in 2002 and today, 9 agencies have a capacity to serve approximately 1,500 families in all 21 counties across the State. My implementing agency, the Institute of Infant and Preschool Mental Health, serves Essex and Morris Counties, which includes the city of Newark. We currently serve about 187 moms, and were recently able to expand to serve an additional 50 moms with the help of Federal Maternal, Infant, and Early Childhood Home Visiting (MIECHV) funding. A multitude of unfortunate factors in the community make Nurse-Family Partnership a critical element of the county's continuum of services for prevention and families in need. Still, we only reach about 3% of the population who could benefit from our services.

NFP is a voluntary program that provides regular home visits to first-time, low-income mothers by registered nurses beginning early in pregnancy and continuing through the child's second year of life. The program is free and voluntary to the women that enroll. The children and families NFP serves are young, living in poverty, and at the highest risk of experiencing significant health, educational and employment disparities that have a lasting impact on their lives, their families, and communities. Nationally, 28 percent of families served by Nurse-Family Partnership are Hispanic; 29 percent are African-American; 24 percent are Caucasian; 5 percent are Native American or Alaskan Native; and 2 percent are Asian/Pacific Islander (the remainder declined to identify).

NFP nurses and their clients make a 2½ year commitment to one another, and develop a strong relationship over the course of 64 planned visits that focus on the strengths of the young mother and on her personal health, quality of care giving, and life course development. Their partnership with families is designed to help them achieve three major goals: (1) improve pregnancy outcomes; (2) improve child health and development; and (3) improve parents' economic self-sufficiency. By achieving these program objectives, many of the major risks for poor health and social outcomes can be significantly reduced.

In addition to our clinical training as registered nurses, NFP nurses are trained in a variety of developmental concepts and assessments. NFP nurses use Partners in Parenting Education (PIPE) lessons to teach clients a variety of concepts such as attachment, bonding, early language, and the importance of reading and literacy. We also perform continual assessments of the child's growth and development and use tools such as the Ages and Stages Questionnaire (ASQ) at prescribed times help influence visit content and activities. By addressing deficits discovered through regular contact and use of the evaluative tools, nurses are able to instruct clients in a variety of ways such as floor play, demos with a doll, videos, handouts, and then finally, if necessary, a referral to early intervention. Lastly, using the NFP Strengths and Risks (STAR) framework we regularly assess a variety of client risk factors and changes in areas such as personal health, home safety, unsafe family/friend network, and economic adversity. It helps us serve clients better, maintaining engagement with NFP and the visit schedule.

Over the past 8 years as a Nurse Home Visitor, I have worked with hundreds of young parents, many involved with the New Jersey Department of Child Protection and Permanency, formerly the division of Youth and Family Services (DYFS). I have worked as part of the treatment team providing a variety of services for this population, but most importantly, my role is to provide consistency and structure as we plan and prepare for their first child. Working with this population is especially trying given the extensive mental health backgrounds, lack of trust, transient lifestyles, and histories of sexual and drug abuse. Throughout each client's involvement in NFP, she will experience many moments of success, but also many challenges. I am a constant partner through both of these periods.

I think of one of my 15-year old clients who, at the time, was living in a homeless shelter and was initially denied my services by shelter staff. They believed that this client would not be parenting her infant, and that the baby would be placed in a foster home upon discharge from the hospital until family could be located. Through persistence and a more flexible visitation schedule, I was able to not only begin seeing the client, but I was also able to deliver content in creative ways and encourage excitement about motherhood.

I received a 3 a.m. call when she went into labor. Upon reaching the hospital, I discovered she was being treated without compassion. This experience had the potential to be quite traumatic for this teen but by advocating for her and pulling staff aside, I ensured she was treated fairly. In the end, we delivered a healthy baby girl, and capturing those first photos of mom and baby were priceless. Breastfeeding was initiated at that time. Sadly, further arrangements were not made and mom went home without her baby, but I worked with the client to visit her infant. Over that time, this client continued to pump and provide breastmilk for the baby and our work encouraged a continued bond until both were united at a shelter/group home.

Another case involved pregnant sisters living in a foster home where lack of communication and cultural differences made the home a "silent battleground" fraught with passive-aggressive behavior and disrespect. This example shows how my job is so much more than "nursing" duties. My training in motivational interviewing and family communication was instrumental in encouraging open communication and understanding between all parties, which afforded the development of chore charts and house rules agreed upon by all.

I have learned many things over my years as a nurse home visitor that have helped me serve my clients better. I believe that the beauty of the model is meeting our clients where they are and building on their own desire to change their lives. When needed, flexibility of not only a visit schedule and location, but also the ability to check-in via text, encourages continuity of care during a very important time in a teen's life. I also believe that sustained involvement of family members and fathers during visits is very important to the Nurse-Client relationship.

One of the biggest challenges I have identified when working with my teen population is maintaining participation when mom is not quite on board or feels that the program will be intrusive and/or has no value. By identifying this obstacle during intake, I try to defer to mom's own role as parent—emphasizing her strengths and encouraging her to share home remedies and beliefs. This type of conversation goes a long way in developing trust between the nurse and client. Additionally, spending time with the family doing creative activities (like making green smoothies or homemade baby food) helps to encourage participation in a more relaxed manner while also attempting to make small changes in the families food choices and health practices.

These stories are just a glimpse of the impact that Nurse-Family Partnership has on low-income, first-time parents. NFP can help break the cycle of poverty by empowering young mothers to become knowledgeable parents who are able to confidently care for their children and guide them along a healthy life course. NFP nurses use a client-centered approach, which means the nurse is constantly adapting to the needs of the family, ensuring that each visit is relevant and valued by the parent(s). These client-centered principles drive our practice with families to create positive, lasting change for the family that sustains long after our time as their nurse home visitor has ended. These principles include:

- The client is the expert on her own life. When the client is the expert, you build solutions based on information provided by the client on what's relevant and valued to her.

- Follow the client's heart's desire. The client leads the way and the central focus is on what the client wants. Find out what they want to do and help them do it.
- Focus on strengths. By focusing on capabilities, opportunities and successes, while being aware of risk factors, you can support the client through tough situations and encourage them to move forward, in turn, helping them to develop this strength within themselves that can sustain long after my visits are completed.
- Focus on solutions.
- Only a small change is necessary. The experience of one small success builds self-efficacy and causes a ripple effect in other areas of functioning and creates a context for bigger changes.

NFP nurses also continue to monitor the model's progress in the field through data collection, which nurses submit to the national database, and receive quarterly and annual reports evaluating the local program's ability to achieve sizeable, sustained outcomes. Each NFP implementing agency's goal is not only to improve the lives of first-time families, but also replicate the nurse home visitation model that was proven to work through rigorous research.

NFP is an evidence-based program with multi-generational outcomes that have been demonstrated in three randomized, controlled trials that were conducted in urban and rural locations with Caucasian, African-American and Hispanic families. A randomized, controlled trial is the most rigorous research method for measuring the effectiveness of an intervention because it uses a "control group" of individuals with whom to compare outcomes to the group who received a specified intervention. The NFP model has been tested for over 38 years through ongoing research, development, and evaluation activities conducted by Dr. David L. Olds, founder of the NFP model and Director of the Prevention Research Center for Family and Child Health (PRC) at the University of Colorado in Denver.

Dr. Olds and his research team have conducted three randomized, controlled trials with diverse populations in Elmira, NY (1977), Memphis, TN (1987), and Denver, CO (1994). Evidence from one or more of these trials demonstrates powerful outcomes including the following (in connection to each of NFP's program goals):

Improved pregnancy outcomes

- Reductions in high-risk pregnancies as a result of greater intervals between first and subsequent births, including a 28-month greater interval between the birth of first and second child:
 - 31% fewer closely spaced (<6 months) subsequent pregnancies,
 - 23% reduction in subsequent pregnancies by child age 2, and
 - 32% reduction in subsequent pregnancies for the mother at child age 15 (among low-income, unmarried group);
- 79% reduction in preterm delivery among women who smoked; and
- 35% fewer hypertensive disorders during pregnancy.

Improved child health and development

- 39% fewer injuries among children (among low-resource group);
- 56% reduction in emergency room visits for accidents and poisonings;
- 48% reduction in child abuse and neglect;
- 50% reduction in language delays of child age 21 months;
- 67% reduction in behavioral and intellectual problems at child age 6;
- 26% improvement in math and reading achievement test scores for grades 1–3;
- 59% reduction in arrests at child age 15; and
- 90% reduction in adjudication as PINS (person in need of supervision) for incorrigible behavior.

Increased family self-sufficiency

- 61% fewer arrests of mothers at child age 15;
- 72% fewer convictions of mothers at child age 15;
- 20% reduction in welfare use;
- 46% increase in father presence in household; and
- 83% increase in labor force participation of mothers at child age 4.

As the NFP model has moved from science to practice, great emphasis has been placed on building the necessary infrastructure to ensure quality and fidelity to the research model during the replication process nationwide. In addition to intensive education and planned activities for nurses to conduct in the home, NFP has a unique data collection system called Efforts-to-Outcomes (ETO) that helps NFP

monitor program implementation and outcomes achieved. It also provides continuous quality improvement data that can help guide local practices and monitor staff performance. NFP's ETO system was designed specifically to record family characteristics, needs, services provided, and progress towards accomplishing NFP program goals.

NFP's replication plan reflects a proactive, state-based growth strategy that maximizes fidelity to the program model and ensures consistent program outcomes. NFP urges Congress to support a wide range of home visitation models that meet the highest level of evidentiary standards in order to ensure the largest possible economic return on investment. NFP applauds Congress for their bipartisan, bi-cameral support for the MIECHV program and in particular, this committee for your collective commitment to funding programs proven to work through rigorous, scientific evidence and research.

In addition, NFP strongly supports Pay for Success as way to bring our program to more moms and babies. We recently launched our first Pay for Success project in South Carolina, which will expand NFP services to an additional 3,200 families statewide over the next 4 years. Thirteen million dollars of the \$30 million project is funded by a 1915(b) Medicaid waiver, which was awarded to South Carolina by the Centers for Medicare and Medicaid Services. The remaining \$17 million is supported by philanthropic investors. South Carolina will make up to \$7.5 million in success payments to sustain our services in South Carolina only if the independent evaluator, J-PAL of North America, finds positive results. The pilot for this project launched in January and we had a successful full launch last month.

We believe that Pay for Success represents an opportunity for smart policy to incentivize the growth of evidence-based programs. For that reason, we firmly support S. 1089, the Social Impact Partnerships Act (SIPA), sponsored by Mr. Chairman and Senator Bennet of Colorado, as well as its House companion, H.R. 1336. Amongst several provisions, this bill would create a new 10-year, \$300 million fund to support State and local pay for success projects. Federal financial support for Federal savings achieved through State PFS projects is critical, and these bills provide critical Federal incentives to support smart State policies. For NFP, this part of SIPA is particularly important since Dr. Ted Miller's analysis of NFP outcomes across 39 evaluation reports project that 65% of NFP savings accrue to Medicaid (explained in further detail below). Without Federal support for NFP PFS projects, States are required to pay back investors for all of the Federal Medicaid and other savings achieved. Absent SIPA, South Carolina was able to build the PFS project on the foundation of the 1915(b) waiver, which made it possible to leverage Federal financial support through that vehicle.

Independent evaluations have found that investments in NFP lead to significant returns to society and government (Washington State Institute for Public Policy, 2004 and 2008; 3 RAND Corporation studies 1998, 2005, 2008; Blueprints for Violence Prevention, Office of Juvenile Justice and Delinquency Prevention; and Pacific Institute for Research and Evaluation). Blueprints identified NFP as 1 of 11 prevention and intervention programs out of 650 evaluated nationwide that met the highest standard of program effectiveness in reducing adolescent violent crime, aggression, delinquency, and substance abuse. The RAND and Washington State reports weighed the costs and benefits of NFP and concluded that the program produces significant benefits for children and their parents, and demonstrated a savings to government in lower costs for health care, child protection, education, criminal justice, mental health, government assistance and higher taxes paid by employed parents. Most recently, the Pacific Institute for Research and Evaluation released a study in August 2015 which found significant government savings from the NFP model in particular, Medicaid and health care cost savings. This study projects that NFP will reduce Medicaid spending per child by 8.5% from birth to age 18, leading to \$1.4 billion in total savings for the 177,517 children served by operational programs from 1996–2013. The study also projects that NFP will reduce estimated spending on Temporary Assistance by Needy Families (TANF) and food stamps by \$3 billion (present value in 2010 dollars). By comparison NFP costs \$1.6 billion to serve those children and their families.

The Nurse-Family Partnership thanks the committee for your continued interest in harnessing the ability of evidence-based programs to improve the daily lives of people who need it most. Programs like NFP improve a host of conditions that hinder children and families from becoming healthy, thriving in school and achieving economic success, and smart implementation and expansion can save scarce taxpayer resources and produce tangible results. I hope that the committee will con-

tinue to support and expand funding streams that promote evidence-based social programs. Thank you again, Chairman Hatch, Ranking Member Wyden, and members of the committee, for the opportunity to testify today.

PREPARED STATEMENT OF ROBERT DOAR, FORMER COMMISSIONER, NEW YORK CITY HUMAN RESOURCES ADMINISTRATION, AND CURRENT MORGRIDGE FELLOW IN POVERTY STUDIES, AMERICAN ENTERPRISE INSTITUTE

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FOLLOWING THE EVIDENCE TO BETTER POLICY:
HOW EVIDENCE-BASED POLICYMAKING HELPED POOR NEW YORKERS

Chairman Hatch, Ranking Member Wyden, and other distinguished members of the committee, thank you for the opportunity to testify today on how the use of evidence-based policy can improve our safety net and help low-income Americans move up.

In my 18 years of experience in New York City and New York State administering many of our Nation's major safety net programs, we were determined to achieve progress in the fight against poverty. Results mattered much more than intentions. In both New York and here in Washington, I have found that conservatives and liberals may have different ideas for helping low-income Americans, but we all share a desire to enact policies that actually succeed in reducing poverty.

At a time when government resources are limited, it is more important than ever to make sure the programs we do fund are effective and achieve results. Relying on evidence when making decisions on how to use government funds can lead to better policy and better outcomes for Americans.

Evidence-based policymaking entails compiling strong evidence about what works and what doesn't, using administrative data systems more effectively, and ending failing programs, while scaling up successful ones. During my time in government, I've been a part of a number of efforts that modeled this approach. Today, I will share the lessons learned in those experiences as well as highlight areas where policymakers could do a better job bringing these principles to bear.

I. Conducting Rigorous Evaluations

In order to pursue evidence-based policymaking, we must first build the evidence around practices, policies, and programs. Often, this requires randomized controlled trials (RCTs) that randomly assign participants into a treatment group that receives the intervention or a control group and tracks their results over time. This type of evaluation helps researchers mitigate selection bias and conduct impact analyses of government initiatives that can compare the program's outcomes to a counterfactual without the intervention.

In New York City, we performed rigorous evaluations of over 30 new initiatives as a part of Mayor Bloomberg's Center for Economic Opportunity. These experiments ranged from increasing the earned-income tax credit for childless workers (Paycheck Plus) to a city office dedicated to educating low-income residents on managing their finances. But one in particular received a lot of attention, the first conditional cash transfer program in the developed world. The program—Family Rewards—provided cash payments to individuals who took positive actions, such as going to the doctor or ensuring their children regularly attended school.

New York City leadership was excited about the potential of this program, but we lacked solid evidence of whether or not it would actually work. In order to find out, Gordon Berlin and MDRC conducted the evaluation of the experiment. Overall, the results showed the program was not successful. While participants saw lower poverty levels as a result of the program, most of the income gains came from the transfers themselves, not from increased earnings. And once the program ended, the treatment group's incomes were not substantially different from the control group. We were also disappointed to see that these incentives did not significantly change

the behavior of participants in the vast majority of the outcomes incentivized in the program.¹

It was not surprising that a program that gave people cash transfers increased the amount of cash participants received. But a major objective of the program was to reduce intergenerational poverty by encouraging human capital investments and positive behavior change. Importantly, when the program did not have the positive impact we were hoping for, Mayor Bloomberg phased out the program. This does not mean that the experiment itself failed. Rather than business-as-usual, indefinite spending with unknown results, we avoided sinking resources into expanding a program citywide that would not meet our expectations. In addition, we also learned important lessons that have informed new, similar experiments in other cities across the country.

Throughout the country and the Federal Government, there should be a similar effort to rigorously evaluate new and existing programs and policies whenever possible. The Commission on Evidence-Based Policymaking, established by the recent Ryan-Murray bill, is an excellent step in the right direction. The commission will reduce barriers for researchers, support the creation of more helpful data sets to answer key policy questions, and facilitate the use of RCTs for compiling evidence across the country.

An important new report from the National Academy of Sciences, “Advancing the Power of Economic Evidence to Inform Investments in Children, Youth, and Families,” recommends that government agencies document the extent to which existing funding is supporting programs backed by evidence. While that report focuses on best practices around economic evidence, such as cost-benefit analysis, it notes that such methods rely on intervention impact evaluations. Preferably, cost-benefit analysis should be based on evaluations that use an RCT or a quasi-experimental method that can reasonably support causal inference. However, as the report notes, often this data does not exist due to “previous inattention to what might be required for later evaluations.”² Federal lawmakers and the new Commission of Evidence-Based Policymaking should take steps to encourage proper attention to rigorous evaluations, improve access to needed data, and promulgate best practices.

As a senior fellow at Results for America and a member of the new Evidence-Based Policymaking Collaborative (which brings together scholars from a range of think tanks), in the coming months I will be a part of efforts to celebrate successes in using evidence and publish briefs on new tools that can help bridge the divide between program administrators and researchers.

II. Scaling Up Successful Programs

Just as programs failing to show results must be ended, programs backed by rigorous evaluations should see more resources channeled their way. This does not have to necessarily mean more government spending overall. Instead, policymakers should make a consistent effort to shift the resources we decide we are willing to commit to these areas away from ineffective programs and toward ones that are evidence-based.

One program that has been subject to rigorous evaluations and consistently delivered a positive impact on outcomes was the Nurse-Family Partnership (NFP). Created by Dr. David Olds, the initiative connects registered nurses with first-time, low-income mothers during pregnancy and the early years of the child’s life. While the woman is pregnant, the home visits provide guidance on diet and substance abuse and other choices that can affect the health of the child. After the birth, nurses can teach the mothers about the importance of child-parent interaction for the development of the child and help the mothers better care for themselves as well.

Critically, Dr. Olds and his colleagues conducted three RCTs in different places to evaluate the program and followed up with participants in the study regularly for decades. They found that it generated long-lasting benefits for both mothers and their children. Participating children saw improved cognitive development and reported fewer behavioral problems, and their mothers saw reduced mortality and re-

¹James Riccio et al., “Conditional Cash Transfers in New York City: The Continuing Story of the Opportunity NYC-Family Rewards Demonstration,” MDRC, September 2013, http://www.mdrc.org/sites/default/files/Conditional_Cash_Transfers_FR%202-18-16.pdf.

²Eugene Steuerle and Leigh Miles Jackson, eds., *Advancing the Power of Economic Evidence to Inform Investments in Children, Youth, and Families* (Washington, DC: The National Academies Press, 2016).

lied less on public benefits.³ A RAND Corporation study estimated the program returned \$5.70 in social benefits for every dollar invested in the high-risk population.⁴

Once the Nurse-Family Partnership model had developed this strong evidence base, it warranted being adopted on a large scale. In New York City, a small public-private partnership NFP initiative was piloted in 2003, but Mayor Bloomberg's Center for Economic Opportunity, of which I was a part, made scaling up the program a priority. The program grew by 383 percent between 2007 and 2011.⁵ And our program made a significant impact: children in the program are 16 percentage points more likely to be current with their immunizations at 24 months, and teenage mothers in the program are 15 percentage points more likely to attain a high school diploma or GED.⁶

Policymakers across the country should take similar steps to expand programs that rigorous evaluations show are affecting outcomes. This has implications for Federal policymakers. For instance, in the AEI-Brookings report on poverty and opportunity, our bipartisan group agreed to continue Federal support of the Maternal, Infant, and Early Childhood Home Visiting (MIECHV) program, which funds home-visiting programs (including NFPs) and allocates 75 percent of its grant dollars to evidence-backed programs.⁷ And we called upon States—who allocate around a billion dollars annually to similar programs—to explicitly tie more of their funding to evidence-based models.⁸ However, this principle should not be limited to home-visiting initiatives. From work programs to child nutrition interventions, only practices with a proven track record of results should be expanded.

Other approaches, such as performance-based contracting, can ensure that government dollars are being directed toward programs that work. In New York City, vendors who contracted with the Human Resources Administration were placed on a 100 percent performance-based payment structure that compensated service providers for helping an individual gain employment. Contractors were only paid for job placements where they could demonstrate that the client had retained the job for at least 30 days. Not only did this incentivize vendors to improve their performance, it ensured that taxpayer dollars went only to contractors when they delivered the outcome we were looking for—a job for the recipient of assistance.

In a recent paper, my AEI colleague Kevin Corinth proposes using performance-based contracting to help alleviate homelessness. His plan involves measuring the performance of specific service providers in helping their clients avoid sleeping on the streets, make mental health gains, and stay out of prison. Then, service providers with consistently better performance, after adjusting for the vulnerability of their clients, should receive more clients and more government funding.⁹

Similarly, pay-for-success models, also known as Social Impact Bonds, allow innovative social programs to receive upfront funding from private investors, and if they meet an agreed-to metric of success, only then will government compensate inves-

³David Olds et al., "Effect of Home Visiting by Nurses on Maternal and Child Mortality: Results from a 2-Decade Follow-Up of a Randomized Clinical Trial," *JAMA Pediatrics* 168, no. 9 (September 2014); John Eckenrode et al., "Long-Term Effects of Prenatal and Infancy Nurse Home Visitation on the Life Course of Youths: 19-Year Follow Up of a Randomized Trial," *Archives of Pediatrics and Adolescent Medicine* 164, no. 1 (January 2010); David Olds et al., "Effects of Nurse Home-Visiting on Maternal Life Course and Child Development: Age 6 Follow-up Results of a Randomized Trial," *Pediatrics* 114, no. 6 (December 2004); and David Olds et al., "Effects of Home Visits by Paraprofessionals and by Nurses: Age 4 Follow-Up Results of a Randomized Trial," *Pediatrics* 114, no. 6 (December 2004).

⁴Lynn Karoly, Rebecca Kilburn, and Jill Cannon, *Early Childhood Interventions: Proven Results, Future Promise* (Washington, DC: RAND Corporation, 2005), http://www.rand.org/content/dam/rand/pubs/monographs/2005/RAND_MG341.pdf.

⁵Altman Foundation, "Fund for Public Health in New York/Nurse-Family Partnership," http://www.altmanfoundation.org/our_approach/program_highlights/fund-for-public-health/.

⁶Ibid.

⁷AEI-Brookings Working Group on Poverty and Opportunity, *Opportunity, Responsibility, and Security: A Consensus Plan for Reducing Poverty and Restoring the American Dream*, American Enterprise Institute and Brookings Institution, 2015, <http://www.aei.org/publication/opportunity-responsibility-and-security/>.

⁸Pew Center on the States, "States and the New Federal Home Visiting Initiative: An Assessment from the Starting Line," Pew Charitable Trusts, August 2011, <http://www.pewtrusts.org/en/research-and-analysis/reports/2011/08/24/states-and-the-new-federal-home-visiting-initiative-an-assessment-from-the-starting-line>.

⁹Kevin Corinth, "Pay for Performance: A New Solution for Vulnerable Homeless Adults," *AEI Economic Perspectives*, April 2016, <http://www.aei.org/publication/pay-for-performance-a-new-solution-for-vulnerable-homeless/>.

tors. This approach has tremendous potential but will also come with administrative challenges and has only been used in a handful of trials in the United States.

One challenge in particular is finding governments willing to pay for specific outcomes. For example, the Nurse-Family Partnership, which is part of a pay-for-success project in South Carolina, can drive savings to health, child welfare, and other systems—but getting any single system to backstop repayment for the program is a barrier. Bipartisan legislation—in the form of the Social Impact Partnership Act (SIPA) sponsored by Senators Hatch and Bennet and Representatives Young and Delaney—could help to solve that problem by setting aside Federal resources to help State and localities pay for better outcomes and incentivize collective savings across multiple layers of government. Further, SIPA requires rigorous evaluations of new pay-for-success projects ensuring that we will continue to learn more about what works and bolster the evidence base for social interventions.

Finally, we should continue to build infrastructure that helps policymakers at all levels of government advance evidence-based reforms. The Education Department's What Works Clearinghouse, which reviews and summarizes recent scientific evidence on the effectiveness of certain practices, has been a tremendous resource for State and local leaders. I have called for the Administration for Children and Families to create a similar hub for research on evidence-based practices that help TANF recipients find employment.¹⁰ All Federal agencies should pursue a similar approach.

Results for America recently released their 2016 Invest in What Works Index, which highlights the extent to which specific agencies and departments are currently building the infrastructure necessary to be able to use data and evidence in budget, policy, and management decisions.¹¹ The index shows the important work already being done to incorporate evidence into policy at the Federal level, as well as places where improvement is necessary.

III. Harnessing Administrative Data

To build the evidence base around policy ideas, researchers need high-quality data. Policymakers cannot make informed decisions without a clear picture of what is happening in our safety net programs. Both of those objectives are complicated by the fact that there are inherent flaws in our primary tool for collecting information about these programs: government survey data. Dr. Bruce Meyer of the University of Chicago has documented in several studies that misreporting of income and benefit receipt are common in surveys. In one recent study that matched State administrative records to Census Bureau survey data, he and a coauthor found that the Current Population Survey missed program receipt for 40 percent of SNAP recipients and 60 percent of TANF and General Assistance recipients.¹²

However, administrative data is important because it provides not only more accurate information, but also enables new ways of evaluating policies and practices. For instance, RCTs are often expensive and time-consuming, particularly if they require longitudinal follow-up. After separating participants into the treatment and control groups and administering the treatment, researchers must then keep up with the participants for years, tracking their life outcomes through surveys. But not all experiments need to be so costly. An alternative is to use administrative data for low-cost RCTs that are fairly easy to administer for States and localities.

Consider a hypothetical example of how this technique could be used to test a job training program. Researchers administer the program through an RCT, but instead of having to stay in touch with thousands of participants, they could simply compare the treatment group with the control group in outcomes that administrative data already tracks. In evaluating a job training program's impact, determining whether its participants receive higher earnings, depend less on government assistance, or are more likely to pay owed child support can likely show whether it is effective or not. To illustrate just how cost-effective this approach can be, the Coalition for

¹⁰ Robert Doar, Angela Rachidi, and Maura Corrigan, "Comments on the House Ways and Means TANF Reauthorization Discussion Draft," statement to the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, July 24, 2015.

¹¹ Results for America, "2016 Federal Invest in What Works Index," April 18, 2016, <http://results4america.org/policy-hub/2016-federal-invest-works-index/>.

¹² Bruce Meyer and Nikolas Mittag, "Using Linked Survey and Administrative Data to Better Measure Income: Implications for Poverty, Program Effectiveness, and Holes in the Safety Net," *AEI Economics Working Paper Series* (2015), <https://www.aei.org/publication/using-linked-survey-and-administrative-data-to-better-measure-income-implications-for-poverty-program-effectiveness-and-holes-in-the-safety-net/>.

Evidence-Based Policymaking held a competition for designing and conducting a low-cost RCT, and all three winners had a total cost of less than \$200,000.¹³ While not every evaluation can be done this affordably, efforts should be made to encourage this important tool, which can radically expand our evidence base for many programs and interventions at all levels of government.

Similar in concept is what has been termed “rapid-cycle evaluation.” Rapid-cycle evaluation is intended to quickly study a new program or program change using rigorous methods. It is designed to help policymakers make tough decisions about the best way to implement programs and whether reforms and tweaks make sense without waiting years for the results of an evaluation. Evaluators work closely with program administrators to test new strategies and quickly provide results so that decisions can be made.

In New York City, we performed a number of rapid-cycle evaluations. We piloted a Child Support Enforcement initiative that invited noncustodial parents to an initial meeting at the Customer Service Center in hopes that we could increase the number of orders established by trying to reach an agreement in a friendlier environment than a courtroom. We tested incorporating different messages into the SNAP online application that behavioral economics evidence suggested would improve accuracy and honesty from applicants. All involved a randomly assigned treatment and control group, and we used administrative data to compare outcomes across groups.

The uses of this technique are limitless for administrators. From studying whether a reminder phone call improves client attendance at meetings to piloting new approaches for educating recipients about healthy behaviors, rapid-cycle testing allows policymakers to constantly improve existing programs.

But evidence-based strategies shouldn’t end once programs have proven effective through rigorous evaluations. Administrative data should also be used for ongoing performance monitoring. Data-driven oversight can improve program performance by holding managers accountable for delivering results. In New York City, we used a performance management system called “JobStat,” modeled after the CrimeStat initiative undertaken by the NYPD.

Every local welfare office, or “job center” as we called them, was issued a monthly report card that compared their performance on a number of measures, such as job placements, to what they did the previous month and what has happened in other offices. Managers heard a very clear message from the administration as to which measures we were interested in and what goals we expected them to meet. We met with each manager every month to hear how they were doing and, sometimes, to press them on why they weren’t doing better.

This process engrained a culture of focusing on outcomes and learning from others who were having success—values central to the evidence-based policymaking approach. Throughout government agencies at all levels, administrators should be expected to develop similar cultures that emulate the principles of evidence-based policymaking in the day-to-day functioning of the bureaucracy.

IV. Conclusion

Evidence-based policymaking should not be a partisan issue. Liberals and conservatives are interested first and foremost in results, and we all agree that the government dollars we already spend fighting poverty should be used in ways that deliver the biggest impact. While all policymakers believe their decisions are backed by evidence, evidence-based policymaking is about following a specific process. New and existing programs must be evaluated in a way that establishes impact over a counterfactual; programs that rigorous evaluations show to be effective should be scaled up, while initiatives failing to have success must be phased out; and administrative data should be used to make it easier to conduct evaluations and to enable incremental improvements in program administration.

I know from personal experience that program administrators are always looking for new research that can help them do their jobs better. Federal policymakers should encourage, enable, and remove barriers to conducting evidence-based policymaking at all levels of government.

¹³Coalition for Evidence-Based Policy, “Low-Cost RCT Competition,” <http://coalition4evidence.org/low-cost-rct-competition/>.

PREPARED STATEMENT OF HON. ORRIN G. HATCH,
A U.S. SENATOR FROM UTAH

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing to examine the role of outcomes and evidence standards in shaping social policies and how they can be best applied to program delivery and financing models:

Good afternoon. I'd like to welcome everyone to today's hearing on evidence-based practices and their potential impact on our child welfare system.

According to the Social Policy Institute, "Evidence-based practice is a process in which the practitioner combines well-researched interventions with clinical experience and ethics, and client preferences and culture to guide and inform the delivery of treatments and services. The practitioner, researcher, and client must work together in order to identify what works, for whom, and under what conditions. This approach ensures that the treatments and services, when used as intended, will have the most effective outcomes as demonstrated by the research. It will also ensure that programs with proven success will be more widely disseminated and will benefit a greater number of people."

Over the years, in an effort to use taxpayer dollars more efficiently, policymakers have attempted to incorporate more evidence-based practices in order to improve outcomes for vulnerable children and families. Just looking at the jurisdiction of the Senate Finance Committee, there are a couple of major examples, such as the Regional Partnership Grants and the Maternal, Infant, and Early Childhood Home Visiting Program.

Many experts and observers agree that, when implemented correctly and with strict adherence to the model, evidenced-based interventions can be an effective strategy to help vulnerable families and at-risk individuals. They can also reduce bureaucracy and eliminate the creation of perpetual and redundant programs that do not work. And, they can allow for local leaders to decide what is best and inject private-sector creativity into social services.

But most important, evidenced-based interventions help ensure that taxpayers only pay for what works.

In most programs, the Federal Government and States pay for processes or simply reimburse for costs, while evidenced-based interventions, when implemented correctly, help guarantee that government pays for success in achieving a desired outcome.

This is particularly true in the context of the child welfare system.

For example, we know that untreated substance abuse and mental health issues can lead to situations where children are neglected, which is the most common impetus for removing children from their homes and placing them in the foster care system. However, if we can find ways to effectively address these conditions, more children will remain safely at home. That is why Senator Wyden and I have been working for some time now on a proposal to improve the child welfare system. And, a key component of the Hatch-Wyden proposal is that these types of interventions must be evidenced-based. Currently, we are working with our House colleagues on bipartisan, bicameral legislation that we hope will provide more effective up-front services to help vulnerable families.

As part of the discussion on evidence-based practices, we will also focus on what some call social impact financing, sometimes referred to as social impact bonds, social impact partnerships, or pay for success.

I am a strong supporter of this approach, which is why I am pleased to have been able to work with Senator Bennet to introduce legislation that will foster the creation of public-private partnerships that will harness philanthropic and other private-sector investments to establish or scale up evidence-based social and public health programs.

Furthermore, under our Social Impact Partnership bill, the Federal Government would establish desired outcomes to pressing social challenges that, if achieved, would improve lives and preserve taxpayer resources. State and municipal governments could then submit proposals to work towards those outcomes by establishing or scaling up existing evidence-based interventions.

We believe this program would encourage private-sector investors to provide the necessary capital to establish or expand the interventions. Then, if an independent

evaluator is able to certify that the desired outcomes are achieved at reduced costs, the investors would be paid back their initial investment plus a small return from the realized government savings. There are a number of reasons I believe that social impact financing is key to improving outcomes for vulnerable children and families.

For example, social impact financing provides for continual program improvement and ensures that all parties remain focused on the performance of the program and have the ability to make ongoing adjustments to ensure the outcomes are realized.

In addition, social impact financing gives local leaders the flexibility to design and adjust programs to fit local needs in order to ensure they have the desired impact.

And, as I stated earlier, when done correctly, social impact financing ensures that taxpayers pay only for what works. In most Federal programs, taxpayers are on the hook for set costs of processes and/or reimbursements with little or no regard for effectiveness. With social impact financing, success is measured by the ability of a program to achieve a desired outcome, and taxpayers only have to pay for whatever achieves that objective.

Now, some critics of social impact financing may point out examples where the proposed interventions have not produced the desired results. They'll raise examples of specific instances in which an intervention did not achieve the desired outcome and try to claim that it was a failure.

But I think these critics are missing the point.

Make no mistake, there have been instances in which, under a social impact financing model, a specific proposal has not produced the desired outcome and was eventually discontinued. However, that is precisely how the model is supposed to work. Indeed, programs and policies that are flexible enough to respond to outcomes—recreating and disseminating successes while eliminating failures—is our goal with social impact financing.

That said, I am willing to admit that there is much more we can and should learn about the implementation and delivery of social impact financing. That is part of the reason for today's hearing.

Today we will hear from a distinguished panel of witnesses who will discuss evidenced-based policies and practices and share with us some of their successes and warnings for the future. I look forward to an interesting and robust discussion of all of these issues.

PREPARED STATEMENT OF JAMES LEE SORENSON, CHAIRMAN,
BOARD OF DIRECTORS, SORENSON IMPACT FOUNDATION

It is a pleasure and an honor to be with you today to discuss a matter of great importance—which is how can we more effectively measure and direct social spending in this country to produce successful outcomes.

My life is one as a business entrepreneur turned philanthropist. When I made the decision to devote my time, efforts and financial resources to giving back, I was unsatisfied with traditional philanthropy that, compared to the business world I came from, was inefficient, unaccountable and didn't move the needle enough in solving core problems to produce real outcomes in the lives of those in need.

Four years ago, I endowed an applied academic center at the University of Utah's Business School in order to help direct private and philanthropic capital to help solve some of the most perplexing social problems, both here in America and abroad in measurable more scalable ways through what is known as impact investing.

Since its inception, the Sorenson Impact Center has facilitated over \$100 million in investments into scalable, sustainable solutions to problems like chronic unemployment and criminal recidivism in the U.S. and unsafe drinking water, access to education and health care, and rural poverty in places like Sub-Saharan Africa and Southeast Asia.

Over the past 2 years, the Center has also been engaged in structuring nearly a dozen "pay for success" projects around the country with a variety of stakeholders, including State and local government, nonprofit organizations, academics, philanthropists, and other funders.

These projects are aimed at addressing some of the most complex and challenging issues facing our country today, including intergenerational poverty, homelessness,

foster care, mass incarceration, chronic unemployment, educational achievement gaps, mental illness, and substance use disorders, to name just a few. But most importantly, they do it in a way that is more effective by employing evidence based best practices and measured outcomes.

I'd like to give you a brief overview of how the projects work:

- (1) First, government or another entity like a hospital decides to pay for certain meaningful and measurable outcomes—not for activities, not for the promise of outcomes, but for actual achieved outcomes. An example may include a sizable increase of students with diagnosed learning disabilities meeting grade-level performance targets.
- (2) A service provider—which can be local, regional, or national—then agrees to provide the necessary intervention(s) to deliver the desired outcomes.
- (3) Philanthropists and/or other funders provide upfront capital to finance the service provider's intervention.
- (4) An independent evaluator conducts a rigorous evaluation in order to determine whether the service produced those specific, predetermined outcomes.
- (5) Finally, if those exact outcomes are achieved and the project is successful, government, the hospital, or whichever entity promised to pay upon successfully meeting those outcomes, will then—and only then—pay back the initial funders.

These projects are noteworthy for a number of reasons:

- (1) Stakeholders agree at the outset of the project on a set of definitive, measurable indicators of success.
- (2) We learn more about what programs actually work and which don't, knowledge that Congress and others can use to decide where to allocate limited taxpayer dollars. Often innovative preventative programs that are unfunded by resource scarce government budgets can receive funding.
- (3) This fosters a competitive social services environment—a virtuous “race-to-the-top”—for nonprofits and other social service providers since only the most impactful, evidence-based programs are eligible for this type of funding.
- (4) Nonprofits and social service providers are encouraged and supported to focus more on serving people in need and less on fundraising.
- (5) Proven, high-quality preventative programs are prioritized over costlier and less effective remedial programs and infrastructure.
 - a. For example, funding an evidence-based substance abuse treatment keeps at-risk individuals out of more expensive jails and prisons, homeless shelters, and emergency departments and keeps their children out of the child welfare and foster care systems.
 - b. This evidence-based intervention results both in a more optimal outcome for the individual and saves society a lot of money over the long-run.

We have seen significant traction with these projects at the State and local levels—nearly a dozen have launched in recent months/years, with another 50 in various stages of development across the country, spanning both Republican and Democratic States.

I would also note the tremendous power of the model to bring together stakeholders from across the government, nonprofit, academic, philanthropic, and for-profit sectors to collectively problem-solve and serve individuals and families in need.

While the Federal Government has, thus far, played an important role in all of this by encouraging and developing the capacity of various stakeholders to help build a pipeline of projects, it has been conspicuously absent in one critically important respect:

In many of these State and local projects, the lion's share of the societal value and economic benefit generated actually accrues to the Federal Government budget, not the local budgets.

We call this a “wrong pockets” problem in the industry because there's effectively a mismatch between who gets asked to pay for a program and ultimately who stands to benefit most from that program.

This is why I am so thankful for Chairman Hatch's and Senator Bennet's introduction of the Social Impact Partnership Act, S. 1089, legislation that directly addresses this issue by enabling the Federal Government to pay for a portion of the

project outcomes that deliver the government direct Federal savings or value. Because State and local government cannot, in most cases, tap Federal funding to pay for outcomes, they currently have no ability to leverage Federal savings to pay for positive outcomes that benefit Federal budgets alongside State and local budgets. Consequently, State and local governments today are severely limited in the number and scale of pay for success projects that can be developed.

Two examples are worth highlighting in this context:

- (1) An evidence-based asthma prevention program drives significant savings to the Federal Medicaid budget by cost-effectively addressing the key causes of asthma in low-income homes and thereby reducing the incidence of emergency department hospitalizations due to acute asthma attacks.
 - a. However, in many States, local/State governments will realize only pennies on the dollar of overall cost savings to society.
 - b. The Federal Government, on the other hand—through Medicaid in this instance—is the primary beneficiary of the program. Yet Federal agencies currently do not have the ability to negotiate success payments for outcomes with local stakeholders.
 - c. As a result, promising projects like these don't happen, children don't receive proven preventive solutions to debilitating problems like asthma, and the Federal Government keeps paying for costly emergency room visits.
- (2) A highly evidence-based nurse home visitation program that works with low-income, first-time mothers results in tremendously positive (and valuable) outcomes, like reductions in the incidence of pre-term births, domestic violence, etc.—thanks to the tireless work of healthcare providers like Teisha who is with me on the stand from Nurse Family Partnership.
 - a. As with the asthma program, State and local government budgets benefit to a certain degree, but the bulk of the overall benefit accrues to the Federal Government.
 - b. Again, without the ability to leverage those Federal savings, it is very difficult for State or local dollars alone to fund an intervention like Nurse-Family Partnership at scale.

Tying taxpayer dollars to actual performance in the social sector—and securing measurable results in individuals' and families' lives—is a pretty remarkable innovation, and pay for success financing is becoming an important tool to address some of society's most chronic and persistent social problems.

What's also remarkable about the model is the level of bipartisan support in State governments and city halls around the country—people from across the political spectrum agree that it makes sense to be more results-oriented, data-driven, and, ultimately, more accountable in the way we address social problems in this country.

This level of bipartisan support is a tribute to the fact that the Senate bill is itself a bipartisan effort by Senators Hatch and Bennet, as is its companion bill in the House. This legislation has also been cosponsored by Republican Senator Kelly Ayotte and Democratic Senator Cory Booker. Further, the legislation's companion bill in the House has 41 cosponsors and is publicly supported by Chairman Ryan.

In my experience, pay for success financing really resonates with policymakers, partly because they take seriously their role as stewards of precious taxpayer resources; it also resonates with many who hold out hope that if we are deliberate and thoughtful enough and partner with a range of stakeholders along the way, these problems can, in fact, be solved.

PREPARED STATEMENT OF HON. RON WYDEN,
A U.S. SENATOR FROM OREGON

I would like to start off by noting that—if my research is correct—this is the first ever hearing this committee has held on this topic.

This is a great opportunity to dig into an issue that really should be an underpinning of the work Congress does every day. That is to say, we should be constantly asking whether the laws we write are working as they ought to be.

And to add another layer on that: does the way the Federal Government funds our programs obstruct or facilitate improvement?

Right here in this committee, there are shining examples on both ends of the spectrum.

The home visiting grants fund a variety of models to help parents of young children essentially improve their parenting skills. More resources are available for programs that can demonstrate the best results, with help along the way for newer, promising programs to build up their evidence base.

The home visiting models have had huge success, leading to healthier births, reduced child maltreatment, reduced criminal justice system involvement, and higher employment rates for the parents themselves.

On the other end of the spectrum is the Temporary Assistance for Needy Families program.

There are real questions about whether the way success is measured in the TANF program is leading to success for the families it is meant to help.

Instead of rewarding States for helping families find work or reduce poverty, TANF rewards States for simply reducing the number of families they serve regardless of the need.

And while a small amount of TANF dollars is reserved for welfare research, there's no built-in feedback loop to ensure what's being paid for is actually what works. Congress ought to be finding ways to build in that type of continuous program improvement.

Now, there are certainly limitations to this approach of funding what works and not funding what doesn't.

To start, researching and evaluating programs can be expensive, and in some programs it would be unethical to have a control group that is actively denied services. For example, it would be wrong to deny a child access to foster care when she is being abused and neglected just for the sake of scientifically evaluating the effects of foster care against a control group.

Additionally, bringing evidence-based programs to bigger scale can also be expensive—they often rely on a highly educated and trained workforce. So progress may be slow.

Finally, reasonable people can disagree on what it really means for a program to be successful. For example, there's no question the SNAP program has had success in reducing hunger and food insecurity for many families across the Nation, but others may place less value on those outcomes.

I know that witnesses today will speak to new approaches to testing out and paying for innovation—especially social impact financing or pay for success.

My home State of Oregon, like many States, is exploring the feasibility of social impact financing. And like many States, Oregon is witnessing firsthand the challenges with deciding whether taxpayer dollars should be used for this type of financing.

I look forward to the discussion around the strengths and limitations of that model.

I commend the chairman and our colleague Senator Bennet for bringing the conversation around these innovative partnerships to the Senate and to this committee with their Social Impact Partnership Act.

To our esteemed witnesses—you've got a lot of ground to cover today. This topic is anything but narrow, so I commend you in advance for the breadth of expertise you bring to the conversation and look forward to hearing from you this morning.

COMMUNICATIONS

ADOPTION RHODE ISLAND
Every Child Deserves a Home
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To: Senator Orrin Hatch, Chairman Committee on Finance
Senator Ron Wyden, Ranking Member Committee on Finance
Members of the U.S. Senate Committee on Finance

From: Darlene Allen, Executive Director, Adoption Rhode Island

Re: Using Evidence-Based Programs to Promote Child Welfare Outcomes

Date: May 19, 2016

Adoption Rhode Island, on behalf of the thousands of children, youth, and families we serve in Rhode Island, is pleased to submit this written testimony on the importance of evidence-based and evidence-informed practice in public child welfare. As Chairman Hatch expressed during the Senate Finance Hearing on Evidence-Based Delivery and Funding for Social Welfare Programs, evidence-based practice can be an effective strategy to help vulnerable families and at-risk individuals. Adoption Rhode Island strongly supports evidence-based and evidence-informed interventions designed to improve outcomes for foster children and we advocate for funding opportunities to test and evaluate the effectiveness of innovative strategies to improve permanency outcomes for children and youth.

Founded over 30 years ago, Adoption Rhode Island's mission is to facilitate, promote and support the permanent placement of children waiting for adoption and to improve the well-being of foster and adopted children and their families. We provide services to children and families, educate and advocate for a child's right to a safe environment, and increase public awareness of the unmet needs of children and families impacted by foster care and adoption.

Adopted children who have experienced trauma are two to five times more likely to require psychological treatment. Providing individual supportive counseling and crisis intervention helps address problems early and effectively so that children can move beyond their traumas and experience the joy of childhood again. Each year, Adoption Rhode Island serves nearly 1,500 children and families through comprehensive and flexible support services, including adoption recruitment and placement support; individual, family, and group counseling; support and education groups for parents, children, teens, and families; and adoption preparation and disruption prevention services.

Rhode Island's rate of youth placed in congregate care is twice the national average and the foster care system in Rhode Island and across the nation experience an over-reliance on psychotropic medication. Thirty-five percent (35%) of children in foster care are prescribed psychotropic drugs, compared to 10% of other children. Although many youth in foster care experience significant emotional challenges, mental and behavioral health is the largest unmet health need for children and teens in foster care, according to the American Academy of Pediatrics. In fact, 30% of foster care alumni are diagnosed with Post-Traumatic Stress Disorder (PTSD), about twice the rate of combat veterans.

According to a ground-breaking study from the Centers for Disease Control and Prevention and Kaiser Permanente, experiencing trauma in childhood has a significant impact on development, including illness, early death, and poor quality of life. When people caring for a traumatized child do not understand the connections between a

child's behavior and his/her trauma history, they can become frustrated and impatient with a child's development, which can impact bonding, attachment, and permanency. When that child is a foster child, lack of understanding of the long reach of trauma can lead to unstable foster home placements, exacerbation of traumatic stress, secondary trauma for family members, and disruptions in placement and even adoption dissolutions.

Foster, adoptive, and kinship caregivers (*i.e.*, resource parents) need a foundation of information about child traumatic stress, so they can help the child develop new, more positive coping skills. Having this knowledge and skills helps resource parents create a nurturing environment in which children can thrive. In Rhode Island, there has been a significant increase in the number of relatives and kinship placements caring for children, up to 31% of out-of-home placements in 2014. In addition, there are an untold number of relatives caring for children who have not been removed from the home by child protective services, but whose parents cannot care for them. Many of these families who are not involved in public child welfare may need services and may be receiving other community-based services. These families need access to trauma-informed and permanency-competent services to achieve positive outcomes for these youth and families.

Public and private agencies that provide services to children and families impacted by foster care and adoption must be able and willing to enhance accountability, improve results, and adjust service delivery based upon learning what works. Funding of public child welfare services must consider compelling evidence that programs will have a meaningful and observable impact on the children and families in their care, and that demonstrate how the outcomes against which programs have been evaluated are relevant, achievable, and impactful. Evidence-based programs, evidence-informed programs, and innovative programs developed with deep knowledge of child safety, permanency and well-being are paramount to achieving success for children and families in the United States.

Below are evidence-based, evidence-informed or effective and promising practice models offered by Adoption Rhode Island that improve outcomes for children and families who have been impacted by foster care and/or adoption. We also provide training and education for professionals such as the Child Welfare Trauma Training Toolkit, outreach and public awareness about foster care and adoption, court liaison services with Family Court, and a host of adoption-competent consultation services in order to promote not only permanency, but child and family well-being as well.

- Caring for Children who have Experienced Trauma (aka Resource Parent Curriculum), available through the National Center for Childhood Traumatic Stress (NCTSN).
- Darla Henry's 3–5–7 Model©—Preparing Children for Permanency.
- Post-adoption Support Services and Family Preservation.
- Wendy's Wonderful Kids Child-Focused Recruitment.
- Family Finding: Family Search and Engagement for Relational and Legal Permanency.
- Trauma-Focused Cognitive Behavioral Therapy (TF-CBT).
- Eye Movement Desensitization and Reprocessing (EMDR).

We are encouraged by the commitment to children's safety, permanency, and well-being demonstrated by Chairman Hatch, Ranking Member Wyden, Senator Bennet, as well as their House colleagues Congressman Langevin and Congresswoman Bass and many on both sides of the aisle. It is our hope that across the country, effective, efficient and child/family focused services are available and accessible for all children and families who need them and that the voice of children and families impacted by foster care and adoption continues to drive policy and financing discussions.

If you would like any more information about the innovative and best-practice work being done in Rhode Island and other parts of the country, please feel free to contact me at 401-865-6000 or dallen@adoptionri.org. We look forward to continuing to work together to improve the lives of children and families.

Sincerely,

Darlene Allen, MS
Executive Director
Adoption Rhode Island

AMERICAN EVALUATION ASSOCIATION

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Date: May 16, 2016
 To: The Honorable Orrin G. Hatch, Chairman, U.S. Senate Finance Committee
 The Honorable Ron Wyden, Ranking Member, U.S. Senate Finance Committee
 From: John Gargani, President, American Evaluation Association
 Re: Senate Finance Committee Hearing "Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?" held on Tuesday, May 10, 2016

The American Evaluation Association (AEA) is pleased to write in support of the work of this Committee regarding rigorous evaluation of federal social programs intended to help low-income Americans. This area has a rich tradition of applied research and experiments that have provided invaluable information to policy makers. We applaud your interest in applying evidence to identify those programs which can best help vulnerable families and at-risk individuals.

You mentioned in the recent Committee hearing, "Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?" that you have been working for some time now on a bipartisan, bicameral legislative proposal to improve the child welfare system. A key component of this Hatch-Wyden proposal is that these types of interventions must be evidence based. In addition, you cited the Hatch-Bennet Social Impact Partnership bill reintroduced in April 2015 (S. 1089), which also relies on evaluation evidence to establish model impact before establishing or scaling up programs. Both of these initiatives are positive approaches to strengthening the link between evaluation and program effectiveness.

Program evaluation is essential because it contributes to assessing the strengths and weaknesses of programs, policies, and organizations to improve their effectiveness. It provides a useful and important tool to address the need for credible information, well-grounded decision making, and governmental transparency. Evaluation uses systematic data collection and analysis to address questions about how well government programs and policies are working, whether they are achieving their objectives, and why they are, or are not, effective. It produces evidence that can be used to compare alternative programs, guide program development and decision making, and reveal effective practices. By its very nature, it supplies the publicly accessible information that is at the heart of transparency and open government.

AEA supports efforts to ensure more social programs are evaluated to determine their impact and to consider how high-quality evidence can best be used to inform the design of social programs at the federal level. In particular, AEA believes that Congress should ensure that sufficient resources are made available for quality evaluation and encourage agencies to set guidelines for the conduct of evaluations, including the development of evaluation agendas and plans for disseminating evaluation findings to staff and the public.

AEA heartily endorses the use of rigorous evidence about what works. Depending on the focus of the inquiry and the circumstances under which programs operate, a range of evaluation study designs are available to provide high-quality actionable evidence about programs. Furthermore, evaluations of program impact are most likely to be useful in a broader portfolio of evaluation activity which includes attention to program enhancement, program implementation, and evidence about the generalizability of impact evaluation findings. For example, ancillary study of the operations and best practices of programs could inform managers and policy makers how best to modify promising programs in order to maximize their effectiveness or how to best scale up model programs on a wider basis.

These different uses of rigorous, actionable evidence highlight the importance of matching available evaluation methods to specific contexts. For example, randomized control trials are excellent for answering some questions for evidence-based decision-making but not others. Further, in some situations where ethical, legal, or logistical restrictions may constrain the assignment of program participants in a randomized control trial, experimental research has shown that strong quasi-experimental study designs can supply high-quality, credible evidence for decision making.

AEA has approximately 7,200 members representing all 50 states and the District of Columbia as well as over 80 foreign countries. Members have backgrounds in gov-

ernment, academia, foundations, and organizations, bringing with them a wealth of knowledge on evaluation approaches and the use of evaluation results. On the AEA website is posted a document we developed to help governments engage in effective evaluation: *An Evaluation Roadmap for a More Effective Government* [<http://www.eval.org/evaluationroadmap>]. I hope you will find it useful.

AEA has long sponsored academic research and fostered exchanges among evaluation practitioners regarding evaluation methodologies that can most effectively shed light on the causes and remedies for poverty. If we can be of assistance, or if you need more information on our organization, please do not hesitate to contact me (president2016@eval.org) or Dr. Cheryl Oros, our senior advisor for evaluation policy (EvaluationPolicy@eval.org; 202-367-1166).

Sincerely,

John Gargani, Ph.D.
President, American Evaluation Association

AMERICA FORWARD
1400 Eye Street, NW, Suite 400
Washington, DC 20004

Senate Finance Hearing: “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

Date: May 10, 2016

Chairman Orrin Hatch
Senate Finance Committee
Dirksen Senate Office Building
Washington, DC 20510-6200

Ranking Member Ron Wyden
Senate Finance Committee
Dirksen Senate Office Building
Washington, DC 20510-6200

Dear Chairman Hatch and Ranking Member Wyden,

Thank you for the opportunity to submit a Statement for the Record in follow up to the Committee’s May 10th hearing entitled “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

America Forward is the nonpartisan policy initiative of New Profit, a pioneering national venture philanthropy fund that seeks to break down barriers between all people and opportunity in America. To date, New Profit has invested over \$150 million in scaling innovative organizations’ impact. America Forward’s mission is to unite social innovators with policymakers and advance a public policy agenda that fosters innovation, rewards results, catalyzes cross-sector partnerships, and translates local impact into national change.

The America Forward Coalition is comprised of more than 70 social innovation organizations that champion innovative, effective, and efficient solutions to our country’s most pressing social problems. Our Coalition members are achieving measurable outcomes in more than 14,500 communities nationwide, touching the lives of 8 million Americans each year, and driving progress in education, workforce development, early learning, poverty alleviation, public health, Pay for Success, social innovation, national service, and criminal justice reform. Together, we have leveraged \$1.5 billion for social innovation and have driven millions of federal resources toward programs that are achieving measurable results for those who need them most. America Forward believes that our nation’s social innovators can lead the way to unlocking America’s potential—and help move all of America forward.

What We Believe

At America Forward, we value innovation as an essential mechanism for improving our nation’s efficiency and effectiveness in addressing social challenges. We view innovation as a cycle in which a pattern-changing idea is developed, assessed, tested, evaluated, and then refined (if it successfully achieves greater value) or abandoned (if it does not). For this cycle to work in the social policy arena, there must be clarity regarding the **outcomes** sought, **flexibility** to try new approaches and providers, a **measurement system** to determine if the approach is effective, and **resources that follow positive results**. Unfortunately, it is the rare government program that adopts and supports this cycle. Too often, outcomes are not clearly specified or focused on at all, approaches are too narrowly dictated and do not focus on prevention, the ability to measure results are severely limited, and resources are locked into specific providers or programs, even if others would yield greater value. As a result, the federal government may fund the same ineffective programs for dec-

ades without combating the root cause of the targeted problem, costing taxpayers billions of dollars and undermining the potential of the people who the programs are intended to help.

During the Senate Finance Committee hearing, the value of outcomes, flexibility, measurement, and paying for what works were all touched on both by the witnesses and members of the Committee. In addition, the current reality of federal government policies and programs, and their misalignment with these elements of an innovative approach to our social services system, was also lifted up. America Forward believes there are key policies that could be advanced to address this disconnect and our Coalition members are proof points of how these ideas could translate into real impact for individuals in communities across our country.

Data, Outcomes, and Measurement

A key element of an innovative and evidence-based social services sector is the development of data, the use of data to determine outcomes, and access to measurement tools that can analyze data to appropriately assess impact. Though the development of data and data points across agencies and programs is not an issue for the federal government, right now, and for a variety of reasons, the use of and access to that data to determine outcomes and assess impact are areas where there is a lack of clear policy and needed resources. America Forward has concrete ideas as to how to address these problems and believes the Committee should consider these policy changes in order to advance the effort to an evidence-based social services sector.

- (1) Subject to privacy protections, the federal government should amend laws and regulations to permit relevant federal, state, and local agencies, nonprofit organizations, social enterprises, and other institutions to have access to federal databases such as the National Directory of New Hires and to the Unemployment Insurance Wage Records in order to better assess impact of federal programs using administrative datasets such as these to drive down the cost of evaluations.
- (2) For key outcomes that are of interest to the federal government, Congress, in consultation with relevant agencies, should establish uniform outcome definitions and an accurate methodology for analyzing these outcomes in order to ensure consistent and accurate illustrations of the impact (or lack thereof) of providers and programs funded by federal funding.
- (3) The federal government also has the opportunity to encourage the use of low-cost Randomized Controlled Trials (RCTs) that are seen as the most rigorous evaluation design format. The government can also encourage the use of quasi-experimental designs, which do not require random assignment, thereby ensuring that services are not denied to those who need them, but maintain control and experimental group rigor.
- (4) Recently, the Evidence-Based Policymaking Commission Act (H.R. 1831 and S. 991) was enacted into law establishing a Commission on Evidence-Based Policymaking. This Commission is tasked with studying how best to expand the use of data to evaluate the effectiveness of federal programs and tax expenditures. The development of this commission should be supported and the findings of their work should be swiftly integrated into the work of this Committee and Congress.

Flexibility

Many federal policies and funding streams have rigorous definitions associated with how programs should be structured and the inputs/outputs associated with the allocation of funding. This lack of flexibility results in a lack of innovation in our approach to government funded social services. Agency-wide waivers and Performance Partnership Pilots are just two examples of current federal policies that allow flexibility and the ability for states, localities, and providers to innovate on their approach to the delivery of social services programs.

Waivers and Performance Partnership Pilots allow demonstration of ways to more efficiently and effectively allocate federal mandatory and discretionary funding respectively to implement evidence-informed practices to improve outcomes for various populations. Broad utilization of waivers should be encouraged by states and ideas such as Performance Partnership Pilots should be resourced and applied to populations beyond opportunity youth. These demonstrations should also be continued and expanded to other federal programs serving populations in need, both for the knowledge they generate and to inform permanent policy approaches to the issues and populations addressed by these time-limited demonstrations.

Pay for Success

Pay for Success is a funding approach where government pays for services if a program gets results. Pay for Success drives government funding toward high-quality, effective programs that measurably improve lives. Specific interventions are not spelled out, allowing providers the flexibility to adopt whatever strategies they determine will be most effective in achieving outcomes for those in need. In some cases, private investment provides upfront financing, taking on the risk that the intervention will not succeed and recovering the investment if it does.

Contracts designed to “pay for success” and emphasize outcomes have several advantages: (1) incentives are created for cost-effective interventions and thus programs have the flexibility to focus on the most effective strategies and emphasize prevention over remediation; (2) investments are supported that have longer-term social and financial benefit than those currently supported within the typical one year government budget cycle; (3) fewer resources are wasted on bureaucracy so more funds can go to program delivery rather than to compliance with rules and regulations; and finally, (4) government, and therefore taxpayers, only end up paying for effective programs that work.

Pay for Success gives governments the ability to support high-impact service providers; drive resources to effective social programs; and track outcomes, not just outputs, for individuals and communities. This structure helps government to **effectively** and **efficiently** provide services to those in need.

In some cases, an intervention may prove to reduce public costs. Sometimes these reduced costs can be used to repay private investors who funded the cost-saving intervention up front. When these public savings accrue to a single agency—*e.g.*, the prison system for example, the savings can be captured and repurposed to repay this kind of investment. In other cases, these public savings may accrue to multiple agencies, making it more challenging to consolidate the funds and repurpose the savings to repay investors. And in still other instances, the public savings may not occur for many years—*e.g.*, investments in education for youth that result in savings later in life—and thus not produce funding that can be used in the short term to repay investors. It is also the case that some interventions may not directly reduce public costs but instead are budget neutral while increasing the number of individuals served. In these instances, there is not a specific dollar figure that can be repurposed or reinvested by government but a noted increased efficiency in the utilization of public dollars. The ultimate *efficiency* benefit of a Pay for Success arrangement is not reducing budgets or cutting funds, but rather the more efficient use of public dollars to achieve better outcomes and measurably improve people’s lives.

However, Pay for Success is also about *effectiveness*—moving public funding to interventions that build and use evidence to deliver results—this mechanism can be used to structure government contracting and funding in ways that incent these results, with or without private sector investment. For example, government can provide funding for the evaluation required to build the evidence base, and for performance management systems that enable organizations to use evidence in program implementation. Government can provide financial incentives—bonus payments and the like—when programs demonstrate better than average, measurable impact. Government can also incent the leveraging of private philanthropy to provide matching funds that cover these costs. Pay for Success has many important implications for retooling government’s approach to tracking the allocation of funds from one focused primarily on outputs and within individual agencies to one tying funds to results impacting multiple agencies.

Federal policymakers can advance Pay for Success by creating incentives for federal agencies or state and local governments to test such models, providing funding for and encouraging technical assistance advisors to explore the feasibility of and create pathways towards potential Pay for Success transactions, and addressing data systems and privacy issues related to the evaluation of programs in Pay for Success. Shifting resources from unproductive programs to Pay for Success models that pay based on the achievement of outcomes will ultimately make taxpayer dollars more productive and improve the lives of those whom these programs are designed to help.

America Forward is encouraging the creation of an incentive fund at the federal level to expand the piloting and use of Pay for Success. America Forward has been working closely with the current Administration and key champions in Congress on a bipartisan, bicameral approach to create such a fund that could be used to structure Pay for Success projects and contracts, fund feasibility work, evaluation, and contribute to success payments. This legislation, known in the Senate as the Social

Impact Partnership Act (S. 1089), was introduced in both the 113th and 114th Congresses by Committee Chairman Hatch and Senator Bennett. This legislation would provide funding to promote a variety of Pay for Success approaches and also test social innovation financing of Pay for Success strategies. In times of tighter budgets and greater demand for social services, we must work together to direct government resources to the most efficient programs that measurably improve people's lives. Pay for Success has the potential to incentivize more efficient use of government resources to reward what works, linking government dollars to positive outcomes, and leveraging those dollars to attract private capital into the social services sector.

The results from the first Pay for Success project in the U.S. at Riker's Island were much anticipated and particularly important not only for the young men being served by the intervention but to the overall Pay for Success movement. Last year, when the results from the project to that point were released, there was initial disappointment for those who are Pay for Success champions and who hoped for a better result for the young men in Riker's. Though the intervention lacked evaluative impact, and thus was discontinued and the Pay for Success project ended, the messaging around the results was helpful in articulating that "success" in Pay for Success means many things. Specifically, not only did the project end but the government did not pay out any money for the project given the lack of evaluative impact. The "success" here then is that the approach—to pay only if a successful outcome is achieved—is possible and can be effectively executed.

The announcement that followed from the second Pay for Success project in the U.S., the Utah High Quality Preschool Program, was very different from the announcement made regarding the Riker's project but no less significant. The headline of the United Way of Salt Lake press release perfectly sums up the results: "Social Impact Bond for Early Childhood Education Shows Success." It was determined that 109 out of 110 at-risk Utah students avoided special education services following access to high-quality preschool. This is a 99 percent success rate, which is incredibly impressive. These results are also incredibly high and may be called into question as a result. As those stakeholders in the Riker's Island Project did, the Utah Pay for Success community has been open to criticism and transparent about the evaluation design, process, and analysis of their effort. With each milestone in these projects, there is an opportunity for education and development of a deeper understanding of Pay for Success and those engaged in these projects need to support transparency from their development and resource the ability to share lessons learned.

At America Forward, we believe that Pay for Success has the potential to bridge the divide between the "business as usual" system—where we continue to provide the same services, in the same way, to address the same problems but with little to no accountability for achieving the desired results—to the future we want, where we are able to provide high-quality prevention services to ameliorate future remedial services such as special education, increase employment opportunities for those seeking second chances, and provide the opportunity for families to stay together and thrive without the need for government intervention or support. It is only by testing the approach to "paying for success" that we can determine how to really bridge this divide.

As the Committee considers legislation supporting Pay for Success, we urge that you consider the following principles:

- Enable providers to participate even if they have not previously been a major recipient of public funding. If opportunities are limited to existing providers, innovative organizations that offer better outcomes will be excluded.
- Be careful to identify a range of appropriate benchmarks rather than a single long-term outcome. Such benchmarks enable organizations to track their results and make adjustments as necessary.
- Ensure that consideration is given not only to the potential for cost savings or increased tax revenue through these arrangements but also to greater efficiency in the utilization of public dollars resulting in more individuals served using the same allocations, and to the potential for long-term impact across multiple government agencies.
- Include resources for a partnership with a credible technical assistance advisor. It is difficult for governments to work alone to support the education, feasibility analysis, and the financial modeling necessary to launch these initiatives. The technical assistance advisor should have a track record of exploring the feasibility of Pay for Success in different localities and in launching Pay for Success transactions.

- Develop systems that prevent providers from choosing only those clients who are easiest to serve, while also retaining flexibility for providers to serve multiple at-risk populations.
- Include a partnership with a credible research organization to conduct evaluations that most feasibly and appropriately measure the reform's impact on government spending and on participants' well-being (and any other key program goals).
- Create opportunities and funding for government agencies to learn from others' experiences and build the capacity of providers, technical assistance advisors, and intermediaries to participate in Pay for Success programs.
- All final Pay for Success documents are encouraged to be in an "open source" format and should be posted on the internet/web platform.

Thank you for the opportunity to submit a Statement for the Record. America Forward would be happy to provide clarification of any of the points raised or provide any additional information you request. Please do not hesitate to contact Nicole Truhe, Government Affairs Director of America Forward at Nicole.truhe@newprofit.org if you would like to discuss these comments further.

Sincerely,

Nicole Truhe
Government Affairs Director, America Forward

CAMPAIGN TO END OBESITY ACTION FUND (CEO-AF)
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STATEMENT FOR THE RECORD

"Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?"

May 10, 2016

The Board, advisors, and supporters of the Campaign to End Obesity Action Fund (CEO-AF) appreciate the Senate Finance Committee's efforts to examine the role of outcomes and evidence standards in shaping social policies and how they can be best applied to program delivery and financing models. This approach to policy-making, alternately called "social impact financing," has the potential to leverage taxpayer dollars in a smarter, more efficient way. In this context, we urge the Committee to also consider tax policy approaches that increase access to resources that elude many Americans and that are proven to be an effective tool in the fight against America's obesity epidemic.

The CEO-AF is the largest non-partisan advocacy organization focused on changes in federal policy to prevent and treat obesity America. In its work, the CEO-AF convenes leaders from across industry, academia, patient, public health, and disease communities to speak with one voice for commonsense, consensus policy measures to reverse the epidemic and promote healthy weight in children and adults.

The Need for Policy

The need for federal policy measures to address obesity has never been more acute. By virtue of the sheer prevalence of the disease, as well as the direct health care costs associated with treating the individuals with obesity, the economic toll of the U.S. obesity¹ epidemic threatens the viability of both our health care marketplace and our budget. Currently, nearly 100 million Americans have obesity. As a result, the Congressional Budget Office reported in 2010, nearly 20 percent of the increase in U.S. health care spending is attributable to growing obesity rates. Today, spending (both direct and indirect) on care for individuals with obesity in the U.S. may exceed \$275 billion annually.² In addition, annual medical costs for individuals with obesity are \$2,741 higher than they are for healthy weight individuals.³ Absent a reversal in the current obesity trend, experts project that 50 percent of Americans

¹The United States Center for Disease Control and Prevention defines obesity in adults as having a body mass index (BMI) of 30 or higher.

²Cawley, J., Meyerhoefer, C. The Medical Care Costs of Obesity: An Instrumental Variables Approach. *Journal of Health Economics*. 2012; 31(1): 219–230.

³Cawley, J., Meyerhoefer, C. The Medical Care Costs of Obesity: An Instrumental Variables Approach. *Journal of Health Economics*. 2012; 31(1): 219–230.

will have obesity by 2030, and this will increase medical and other costs to our nation by hundreds of billions of dollars every year. Taking steps to address this crisis simply cannot wait.

Access to Resources for At-Risk Communities

We know that for a large portion of the population, a key to combatting obesity is providing access to healthy, affordable, and culturally relevant foods as well as to recreation and fitness facilities. Unfortunately, individuals who live in both rural and urban, low-income communities often cannot access these resources safely or economically. It is in these same communities where we find disproportionately high rates of obesity and other associated conditions, including cardiovascular disease, stroke, Type II diabetes, and cancer.⁴ Initiatives that increase access to healthy living resources in these communities are shown to improve health outcomes, save money, and reduce obesity rates in these communities. For example:

- Studies show that decreasing the number of households that lack access to a vehicle and are located in “food deserts⁵” by 1 percentage point results in a nearly 1 percentage point decrease in the obesity rate in that community. For an average county, that translates to 875 fewer individuals with obesity.
- Data also suggests that increasing the number of recreation and fitness facilities from 1 per 10,000 people to 2 per 10,000 people would result in a 7 percent decrease in the obesity rate (from 29.8 percent to 27.8 percent) in an average county, which translates to 1,000 fewer individuals with obesity.⁶
- When taken together, these modest changes could reduce one county’s medical costs by over \$5 million—yielding resources that could, in turn, be reinvested in those same communities.

The Role of Tax Policy

Historically, the federal government has used tax policies to support and incent desired social ends—such as home ownership, building retirement savings and charitable giving. In the same vein, the tax code can be an important policymaking tool to drive resources to efforts that will combat obesity and, in doing so, yield measurable net savings for American health and the U.S. economy. A critical place to begin is in traditionally underserved communities.

The idea of utilizing tax policy to improve living conditions and generate economic benefits is not foreign to Congress. Indeed, Congress enacted the New Markets Tax Credit (NMTC) in 2000 in order to encourage new and targeted investments in low-income communities. By lowering economic risk to developers and the finance sector, the credit has been profoundly impactful in generating new infrastructure in communities across the nation where needs for safe and dignified housing and amenities have been dire. The NMTC also had a halo effect in bolstering access to healthy-living resources for communities where these investments have occurred; between 2003 and 2010, the credit helped finance 49 supermarkets that improved access to healthy foods for more than 345,000 Americans, including 197,000 children.⁷

The NMTC’s beneficial effects for the kind of healthy living needed to prevent and treat obesity, while laudable, are somewhat modest. This is hardly a flaw of that program, but rather a reminder that as a nation we lack similar policy more explicitly designed to address obesity that resides so disproportionately in the communities served by the NMTC. In fact, the success of the NMTC is a reminder that direct, intentional tax policies can and should be utilized to provide incentives for investment in communities that suffer disproportionately from obesity and whose children are most likely to grow up suffering from this disease and the many medical conditions it brings.

There are real and focused ways that tax policy can be used to achieve this aim, from modifications to the Low-Income Housing Credit that would encourage development projects to plan for areas for recreation and physical activity to expansion of the Work Opportunity Tax Credit to draw needed professionals into at-risk communities to engage families in healthy food choices and nutrition and exercise edu-

⁴ Ernst and Young. *The New Markets Tax Credit: Opportunities for Investment in Health Foods and Physical Activity*. Washington, DC: Ernst and Young; 2013.

⁵ According to the United States Department of Agriculture, a food desert is defined as an urban household more than 1 mile from the nearest supermarket and a rural household more than 10 miles from one.

⁶ Ibid.

⁷ Ernst and Young. *The New Markets Tax Credit: Opportunities for Investment in Health Foods and Physical Activity*. Washington, DC: Ernst and Young; 2013.

cation. Congress can also use tax policy to incent an array of private interests to contribute infrastructure where it is most lacking and, in doing so, give communities safe and accessible soccer fields, jogging paths, and even gyms.

We know from the NMTC and many other tax programs that tax policy can drive social change. There is also substantial evidence that well-targeted steps such as these to direct tax policy at this national health and economic crisis can produce the double benefit of improving health outcomes while simultaneously creating local and national savings associated with decreased rates of obesity. Data show that a population-wide reduction in body mass index (BMI) of just 5 percent could lead to more than \$29 billion in health care savings in just 5 years. The same study found that the country could save \$158 billion over 10 years and \$611 billion in 20 years with the same BMI reduction percentage.⁸

CEO-AF urges the Committee to seriously consider tax policy approaches such as those outlined above that can lower costs and provided targeted incentives to individuals, businesses, and investors that will result in increased access to healthy lifestyles for Americans living in low-resource, low-income communities. There have been many studies that demonstrate the workability of these programs. The challenge now is to apply tax policy approaches to the programs that can be most effective, and in doing so, move the needle on obesity in America's most underprivileged communities. There is hardly an opportunity with benefits as potentially great as this.

We applaud the Senate Finance Committee's efforts to examine evidence-based models that can help vulnerable families and at-risk individuals and we hope to work with the Committee and its leaders to further assess and advance tax policies to combat the obesity epidemic. We appreciate the opportunity to submit this statement for the record.

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May 10, 2016

**“Can Evidence-Based Practices Improve Outcomes for
Vulnerable Individuals and Families?”**

The Center for the Study of Social Policy (CCSP) is pleased to provide a statement for the record on the May 10, 2016 Senate Finance Committee hearing “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

First, we thank the Committee for taking up this important discussion on the use of evidence-based practices in improving outcomes for vulnerable children and families involved in the child welfare system and we appreciate the opportunity to provide comment on this matter. With limited public and private resources and in order to best meet the needs of families and children, it is imperative that funds be invested in programs that credibly demonstrate a positive impact on child and family well-being and that robust evidence of success is used in developing new strategies for families facing multiple barriers. However, simply funding or designing programs based on currently available evidence is not sufficient to the task. Stable financing must be available to propel and support innovation in the development and implementation of preventative support programs for children and families with multiple and complex needs—especially if we are to make progress to improve well-being and address current challenges faced by families involved with child welfare systems. Programs must be implemented with a clear attention to measuring and understanding results, using that information to make well-conceived adaptations and mid-course corrections when programs fall short of achieving desired results and insuring that processes are in place for continuous learning and accountability to funders, taxpayers and service recipients.

⁸Trust for America's Health. *F as in Fat: How Obesity Threatens America's Future 2012*. Washington, DC: Trust for America's Health; 2012. Available at: <http://healthyamericans.org/assets/files/TFAH2012FasInFatFnlRv.pdf>.

The remainder of our statement will focus on suggested definitions, strategies and proposed areas of concentration based on our extensive experiences helping child welfare and other public human services systems improve their work and achieve improved outcomes for the children and families in their care as well as our leading role as the founding member of Friends of Evidence—a group of distinguished leaders across diverse fields, disciplines and sectors—concerned with the limitations of prevailing approaches to obtaining evidence and focused on defining and promoting more effective approaches. We specifically address (1) the need for an inclusive definition of evidence supported by multiple rigorous assessment and evaluation methods; (2) the need to support disciplined plans for rigorous learning and innovation through continuous quality improvement (CQI) processes; (3) attention to the impacts of evidence requirements on the necessity of funding programs to advance equity; and (4) making the best use of taxpayers' dollars by investing in innovations that support the needs of vulnerable populations.

A Comprehensive Definition of Evidence Supported by Multiple Rigorous Methods

CSSP recognizes that the use of evidence of effectiveness is important for both the selection and implementation of programs aimed at improving outcomes for vulnerable populations. The definition of what constitutes acceptable evidence is critically important. The recent federal budget included a statement from the Office of Budget and Management (OMB) that offers the following definition, "Broadly speaking, 'evidence' is the available body of facts or information indicating whether a belief or proposition is true or valid." OMB states that: "The best government programs use a broad range of analytical and management tools, which collectively comprise an 'evidence infrastructure' to learn what works (and what does not) for whom and under what circumstances, as well as improve results." We support this definition. Evidence is derived from several sources: program management and monitoring as well as formal evaluations that employ a range of data collection and analytical methods and research that has relevance to achieving desired results. In addition, the rigor and credibility of evidence is not established by a single evaluation method. It is determined by the use of multiple methods appropriately matched to what we want to learn and need to know.

Current reliance on Randomized Control Trials (RCTs) as the primary method for definitive evidence about "what works" can answer certain questions, but it does not answer all the questions decision-makers need to consider. The type of evidence acquired through an RCT may establish that a program has worked for some people, on average, in a particular context compared to those in a control group who did not receive the intervention. This however, is only a small part of the information a decision-maker would like to have in choosing whether to adopt and/or scale-up a program. In reality, what often works for one client or community may not work for another unless adaptations are made to account for variables such as culture, race or location. Decision-makers need the evidence to answer such questions as: "Will it work here, in my context for my citizenry?" and "What is needed to make it work?" Furthermore, most evaluation findings are rarely definitive, revealing mixed results that typically require additional testing and evaluation. Consequently, the questions of most interest to policymakers and of benefit to children and families can go unanswered when only relying on an RCT for answers. As a result of these issues, we believe that a more narrowly constructed definition of evidence, driven by a single methodology or data source, has the potential to stymie innovation, limit which programs can receive funding for implementation and may end up increasing programming costs as decision-makers attempt to make an evidence-based program fit the problem they are addressing.¹

A Disciplined Plan for Learning, Accountability and Innovation Through a Rigorous Continuous Quality Improvement (CQI) Process

Generating evidence should not be left solely to outside evaluators, and timing of corrective action should not have to wait for or be dependent on an evaluator's final report. Initiative staff—at all organizational levels—play a critical role in generating reliable and valid evidence and ensuring implementation integrity in a timely manner. Innovation must be accompanied by an organizational focus on results and a commitment to learning what is working and what is not and using the learning

¹Schorr, L., Farrow, F., and Sparrow, J. (2014). *An Evidence Framework to Improve Results*. 2014 Harold Richman Public Policy Symposium: The Future of Evidence. Center for the Study of Social Policy. Available at <http://www.cssp.org/policy/evidence/AN-EVIDENCE-FRAMEWORK-TO-IMPROVE-RESULTS.pdf>.

to hold themselves accountable to funders and beneficiaries alike. The learning must be used to facilitate program redesign if necessary or identify additional necessary evidence for decision-making. This process, often referred to as Continuous Quality Improvement (CQI), is crucial to understanding what truly works for vulnerable groups and is an important process for improving programs, even those that are considered evidence-based.

As evidence-based programs are implemented with different populations, engagement in a rigorous CQI process becomes key to ensuring that the model is having the intended impact for children and families. CQI can ensure practice integrity when fidelity measures may not be appropriate or they have not yet been designed. A robust evidence generating infrastructure must include both CQI and external evaluation, yet creating this infrastructure often does not receive adequate attention of time and resources. Internal CQI capacity requires a culture of curiosity and many of the same analytical skills employed by external evaluators. While CQI is a discipline, it should not be a rote process installed to be compliant with a mandate. A robust approach to CQI requires measurement of both the quantity and the quality of services delivered, the impact of services on child and family outcomes and well-being and the effectiveness of processes and systems. For example, the New Jersey Department of Children and Families (DCF) implemented a competitive “Data Fellows Program” that provided 100 middle-management DCF staff with the opportunity to utilize data to support improved case practice and outcomes for the children and families they serve in their areas or local offices all while developing skills in the areas of presenting information, for management and decision-making, leadership, and team building.² This program demonstrates the DCF’s commitment to managing by data and using it as a catalyst for continuous quality improvement. While New Jersey took the initiative to invest in workforce capacity building, other organizations may need incentives and support to build the processes and staff capacities required by such a robust CQI process.

Funding Innovation to Advance Equity

Existing funding streams often require strict adherence to program and practice protocols. Adaptations to a chosen model are typically not allowed if the intervention wants to receive continued funding and designation as an evidence-based program. However, this requirement may produce unintended inequities as a result of the population—including race, gender, and cultural characteristics—with whom the program was tested and impacts determined. Meeting the needs of those families facing the greatest barriers in any given community may require adaptations to the interventions that are specific to the populations being served. Moreover in some cases, the evidence-building evaluation was conducted over 20 years ago with a population with different characteristics and facing different challenges than those who would benefit from the program today. Consequently, if adaptation is not allowed, certain populations and communities may not be able to benefit from an evidence-based program. For example, because pregnant adolescents in foster care often do not disclose their pregnancy until their second or third trimester, they become ineligible for evidence-based programs such as Nurse Family Partnerships that only enroll mothers in their first trimester. Yet these young women are in critical need of the knowledge and caring relationship a Nurse Family Partner can provide.

Paying for innovative programs or investing in adaptations of an evidence-based program for a new population—like a Nurse Family Partnership model for young women in foster care who disclose pregnancy after the first trimester—often requires large upfront costs, making them unattractive to legislators and policymakers. However, this is one example of an opportunity for investment and innovation that may be attractive to those in the private sector who could employ a Social Impact Financing (SIF)³ or Pay for Success strategy—which have been proposed as an alternative funding approach.

In order for these funding strategies to have the desired impact of providing financial support for innovation and adaptation, it is critical to understand what government incentives will be used to attract private interest. In an effort to maximize investments, we urge the Committee to consider incentives that would support research, development, and evaluation that reflect a broader definition of evidence. Currently, the majority of SIF and Pay for Success models employ RCTs as the methodology for evaluation and verification of results achieved. While RCTs are one

² Initial funding for this program came from the Children’s Bureau through the Northeast and Caribbean Implementation Center.

³ Also referred to as Social Impact Bonds, Social Impact Partnerships, or Pay for Success.

form of evaluation, there are benefits to utilizing different methodologies when testing a new approach. As previously mentioned, programs evaluated through a RCT generally have little ability to adapt during testing. By limiting the ability for such adaptation, the implementation is also risking a poor return on investment since any lessons learned cannot be applied during the course of the evaluation. In the private sector, investors do not expect fund managers to continue doing the same thing if they are losing money, or if it is shown they are not generating as much revenue as they could—the ability to adapt is critical. Lastly, from a cost benefit perspective, a broader range of methods can often produce credible evidence of initiative results carried out in a less costly manner than RCTs without compromising integrity.⁴ By supporting a broader range of evidence-building methods, investors would also have the opportunity for more timely innovation and adaptation in communities where families face multiple barriers.

The Best Use of Taxpayers' Dollars Includes Investing in Innovations That Support the Needs of Vulnerable Populations

Credible evaluation methodologies that align meaningful solutions with problems and a comprehensive evidence generating infrastructure are the most responsible way to invest taxpayer dollars. This is particularly important when striving for positive outcomes for populations that are disproportionately impacted by child welfare systems and where an RCT alone may not be the definitive evaluation strategy. Choosing to rely solely on SIF or Pay for Success models to fund innovative strategies for these populations can disproportionately impact those facing the compounding effects of race, class, gender and sexual orientation as marginalized groups would be competing for funder interest. Additionally, it must be noted that since private investors, rather than the government, absorb the financial risk in a SIF or Pay for Success approach, reliance on this model to fund innovations could prove to be an unstable funding source—which is particularly problematic when families facing multiple barriers are precisely the families child welfare systems are aiming to serve.

We live in an ever more complex world and the challenges faced by our most vulnerable families are also growing more complex. Proven programs from 20 years ago are insufficient to meet today's challenges and to take advantage of today's knowledge. Continued adaptation and innovation is essential. But, these efforts must be disciplined and generate evidence that decision-makers can readily use to replicate success or infuse existing programs with new ideas. Using taxpayer dollars to invest in research, development, and rigorous evaluation using multiple methods is a good investment. A positive opportunity for federal investment is to support long term research-practice partnerships and technical assistance on the use of continuous improvement practices and the facilitation of partnerships with external evaluators.

CSSP commends the Senate Finance Committee for addressing this critical issue. We thank you for your continued commitment to improving the well-being of vulnerable populations coming into contact with the child welfare system.

If you have any questions, please don't hesitate to contact Megan Martin, (202) 371-1565; megan.martin@cssp.org and thank you in advance for consideration of our comments and recommendations.

⁴Olsen, L., Grossmann, C., and McGinnis, J.M. (2011). *Learning What Works: Infrastructure Required for Comparative Effectiveness Research: Workshop Summary*. Available at http://www.ncbi.nlm.nih.gov/books/NBK64787/pdf/Bookshelf_NBK64787.pdf.

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Statement of Carol C. Emig, President

“Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

May 10, 2016

Introduction

On behalf of Child Trends, a nonpartisan, nonprofit research organization focused exclusively on improving the lives and prospects of children, youth, and their families, we would like to extend our thanks to the Senate Committee on Finance for holding the hearing on May 10, 2016 on evidence based practices. We appreciate their attention to such an important issue and the opportunity to participate in that conversation.

We applaud the recent efforts of the Congress in recognizing and supporting evidence-based work to improve child well-being through legislation such as the Every Student Succeeds Act, the Investing in Innovation Fund (i3), and H.R. 5170 currently in mark up. Child Trends brings 37 years of experience conducting research about children, families, and the programs that serve them. A major component of our work involves building an evidence base around “what works” for our most vulnerable children and families. With this experience, we are grateful for the chance to describe the powerful role that an evidence base can play in improving outcomes for children and families, and share some of the lessons we’ve learned through our own experience evaluating programs and services.

Building the Evidence Base is Valuable, Important Work

The hearing on May 10, 2016, explored the question: “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?” As researchers and evaluators, we wholeheartedly answer “yes.”

Child Trends’ own What Works database houses data on nearly 800 programs that have had at least one randomized, intent-to-treat evaluation to assess child or youth outcomes related to education, life skills, and social/emotional, mental, physical, behavioral, or reproductive health. Importantly, this database includes programs that do no work, as well as those with positive impacts. In addition to a searchable catalogue of programs, we have written numerous “What Works” syntheses—on various populations—summarizing what the evidence base can teach us about “what works” for populations (such as Latino or black children and adolescents, and older youth); for program outcomes (such as reducing problem behaviors in early childhood and preventing bullying); and for program approach (such as mentoring and home visiting).

Another example springs from the work of the Teen Pregnancy Prevention Program (TPP) administered by the Office of Adolescent Health (OAH). OAH houses a searchable database of three dozen evidence based TPP programs—all of which have had at least one program evaluation and have *shown a positive impact on preventing teen pregnancies, sexually transmitted infections, or sexual risk behaviors*. The two-tiered grant program provides funds for grantees who replicate evidence-based models and additional evaluations, as well as grants to develop and test new and innovative strategies to prevent teen pregnancy.

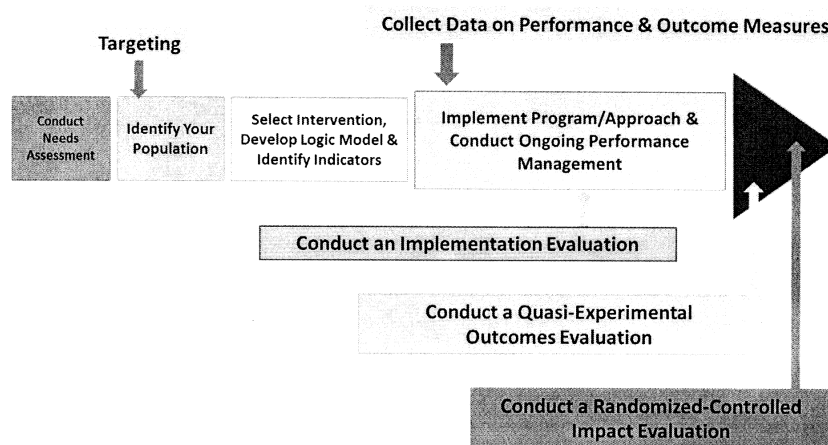
We also work closely with several child welfare agencies, evaluating work funded through Diligent Recruitment Grants, awarded by the Children’s Bureau. As the evaluator, we learned valuable lessons about “what works” for children and families who came into contact with the child welfare system, specifically around *strategies to support foster families* in their critical, yet challenging work.

However, as enthusiastically as we stand behind the need to build and strengthen the evidence base, we also believe it is important to share four cautions with you today. We hope that these inform your work as you promote and mark up legislation like H.R. 5170 and the Families First Act.

- (1) Although rigorous evaluations are powerful tools in the evidence toolbox, becoming an evidence-based practice is a process.**

As shown in the figure below, Child Trends views the process of becoming an evidence-based program as a critical, albeit under-appreciated, effort that requires several years of investment. The process begins with a needs assessment to identify the issues faced by a community; and the information from this assessment should then inform identification of the population that will be the focus of intervention efforts. Next it is critical to identify the intervention program or services, to develop a theory of change, and to formulate a logic model that specifies the intended inputs, outputs, and outcomes.

Becoming an Evidence-Based Program



Having completed these steps with staff, board, and stakeholders, a performance management system can be developed so that program inputs, outputs, and outcomes can be tracked and reported. The goal is to improve the program and confirm that it is achieving its intended outcomes before engaging in a formal evaluation. Performance management is the evaluation “workhorse” and, as such, it is crucial to give it sufficient time and attention to make sure that the goals of the intervention are being met. Once that is assured, it may be time to conduct a formal evaluation—the race horse. Either a quasi-experimental evaluation or a random-assignment evaluation may be appropriate; but, in either case, it is also critical to conduct an implementation evaluation. And it is essential to continue performance management work throughout the life of the intervention.

Recommendations

- Recognize and support programs and practices that are at other stages of the evidence-based continuum, and not limit support to randomized-controlled trials (RCTs).
- Encourage and support programs and services to develop and use strong performance management techniques to promote continuous quality improvement in their work. Using regular data analysis and review can help programs not ready for a rigorous evaluation still understand pieces of “what works” for their clients.

(2) Protect against potential unintended consequences of building an evidence base.

In our role as evaluators and research partners to agencies, programs, and initiatives that support children and families, we’ve spent a great deal of time working closely with the people who implement programs and interventions. With that experience, we’ve learned that a close tie between evaluation results and funding streams can raise fears and stifle innovation. This type of reaction runs counter to the goals of initiatives like “Pay for Success,” which aim to open the field to new ideas and creative problem solving.

We believe that the tiered approaches of Home Visiting and TPP can continue to motivate the field to try new approaches. As described above, through the TPP grants, the Office of Adolescent Health provides funds to both programs that are replicating evidence-based strategies and those who are testing new innovative strategies in communities with high teen birth rates. Those grantees working on innovative strategies also receive technical assistance from other federal agencies.

Recommendations

- Continue to support a tiered approach towards supporting programs both implementing evidence-based practices and programs using research to inform new strategies that may be promising.
- When working with programs and agencies, generate excitement over possibilities in growing our understanding of “what works” and creating stronger and better programs, rather than focusing the conversation on cutting programs that may be struggling. Ensure that technical assistance is available to help those programs do better.

(3) Challenges can arise in sharing the messages from evaluations broadly.

As the federal government and states move forward with a stronger emphasis on using evidence-based program and practices, we need to prioritize sharing “what works” with decisionmakers at all levels. Policymakers, state agency leaders, and program staff need to know “what works” for their target populations and under what circumstances. Perhaps even more valuable, leaders need to be aware of what we don’t know yet, so they can bring a full understanding of potential solutions as they approach challenges within their communities. In times when states and localities face fiscal challenges, it is particularly important that information about “what works” is shared with all stakeholders.

Although an important goal, we know that evidence can sometimes be buried. Generally, researchers and academics are incentivized to write for other researchers, in peer-reviewed articles. Such articles are not easy for laypeople to locate or access, and may be too technical to fit the needs of local stakeholders. Findings, implications, and limitations need to be clearly described in ways that are useful to state and local decisionmakers and program implementers.

Researchers who have conducted evaluations that have null or negative findings, and the programs that were evaluated, may be unwilling to share those findings with a broader audience. But much can be learned from what doesn’t work—and that evidence should be shared widely to prevent other programs from making the same mistakes.

Recommendations

- Encourage and fund researchers to share their findings widely, through dissemination channels beyond peer-reviewed articles and researcher conferences.
- Help with the translation of research into plain language for communication to the various stakeholder groups of interest, and contextualize the findings. The message around “what works” in an educational setting may be different for a policymaker than for a teacher.

(4) Support broad implementation of successful strategies and programs.

In the same way that our work does not begin with a rigorous evaluation, it does not end with one. To ensure that a program achieves the intended results—also known as fidelity—work must be done around implementation. We work closely with programs that serve children, youth, and families, helping them improve their quality and achieve their intended outcomes. We also support their use of data to better understand what is working, or not working, for them.

In addition to being an important piece of the research arrow, it’s also an important component of this policy conversation. Legislation or regulations that promote or require the use of evidence-based programs or practices operate under an assumption that those programs and practices lead to positive outcomes for individuals. However, if improperly implemented, the positive outcomes may be altered or, worse yet, may result in negative outcomes.

Recommendations

- In legislation and funding, recognize that the work isn’t over when rigorous evaluations are conducted and positive outcomes are achieved. Fidelity of implementation needs to be monitored. Also, replication is important, because a pro-

gram that works in one community may not achieve the same results in another setting.

- Support new programs as they implement evidence-based practices and existing programs as they begin to scale up by facilitating technical assistance and supporting additional evaluation as needed.

Final Comments

We appreciate the Committee's important work to bring attention to building the evidence base for the programs and practices that support our country's most vulnerable children and families. We would be happy to provide the Committee with further research and analysis should there be a need.

CORPORATION FOR SUPPORTIVE HOUSING (CSH)

Testimony by Andy McMahon Managing Director of Government Affairs and Innovation

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CSH's mission is to advance solutions that use housing as a platform for services to improve the lives of the most vulnerable people, maximize public resources and build healthy communities. We provide financing, technical assistance and consulting, and policy leadership at the local, state, and national levels to incorporate evidence based and promising practices into investments in affordable and supportive housing.

Over the last several years, CSH has pioneered effective strategies for addressing the needs of families with high needs and complex child welfare cases by aligning the affordable housing and child welfare systems. We are working extensively with the Administration for Children, Youth, and Families, as well as child welfare systems across the country, to move towards a model that keeps families together. We appreciate the opportunity to share the lessons we have learned from this work and hope that you will include them in legislation around the use of evidence based practices and social impact financing to address the needs of vulnerable individuals and families.

Additionally, CSH sees Pay for Success (PFS) as a promising and important tool for the creation of supportive housing targeted to vulnerable populations. CSH is involved in more than 14 social impact investments at various stages of completion. We play a variety of roles, including feasibility technical assistance provider, transaction structurer, investor and project manager. CSH is uniquely positioned to support government and social impact investors in executing social impact investment partnerships, given our deep expertise designing, implementing and evaluating initiatives across the country aimed at addressing the needs of these target populations coupled with our role as a community development financial institution.

With this background, we respectfully offer our reflections and recommendations as the Committee explores opportunities for employing evidence-based practices to improve outcomes for vulnerable individuals and families.

Pay for Success

Federal investment in PFS structures has the potential to greatly increase the scale at which these investments can be made. PFS projects that facilitate systems change and program development currently typically require additional funding for the setup, intermediary, and evaluation work required.

CSH is an awardee of the Social Innovation Fund's Pay for Success initiative through the Corporation for National and Community Service (CNCS). To date we have selected 10 communities through 2 rounds of competition where we are working to determine the feasibility of PFS as a tool to scale supportive housing for vulnerable populations. This work includes using data to define the target population for a potential PFS transaction, conducting cost benefit analysis to understand potential cost avoidance and value creation if members of the target population gained access to supportive housing, working with stakeholders to define project outcomes and success, and solidifying commitments from key partners such as end payers who would make payments based on success.

In our most recent round of competition, we selected three communities that are focusing their PFS exploration on populations of persons who are super utilizers of health care, criminal justice, or other crisis resources. In communities across the country, there is a cohort of people who cycle between emergency rooms, hospitals, jails, detox facilities and homeless shelters, at enormous expense to these systems. We also selected the Oklahoma State Department of Mental Health and Substance Abuse Services (ODMHSAS) as a recipient of technical assistance focused on determining the feasibility of a PFS project focused on creating supportive housing for young adults (18–25) with mental health, substance use, or co-occurring disorders, lacking stable housing or experiencing homelessness or chronic homelessness. The project in Oklahoma will place a special emphasis on youth transitioning out of foster care and/or the juvenile justice system.

We also see great potential for PFS to pair well with a target population of families with high utilization of the child welfare systems and histories of homelessness. The PFS model offers an opportunity to create supportive housing for families, helping them gain stability, increase family functioning, and improve child and adult well-being, across a range of outcome areas and measures. Federal funding to kick-start PFS projects would have a tremendous impact on further developing the potential of PFS as a tool to improve outcomes for families and youth.

Social Innovation Fund funding has always been highly competitive, and CSH received more than 60 applications in our two rounds of competition to date. We are confident that the competitive nature of the funding proposed by Congress will drive high quality projects that address critical social issues, including improving outcomes for vulnerable families.

In addition to advancing the PFS industry, the federal government could also use PFS as the opportunity to capture federal savings. Effective models exist for repurposing federal expenditures on programs used by low income people to achieve better outcomes. Supportive housing is an evidence based intervention that saves money in the health care, criminal justice, and emergency homelessness systems—and we are exploring the extent of possible savings in child welfare, education, and other programs that target vulnerable families.

CSH's Focus on Vulnerable Families

Supportive housing harnesses the resources of multiple public agencies and service providers to offer whole-family care, healing parents and children to create a safer environment so they can stay together and thrive in their own home.

Homeless families who frequently encounter the child welfare system are one of our target groups for PFS projects because of the poor outcomes for the adults and children in these families and the high costs they incur to multiple systems. In fact, expenditures associated with these families are seven times those associated with non-frequently-encountered families (Loman and Siegel, 2006). Costs associated with child maltreatment are extensive and impact nearly every social service sector from child welfare to health care to the criminal justice system. According to a report by Prevent Child Abuse America (2008) the direct costs associated with families who are involved in the child welfare system is staggering: \$33.1 billion per year. The largest cost associated with these families is the child welfare system at \$25.4 billion/year. Other direct costs include hospitalization/treatment of injuries (\$6.6 billion) and mental health care (\$1.1 million). Law enforcement intervention is estimated at \$33.3 million per year.

The needs of this subset of families and children are longer term and require an intervention that is focused on acquiring new skills that allow them to manage their chronic challenges like any chronic health challenge. The costs to children in these families are too great to continue to rely on overburdened systems and short term solutions. By creating the housing assistance, resources, and supports needed for parents and children to grow together in safe, stable homes, we are reducing the need for child welfare system expenditures. We are building strong and compelling evidence of supportive housing's potential as a cost-effective tool for improving family and child outcomes while addressing avoidable family separations and child removals.

In many circumstances families staying together means better lives for children, whereas forced separation and foster care placement can have devastating consequences. Although limited national data exists regarding the overlap between family homelessness and involvement with the child welfare system, many studies have shown a link between the two. A study found that as many as 49% of the sample of children in foster care in one California county were removed from homeless

or unstably housed parents (Zlotnick, Kronstadt, and Klee, 1998). Research by Partners for Our Children in Washington State indicates that 37% of the families with a child who experienced an out-of-home placement were homeless in the 12 months prior to the loss of custody (Courtney, 2010). In addition, child welfare involvement is highly predictive of homelessness in adulthood; 40% of adults experiencing homelessness indicate they were once in foster care.

The U.S. Department of Health and Human Services Administration for Children Youth and Families (ACYF) bolstered by promising results from CSH's Keeping Families Together (KFT) and other supportive housing initiatives (Swann-Jackson, 2010), assembled a \$35 million 5-year public-private partnership with four philanthropic organizations to evaluate the impact of KFT-modeled supportive housing initiatives in five communities. This demonstration represents the first federal investment specifically focused on reducing child welfare system involvement by supporting the whole family with affordable housing and tailored services. It reflects our beliefs that supportive housing holds tremendous promise for breaking the cycle of homelessness, parental behavioral health challenges, child neglect, and child removal among the highest-need families. Supportive housing has the potential to change the life trajectory of vulnerable children.

The five federal grantees in the demonstration are located in **Broward County, FL; Cedar Rapids, IA; Memphis, TN; San Francisco, CA; and the State of Connecticut** and together are striving to provide supportive housing to more than **400** families with children at risk of, or already in, foster care placement.

Three years into the 5-year demonstration, we are seeing results that indicate supportive housing is making a real difference in the lives of vulnerable, fragile families. Here is some of what we know so far:

- Sites have successfully housed over 300 families.
- Families are staying housed with high rates of housing stability—roughly 91%. Housing stability has been a key success metric in all other PFS supportive housing transactions to date.
- Anecdotally, we know that there have been high rates of family reunification and foster care avoidance.

The Urban Institute is conducting a Randomized Control Trial (RCT) across sites. Specifically, their research study is accessing **child welfare and homeless system administrative and survey data** to examine the following:

- **Targeting and Prediction Model:** How is supportive housing being targeted in each site to the highest-need families? How can practitioners use quantitative predictors in assessment tools to better target and prioritize high-need families? How do we gather high quality data from child welfare and homeless system administrative data, referral forms and the family survey?
- **Process and Implementation Study:** What are the basic housing and services components of the program model and how do these differ across sites? Has the program been implemented according to each site's plan? What are the major implementation challenges? Does supportive housing lead to improved, sustainable coordination between the child welfare agency and public housing agency/homeless service agency? How do programs and partnerships change over time? Annual or semiannual site visits and key informant interviews, review of local evaluation process studies
- **Impact Analysis:** What impact does the program model have on housing stability, parenting skills, family stability, parent and child well-being, and child welfare involvement? Child welfare and homeless system administrative data, family survey data
- **Cost Study:** What is the cost-benefit across different systems and to society?

Other places are financing family supportive housing in unique ways, including social impact investments. We worked with New Jersey and New Mexico to re-direct TANF, child welfare, and other state dollars to family supportive housing. Cuyahoga County, Ohio is using a similar model in a Pay for Success transaction.

Promising Practices

We are actively working with the Departments of Housing and Urban Development and Health and Human Services to create robust guidance explaining how to use existing dollars in such investments. Actions such as coordinating data across systems and removing elective screening criteria from housing resources will remove barriers to future PFS replication. Guidance will help governments integrate successful PFS projects into their regular budgets after the investment period.

Through our work, systems-level partnerships and strategies are emerging to better coordinate and serve vulnerable families with complex needs. We recommend that PFS transactions dealing with vulnerable families keep these lessons in mind when structuring their programs.

- **Use of cross-systems data to target families most in need:** Limited data exists regarding the links between family homelessness and involvement with the child welfare system. To make the best use of limited resources, sites needed to create data collection processes that used cross-system data to develop a profile of those most in need of supportive housing and then target them accordingly.
- **Establishing multi-agency teams to coordinate services to families:** Stabilizing the most vulnerable families requires tailored access to services as identified by the families themselves. This could involve a variety of partners, from the landlord to a behavioral health counselor to the family's own support network. The demonstration sites are utilizing a family-engagement approach to meet families where they are at, and to coordinate the family and multiple service partners to achieve the goals identified by child welfare case plans and the family.
- **Creative housing partnerships:** Working partnerships between state and local housing agencies, such as Public Housing Authorities, and local child welfare agencies have been strengthened and are critical to our success so far. Several sites have changed their PHA administrative plans to remove barriers for high need families. Housing subsidies are an allowed use of PFS funds, but PFS is typically only part of the overall budget, so other housing subsidies are needed.
- **Adopting a Housing First lens:** Housing First is an approach to quickly and successfully connect families experiencing homelessness to permanent housing without preconditions and barriers to entry, such as sobriety, treatment or service participation requirements. Supportive services are offered to maximize housing stability and prevent returns to homelessness as opposed to addressing predetermined treatment goals prior to permanent housing entry. Housing First models have been highly effective in ending homelessness and addressing high service needs. **In a child welfare context, housing stability should be the first step in reunification, not the last step.**

Recommendations to the Committee

Based on our experience with PFS and with vulnerable populations, we recommend that the Committee include the following elements in social investment legislation:

- *Fund applicants to work with state and federal partners to build the data systems necessary to support better performance management and evidence building.* The availability of data has been critical to the success of all of our PFS initiatives so far, particularly high quality data from multiple systems that is cross-referenced to identify high users of systems, understand their needs, and measure progress in serving them.
- *Make sure that PFS projects are serving the most vulnerable households.* PFS is such a powerful tool for solving complex social problems because the most vulnerable households are often also the highest users of services and therefore have the most potential for savings. However, such households may face complex challenges that make achieving specified outcomes more difficult, so applicants may experience resistance to serving high need households. The Committee should request PFS evaluations to include an assessment of the participant selection criteria and fidelity to the model.
- *Make the evidence based standard be achievable and relevant to the intervention.* As stated by several of the panelists in the hearing, the insights into what works to address social problems should not come solely from PFS but should also be paired with a robust federal research agenda. The goals of PFS and the goals of a research agenda are not always aligned, since typically payback is tied to one or two of the many possible relevant outcome measures. A base level of research is frequently required in order to attract PFS investors. Conversely, at some point the evidence base will be established and there will be diminishing returns on investments in rigorous evaluation. The Committee should strive to balance developing new approaches, testing promising programs at some scale, and expanding programs with the strongest evidence. They should also require high quality outcome measures that are appropriate to the project and actually measure success.

- *Consider projects that might otherwise offer valuable and readily quantifiable returns to participants and society at large in addition to those that produce cashable government savings.* This includes considering allowing for value that might accrue over a longer timeframe than the typical PFS transaction length of 5–7 years. CSH also recommends considering approaches that monetize social benefits. CSH is also interested in quantifying the generational impacts of avoiding family homelessness. The legislation should also allow for the consideration and testing of alternative funding models when PFS financing does not appear to be feasible or the best way to implement an intervention in a given community.
- *Scale up PFS by building on previous deal structures, while also allowing for specific initiatives to adapt its model to best fit the needs of a particular target population and community.* As several panelists stated, broad latitude to partners allows the private market aspects of PFS to work, while still insisting on rigorous evidence and payment terms that are fair to both taxpayers and investors. CSH is experienced with providing technical assistance using a cohort model, where numerous places were tackling the same problem. While the cohort offered valuable opportunities for learning from others' challenges, the experience also illustrated that tailoring deals to the local context is critical for their success.
- *Make sure that federal partners are engaged in defining the relevant federal savings.* The value of the proposed legislation is that for the first time federal funds can be used to support project costs—essentially allowing the Treasury Department to be a financing party in SIB deals, providing dollars to state and local entities so that they may in turn pay back investors if an initiative is found to be effective by a rigorous third-party evaluation. CSH recommends that the Committee charge the relevant federal agencies with defining areas of federal savings upfront, so that potential projects can evaluate federal payments as a revenue stream going forward.
- *Incorporate successful PFS projects into the relevant ongoing federal agency budgets by directly investing in scaling and sustaining proven interventions.* PFS transactions are complex and have associated costs. Once the evidence base is established, there is a diminishing return on further investments in research and evaluation. Moreover, as a program gets refined to the point where it is no longer significantly risky, it makes more sense to be provided at scale by government rather than paying a risk premium to investors.

Conclusion

Having been an integral part of the development of the Pay for Success industry, CSH applauds the Finance Committee for lifting it up as a promising tool. In this limited funding environment, the Pay for Success model offers a win-win way to get better outcomes from public expenditures. We look forward to working together to support more child welfare and supportive housing partnerships in the future.

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**Comments for the Record by Bryan Boroughs
 General Counsel and Director of Legislative Affairs**

Introduction

The Institute for Child Success is excited by the continuing progress in Congress regarding Pay for Success financing models (sometimes called Social Impact Bonds) that can advance the well-being of young children and their families. We thank Chairman Hatch for holding this hearing, and both the Chairman and Senator Ben-net for their leadership on S. 1089.

The Institute for Child Success respectfully submits the following written comments to the hearing record for your consideration. In these comments, we begin with an overview of our perspective on the benefits of Pay for Success financing. We then discuss the substantial benefits of federal involvement, the reasons that legislation is necessary for meaningful federal engagement, and the ways in which S. 1089 re-sponds to that need.

Though both this hearing and S. 1089 deal with a broader array of Pay for Success or Pay for Performance tools, and the Institute for Child Success is generally sup-portive of those tools, we limit our comments here to the model that is sometimes called “Social Impact Bonds” or Pay for Success Financing.

Benefits of Pay for Success Financing (or, Social Impact Bonds)

Pay for Success financing is a model that can help effective interventions scale up to improve outcomes for young children and their families, while reducing or elim-inating financial risks to the taxpayers. The fundamental structure is well known to many, so we will only provide a very brief overview here. That most basic theo-retical structure involves four pieces:

- An intervention that has been tested, and has demonstrated that it reliably pro-duces outcomes;
- Investors who provide the upfront capital required to bring the intervention up to a larger scale;
- A government entity that is interested in paying for those outcomes—sometimes using funds saved as a result of those outcomes—if the agreed-upon success measures are achieved; and
- An independent evaluator that determines whether the intervention accom-plishes the predetermined measures of success and, therefore, the government should repay the investor.

Because of the relative novelty and complexity of these projects, a third-party inter-mediary has also been involved in many of the Pay for Success contracts entered into to date.

Pay for Success financing provides a number of benefits over traditional government mechanisms for selecting and scaling up interventions, including:

- It allows governments to shift resources towards effective prevention and early intervention;
- It draws on expertise and energy from outside investors, who bear much or all of the financial risk if a program is ultimately not as effective as expected;
- A rigorous cost and benefit analysis is necessary to even consider a Pay for Suc-cess arrangement, increasing the ability of the government to invest wisely;
- Outcome tracking is a centerpiece at every step, allowing the necessary tracking processes to be “baked in” to an intervention from the very beginning; and
- While Pay for Success *does not* privatize critical government services (such as remedial education, criminal justice, or the like), it *does* hold the potential to reduce the overloaded demand on many of those services, allowing them to bet-ter fulfill their missions.

Pay for Success and Effective Early Childhood Interventions

As we discussed in our 2014 brief on this topic, Pay for Success is particularly well suited to help scale effective early childhood interventions.¹ Many interventions exist today with long-term outcomes that are independently compelling, create significant value for governmental entities, and produce outcomes that advance priorities outlined in S. 1089. Those outcomes include:

- More economically independent mothers,
- Reduced incarceration rates,
- Fewer teen pregnancies,
- Fewer closely spaced second births and fewer preterm second births,
- Fewer injury-related visits to the emergency room,
- Reductions in child maltreatment,
- Less youth crime,
- Higher achievement in school or careers, and
- Increased lifetime earnings.

Yet despite wide agreement that we should develop and implement these effective early childhood interventions broadly, it is very challenging to do so. Many governmental agencies are working to implement effective early childhood interventions, but those efforts are far from full-scale. Two barriers stand out:

- (1) **Resources are tied up in responding to problems, leaving little room for prevention.** Governments are busy putting out fires—that is, responding to problems after they happen—and after more cost-effective responses are no longer an option. Given the fiscal and political pressure faced by all governmental entities, government is rarely able to devote sufficient up-front resources to developing or implementing effective methods to prevent problems in the first place, even if those approaches would save money in the long run. For instance, the Institute of Medicine has documented the costs of failing to focus on prevention, finding that many mental, emotional, and behavioral disorders in young people are preventable, but that prevention remains underfunded.²
- (2) **The costs of wide-scale implementation are immediate, but the pay-back takes time.** Although many programs will deliver both social and financial returns, those benefits take time. Governments often find it difficult to afford investments with delayed returns.

Pay for Success can help address both of those barriers. Governments are able to implement tested interventions without immediately burdening the budget, since the model allows governments to wait until the relevant outcomes are met before payments must be made. If those interventions are ultimately effective at scale, then any resulting cost-savings can be used to help repay the investors' principal and any premium that is agreed to at the outset. Moreover, if the interventions do not produce the agreed-upon outcomes, then the government does not have to pay.

Why Does the Federal Government Need to Get Involved?

One of the questions that often arises in discussions about Pay for Success is this: Why is it important for the federal government to get involved? The simple answer is that many effective interventions produce positive results and save money at both the federal and state or local levels, and—for many of those—the federal government has a significant interest. For example, some two-generation early childhood interventions result in the improved birth spacing and more economically self-sufficient mothers, and therefore reduce dependency on a range of entitlement programs including Medicaid and TANF. Congress should, therefore, position federal programs to foster and leverage those outcomes. If it does so as structured in S. 1089, both states and the federal government will benefit.

¹Institute for Child Success. *Pay for Success Financing for Early Childhood Programs: A Path Forward*. 2014. Available at: http://www.instituteforchildsuccess.org/mydocuments/pay_for_success_financing_for_early_childhood_program2.pdf.

²National Research Council (U.S.) and Institute of Medicine (U.S.) Committee on the Prevention of Mental Disorders and Substance Abuse Among Children, Youth, and Young Adults. *Preventing Mental, Emotional, and Behavioral Disorders Among Young People: Progress and Possibilities*. 2009. Available at <http://www.ncbi.nlm.nih.gov/books/NBK32775/>.

In addition, the federal attention and support for outcome-based payments will incentivize jurisdictions around the country to increase accountability for outcomes in government programs. Identifying the most effective programs and tracking their outcomes requires capacity and effort. This legislation will support and incentivize jurisdictions to build that capacity. The result will be more cost effective government investments and better outcomes for our communities and our country.

Why Do We Need Legislative Action to Support Pay for Success?

The typical appropriations process presents two significant barriers that prevent agencies from engaging in meaningful Pay for Success deals, both of which are addressed by S. 1089. First, federal appropriations typically have to be “obligated” by September 30 of any given fiscal year. What we’ve learned over the last few years is that many of these deals take more than one year to develop to the contract-signing phase. Knowing that the money may evaporate after months of diligent work, but before a deal is finalized, is a substantial hurdle.

Second, federally appropriated dollars typically have to be disbursed within 5-years after the fiscal year in which they are appropriated (under 31 U.S.C. 1552(a)). Many Pay for Success contracts are best suited to something a little longer than a 5-year window, if only because most programs take a couple of years to reach scale, and long-term outcomes may take several years to be fully measured after that. As an example, the first Social Impact bond out of the United Kingdom was a 6-year contract.

Both of those barriers require Congressional action, but the fix is relatively simple and is handled in S. 1089. However, there is a larger challenge the federal government will face as it engages in Pay for Success financing projects, and that is a challenge of human capital. Federal entities are generally not experienced in this field, and we need to develop that expertise in a deliberate fashion. Through the commission created in S. 1089, we can begin building expertise throughout the federal systems, allowing us to operate more efficiently in this field going forward.

What Are the Limitations and Challenges of Pay for Success Financing?

As with any exciting new model, it is easy to lose sight of the limitations and challenges. There are some problems for which Pay for Success is simply not a solution. For example, it does not provide a sound model for providing ongoing funding programs, or for encouraging better evaluation of programs, that are already operating at scale.³ It also is not yet well-suited to fund untested innovations (though, a robust Pay for Success mechanism might encourage novel innovations to look to earlier evaluations).

Similarly, Pay for Success might not make the most sense for those specific services in those rare circumstances where success is nearly guaranteed, because the model does involve premium payments in exchange for investors bearing the risk of failure. In a case where there is virtually no risk, then the investment would be less beneficial from a financial perspective. Even in that scenario, however, Pay for Success financing may provide governments with the fiscal relief they need to help shift resources from remediation towards prevention by enabling them to pay at the end of the project rather than at the beginning.

Moreover, Pay for Success financing deals are difficult to put together, from a technical perspective, so they are currently only appropriate for larger projects where the benefits exceed the transaction costs.

What Are Some of the Technical Challenges of Pay for Success Financing?

- **Identifying rigorously tested interventions:** We have to find and develop interventions with rigorous evidence of outcomes. There are many interesting interventions out there with great confidence in, but little proof of, their results. So the first hurdle is identifying the rigorously tested programs, and then also encouraging promising programs to develop the kind of evidence that investors and governments need. S. 1089 wisely emphasizes the importance of feasibility studies to address both of these issues.
- **Identifying governmental entities:** One difficulty here flows from the fact that many governments are interested in this model primarily for interventions that produce net cost savings (in that they cost less now than they save later). However, those savings may spread among various governmental entities, especially with early childhood interventions, from Medicaid to juvenile justice to

³ Some Pay for Performance systems, which are supported also by S. 1089 but are beyond the scope of these comments, would allow for ongoing funding and evaluations.

education. It is sometimes difficult to find a single agency that reaps enough of the benefits, then, to afford the full costs of a successful program. S. 1089 addresses this issue in two ways. First, it provides for a single entity that can look at benefits across the federal government and, second, the legislation is created to support state and municipal deals that impact federal priorities.

- **Identifying appropriate outcome metrics:** We have to be very cautious to identify outcome metrics with which the service providers, the investors, and the government are all comfortable. This is one of the most challenging elements, particularly with respect to concerns over creating perverse incentives. PFS financing should avoid the danger that providers will “game the system” by determining outcomes compared to a control group or a matched comparison group. If the evaluation is well designed, any changes in how outcomes are counted will affect both the program group and the control group and thus will not translate into better results. This challenge is also why building expertise and collaboration within the federal contracting system—as S. 1089 envisions—is critical to long-term success.
- **Building the system to measure success:** As mentioned above, a centerpiece of Pay for Success financing is rigorous and ongoing outcome measurement, which is challenging for even the best-resourced programs. Pay for Success, however, builds that evaluation into the model from beginning to end, and in such a way that it cannot get lost in the shuffle—investors only invest, and only get a return, if successes are measured and verified by an independent evaluator. S. 1089 supports that model by expressly requiring that the evaluation mechanisms be identified at the beginning.

Given These Difficulties, Why Is so Much Progress Happening Anyway?

- **Investors are asking for it:** We frequently hear from bank executives that their high-net-worth clients increasingly seek investments that are aligned with their values. More and more, the industry is focusing on generating both direct financial returns and positive social outcomes.
- **Governments are looking for more cost-effective strategies to achieve public goals:** Governments spend a tremendous amount of resources responding to crisis situations and providing remediation services. Those governments would normally have to sacrifice some of those critical services to invest resources in early interventions. Pay for Success allows governments breathing room to pay for interventions, in full or part, out of the long-term savings they produce. Moreover, Pay for Success financing helps governments move in a direction they are increasingly interested in: toward analyzing benefits and costs of specific strategies and choosing the ones that produce the best value for taxpayers.

Conclusion

Pay for Success Financing is a promising tool for improving social outcomes and government efficiency. The Institute for Child Success is encouraged by the attention this financing model has received by our elected officials at the federal level, and we are even more encouraged by the Committee’s positive hearing on S. 1089. This financing model is challenging, especially for the federal government, but has tremendous potential for improving our collective fiscal position while directly improving social outcomes. We look forward to continued work with the Committee and Congress on this issue in the weeks and months to come. Thank you for the consideration of these comments.

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Statement of Miho Awazu, MSW, LICSW

I would like to thank Chairman Hatch, Ranking Member Wyden, and other distinguished members of the Senate Finance Committee for the opportunity to submit this statement for a matter that is of great importance for me and for my nonprofit organization members.

I am the founder and board president of International Foster Care Alliance (IFCA), a nonprofit organization based in Seattle, Washington. As an international child welfare organization, we create and sponsor collaborative projects that connect foster youth, foster parents and child welfare professionals between the United States and other countries. We are currently working primarily with our branch office and project partners in Japan.

IFCA believes that the shift of focus from traditional psychotherapy to more evidence-based practices (EBP) and increase in accessibility of these quality EBPs for children and youth in foster care is a pressing issue that needs urgent policy attention.

The purpose of this statement is to:

- Illustrate the needs of quality evidence-based mental health treatment for children and youth in the foster care system in this country, and the consequences of not pursuing this goal for the future of our young people and taxpayers;
- Recommend Trauma-Focused Cognitive Behavioral Therapy (TF-CBT) as an evidence-based treatment method for child and youth who experienced traumatic events in their lives;
- Inform others about our organization, which promotes collaboration between mental health professionals and foster youth, and explain why it is important to include foster youth's voice as some of the best spokespersons for the future mental health policy and practice reform in the U.S. and beyond.

Current Conditions of Mental Health Services for Children and Youth in Foster Care

Each year, approximately 250,000 children enter foster care in this country. These foster care populations disproportionately include low-income families and communities with racial and ethnic minorities.

Prior to entering foster care, approximately 90% of these children were exposed to multiple traumatic experiences that include but are not limited to physical and sexual abuse, serious and chronic neglect, and exposure to domestic and community violence. Prolonged trauma exposure in childhood significantly increases the risk of negative developmental outcomes. A study indicates that up to 80% of the children in foster care require interventions for serious behavioral and mental health problems. It found that about three out of five children in foster care have a lifetime mental health diagnosis and close to one in five children has three or more lifetime mental health diagnosis.^{5, 8}

Despite this great concern regarding mental health of children entering foster care, an astounding 75% of investigated children with mental health problems are not likely to receive needed treatment. It is speculated that even higher rates of unmet need are found among children who remain at home after child protection agencies' investigations.¹

Some researchers argue that one of the biggest reasons why foster children do not receive mental health services is because they are not provided with necessary mental health screening or assessment after the initial investigation. A study found that more than half of all agencies surveyed did not require systematic, universal mental health evaluations for children entering foster care. Only 20% had limited policies that required mental health evaluations, and about 30% of agencies lacked any policy regarding mental health assessment. With no policy or limited mental health assessment policy agencies, concerns related to children's behavioral and emotional problems, suicidal risks, substance abuse and other impaired functioning can easily be neglected.⁶

In contrast, interventions with medications are far more frequently used among the foster care population in this country. In 2011, the Government Accountability Office (GAO) reported that a child in foster care is up to 4.5 times more likely to receive psychotropic drugs compared to a non-foster child. Psychotropic medications created to address serious mental health disorders alter children's behaviors, mood and emotions. Furthermore, GAO reveals that foster children are more likely to be prescribed five or more psychotropic drugs at an age and at doses not approved by the Federal Drug Administration. It is alarming that many of these children receive

psychotropic medications with no additional interventions such as psychotherapy and behavioral treatment.^{2, 10}

Need for Evidence-Based Treatment for Children in Foster Care and Cost of Not Providing Such Services

Adolescents age out from the foster care system between age 18 and 21 are newly independent young adults who have very little support and resources and encounter astonishingly high rates of unemployment, homelessness and other adversities. Mental health, social, and other concerns continue among youth who have experienced foster care throughout their childhood.

Child trauma experts state that trauma exposure, especially exposure to child abuse and neglect, appear to have a life-long impact. Adults who at some point were in foster care are two to seven times more likely to have PTSD, anxiety disorders, depression and drug dependence than adults who were not in foster care, and these diagnoses are also frequently associated with a number of other mental health issues such as aggression, attention deficits, eating disorders, and suicidal thoughts and behaviors.¹¹

Also in recent years, increasingly more studies have been conducted on links between mental health and physical health, and the results indicate that co-occurrence of mental and physical illnesses is a notable consequence of childhood maltreatment. Children diagnosed with mental health disorders such as depression, anxiety and PTSD, often receive medical diagnoses including heart diseases, diabetes and cancer.⁹

Considering the multiple traumatic exposures and other life difficulties that foster children experience before entering state care, one could imagine that their mental health costs are very high. Regarding the cost of mental health services, Medicaid expenditures for children in foster care receiving behavioral health services are significantly higher than for other children in Medicaid. Children in foster care have the highest mean behavioral health expenditures at \$8,094 per year, compared to other children in Medicaid (\$4,868).²

As stated above, cost of mental health for maltreated children is a societal issue. However, if we all know that the mental health conditions of foster children continue onto their adulthood and affect their physical health throughout their life, the benefits of these youth receiving services far exceed the potential cost of them not receiving timely and effective treatment.

The use of traditional never-ending psychotherapy, however, is not the answer to solve the financial and other challenges. A study showed that traditional psychotherapy received for six months by foster children at the time of entry into foster care did not have any overall outcome in depression, self-esteem, and behavior problems. It is urgent that policy makers and other stakeholders pay close attention to time-limited, effective treatment methods supported by evidence.

Psychologist Shannon Dorsey is one of the most well-known child trauma treatment researchers and trainers. She is one of IFCA's project partners. In her 2012 research, Dr. Dorsey concludes that routine trauma exposure screenings should be utilized for all children entering foster care. Treatment should include trauma-focused, evidence-based treatment, and information sharing needs to be increased among caregivers, child welfare workers, and all professionals providing care for foster children and their families.⁷

Trauma-Focused Cognitive Behavioral Therapy (TF-CBT) Is One of the Most Preferred Treatment Methods for Children and Youth in Foster Care

Trauma-Focused Cognitive-Behavioral Therapy (TF-CBT) is the most well-supported and effective treatment for children ages 3 to 18 who have been abused and traumatized. Multiple clinical research studies consistently have found it to help children with PTSD and other trauma-related problems, and it has been rated a **Model Program** and **Best Practice** for use with abused and traumatized children. TF-CBT currently is being used successfully in child welfare and community service agencies across the country.

The treatment is based on learning and cognitive theories and addresses distorted beliefs related to the abuse. Combining elements drawn from various therapy techniques including cognitive therapy, behavioral therapy and family therapy, TF-CBT provides a supportive environment in which children are encouraged to talk about their trauma experience. TF-CBT also helps children's caregivers cope effectively with their own emotional distress and develop skills that support the children.^{2, 3, 12}

Barriers often documented for implementing evidence based practices in the United States are:

- The need for the development of more *culturally appropriate and sensitive services* while maintaining the fidelity of the practices; and
- *Accessibility to affordable and specific training* for clinicians on trauma focused interventions.

TF-CBT addresses the above two barriers with these solutions below:

- When TF-CBT was developed by 3 mental health professionals on the east coast, they looked at the cultural and ethnic diversity of this county, and at the possibility of disseminating this treatment model worldwide. The result was a trauma treatment method known to be one of the most “culturally relevant” evidence based practices. The training manuals contain many materials to teach clinicians cultural considerations and sensitivity.
- The “TF-CBT Web” is a free, open website that contains many lessons for clinicians and students. Anyone who has a master’s degree in related fields can access this website and receive a certificate upon completion of the 15-hour course. In addition, in the last 15 years, the developers trained over 50 train-the-trainers across the nation certifying them to train other TF-CBT trainers and increasing the accessibility of trainers. They also have several world trainers who have traveled to many parts of the globe to teach this method.^{2, 3, 13}

Furthermore, TF-CBT is a time limited (12 to 16 weeks) treatment that involves not only traumatized children but also their caregivers. By involving caregivers in the therapeutic process, child clients are always with them caregivers’ recoveries accelerated. This unique child-caregiver dyad practice thus makes the treatment model cost effective.

IFCA’s Global Programs Involving TF-CBT Dissemination Efforts and Partnership Between Mental Health Professional’s Expertise and Foster Youth

In the last 10 years, child abuse and neglect cases have rapidly increased in Japan and, more than ever before, effective therapeutic methods are sought for these child victims. In 2011, the large earthquake/tsunami in eastern Japan brought challenges to many children who lost their family members. Abuse and disaster victim children and youth suffered complex trauma and grief symptoms and needed effective and timely therapy.

IFCA’s first project since its inception in 2012 was to bring one of the best American TF-CBT to Japan.

Monica Fitzgerald, Ph.D. (University of Colorado), a world TF-CBT trainer, has visited Japan 4 times in the past 3 years and taught over 200 clinicians in the Tsunami disaster affected area and other major cities in Japan. In 2016, Shannon Dorsey, Ph.D. (University of Washington) came to Tokyo with IFCA’s invitation and taught TF-CBT method to an additional 40 clinicians in Japan. These 240 clinicians have treated a total of over 1,000 children with this evidence-based trauma treatment method.

On the following pages of this document, you will be able to read a Japanese clinician’s notes from her work using TF-CBT with boy “H” who was a child abuse victim and lost his only relative.

One another major program that IFCA offers is foster youth collaboration between Japan and the United States. Foster youth and foster care alumni from the Tokyo and Seattle areas visit one another’s country once per year to learn about foster care systems in a culturally and geographically broader context. From these exchanges, youth members learned that youth in these two countries suffer from complicated emotions and trauma related to their past abuse and neglect, as well as from an astounding lack of quality mental health services available to them. In both countries, foster youth have considerably worse outcomes than youth who grow up in traditional home settings.

To bring about public awareness and changes in the mental health policy field, IFCA has established a unique collaboration model where foster youth and mental health experts present together at national and world scholastic conferences.

Our young member team with mental health professionals from Japan and the U.S. presented at the International Society for the 2014 Prevention of Child Abuse and Neglect (ISPCAN) World Conference in Nagoya. They also presented at the 2015

American Professional Society of the Abuse of Children (APSAC) National Conference in Boston.

Experts in the mental health field are not just professional adults. Foster youth are important experts who have experienced and lived the system and can bring unique insider perspectives to policy discussions. Including youth's voices to change the current systems is far more effective than having only clinicians and researchers and policy makers involved in the reform efforts.

On the following pages of this document, former foster youth Janice shares her own experience as a foster child as well as her emotional/psychological recovery, and describes some of the challenges that foster youth face when receiving mental health services in the U.S.

Conclusion

Since the enactment of the Adoption and Safe Families Act (1997), the focus of child welfare has been to achieve safety, permanency and **well-being** of vulnerable children and youth in foster care. The principle of "well-being" encompasses children's emotional and behavioral health. Despite the recognized importance of mental health services for foster care population, there still is a significant gap between children who need services and children who receive services.

If the goal is to reduce the unmet need for mental health services among children and youth in foster care, child welfare agencies, legislators and other stakeholders will need to implement high quality, time-limited, cost effective evidence based treatment.

A Child Psychiatrist's Story About 10 Year-Old Boy "H"

A child psychiatrist who participated in Dr. Fitzgerald's workshop is treating trauma-affected children in one of the Tohoku prefectures. She sent IFCA the following message.

Ten-year-old boy "H" was abused by his parents since he was a toddler. After being abandoned by his parents, "H" has been raised by his grandmother. On March 11th, 2011, "H" lost his only relative, his grandmother, in the Tsunami disaster. Being in a severe state of shock and confusion, "H" was placed in a psychiatric hospital. For many months, this young boy was not willing to talk to anyone.

I treated "H" using TF-CBT's technique. Slowly but surely, "H" has opened up his mind and started to speak to me about his parents' past abuse towards him, the horrific experience of the Tsunami disaster, and his feelings towards his grandmother. TF-CBT has a wonderful tool called "Trauma Narrative." Children use this method to create their own books to talk about their trauma experiences. Not only do they share these books with their therapists, they also share them with their caregivers. This experience leads the children to a state of self-discovery and revelation.

"H" was released from the hospital and lives in a local children's facility. He can now talk with his peers about his bright future. Through practicing TF-CBT, I learned what traumatized children should learn about their internal selves.

Monica Fitzgerald, Ph.D.

APSAC Speech, July 23, 2015 by Janice Cole

The very circumstances by which youth enter foster care necessitate challenges with trauma and mental health. Consider the two reasons that a youth would enter foster care: (1) abuse or (2) neglect. For whatever and for varied reasons, their parents were unable to care for them, and so they are removed. Ignoring the circumstantial trauma of why youth enters care, the removal itself, and the separation from one's biological family, is a whole different trauma. Foster youth are sent to live with strangers, often with little to no explanation, and often without their siblings. I think there are few who would argue against the claim that people who go through situations like these need mental health support.

In fact, in a recent study by Casey Family Programs, it was found that 80% of foster youth experience some kind of mental health challenge that requires treatment and intervention. Additionally, the study finds that there is a high need for mental health services, and yet an underutilization of the services that are available. Other challenges found include racial disproportionality, type of placement, over medica-

tion, lack of proper assessment tools, lack of appropriate treatments, and stigma of not only being in foster care, but also of accessing mental health services.

I would like to argue that while mental health services do in fact exist, they need to be taken a step further. We need to move away from simply the availability of services, and move toward providing quality, evidence-based services for youth and alumni of care. This is something I strongly believe can only be accomplished if professionals partner with the youth they are serving. To illustrate this point, I would like to share my own story of mental health.

I mentioned that foster youth typically enter foster care due to abuse or neglect. For me, I entered foster care at age 3 due to neglect. My biological parents were so addicted to drugs and alcohol that by the time the state intervened, my older brother (who was 5) was the sole caretaker of both myself and our younger brother (who was 1 year old). When I was put in foster care, I was separated from both of my brothers and had three different placements by age 5. Now, I would like to pause and draw your attention to the traumas I had amassed by this point in my life: poverty, neglect, malnourishment, loss of parents, loss of siblings, and placement instability. I was also extremely bullied by my foster brothers and sisters.

Given this, it should be no surprise that when I was adopted at age 6, I was immediately placed into therapy. However, I use this term loosely. I remember each week I would go to my therapist's office and play with toys while my parents sat and right in front of me would tell this stranger how my brothers and I were ruining their lives. I do not ever remember this therapist ever speaking to me, which was funny because I was her actual client. In fact, our therapist-client relationship was so non-existent that when my adoptive parents began to abuse me, I said nothing to her. I feared that since she only ever spoke with my parents, that she would simply tell them what I said, and I would get more hurt.

Eventually, the counseling sessions ceased, but the abuse did not. In fact, it worsened in every way. My adoptive parents threatened that if I ever told anyone what was happening, the state would come and take me away, and I would never see my brothers again. Having experienced the pain of that loss before, I stayed silent. This went on for nine years until I couldn't take it anymore. It was only after a failed suicide attempt that I finally gathered the courage to speak up.

As soon as I did, I was immediately placed back into foster care in relative placement with my oldest sister. I was also immediately placed into therapy. This time though, things were different. My therapist, who specialized in intensive trauma recovery, actually asked me questions about myself. She always asked my permission before sharing anything that I told her with my guardians. She also focused on empowering me by giving me the tools to work toward my own recovery. She explained to me what triggers were, and taught me grounding techniques so that when I was triggered and felt a panic attack coming, I could cope and not be afraid. Having the skills to take charge of my own mental health was one of the most liberating experiences I have ever had. I can't say that my mental health is perfect, as I am sure none of us can. But I can say that this therapist taught me that I was powerful, not broken. That I was normal and brave for asking for help. And she taught me that I could heal.

I hope that my story, along with those of my peers, has illustrated how important it is to not just offer mental health services, but to provide quality, evidence-based treatment. I hope we have also shown you how critical it is to partner WITH youth and alumni of care, and to empower them to be the strong and resilient people we all know them to be.

As a team, we put together a list of recommendations on ways mental health providers could incorporate these ideas into their own practice. I'd like to share those now, and we hope that these will be a starting off point as we engage in small group dialogue on practice implications.

- (1) Know:
 - The culture of foster care.
 - What evidence-based practices exist.
- (2) Ask:
 - What do you need? What do you want?
- (3) Listen:
 - Affirm our experiences, and don't be afraid to ask about/talk about our trauma.
 - Normalize therapy and teach us that getting help is not only okay, but brave and strong.

(4) Respond:

- Teach: skills for managing trauma reactions and symptoms.
- Anticipate: resurfacing trauma and triggers.
- Connect: to support services, educate youth on how to find and access evidence-based mental health supports so that in the future, when things resurface, as we all know they will, we won't be afraid to take charge of our own lives.

Thank you.

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LOCAL INITIATIVES SUPPORT CORPORATION (LISC)

TESTIMONY SUBMITTED BY:

MATTHEW JOSEPHS, SENIOR VICE PRESIDENT, POLICY

Chairman Hatch, Ranking Member Wyden, and Distinguished Members of the Senate Committee on Finance:

The Local Initiatives Support Corporation (LISC) appreciates the opportunity to submit testimony for the record on how evidence-based practices improve outcomes for vulnerable families. We especially appreciate the opportunity to highlight how the Pay for Success (PFS) model, also known as Social Impact Bonds, is supporting evidence-based practices in local communities. Thank you, Senators Hatch and Wyden, for initiating a discussion around a relatively new alternative funding mechanism that will benefit low-income families and economically challenged communities plagued by disinvestment.

ABOUT LISC:

Established in 1979, USC is a national non-profit Community Development Financial Institution (CDFI) dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity—good places to work, do business and raise children. LISC mobilizes corporate, government and philanthropic support to provide local community development organizations with loans, grants and equity investments, as well as technical and management assistance.

LISC has local programs in over 30 offices nationwide and partners with over 70 rural community organizations. For more than three decades, LISC has developed programs and raised investment capital to help local groups revive their neighborhoods. We deliver tailored support for community-based organizations to meet specific needs in the areas of housing, economic development, education, healthcare, community safety, and building family financial stability.

In recent years, LISC has been at the forefront of developing model initiatives that, in addition to providing tremendous benefits for low-income families, have the potential to result in considerable cost savings for federal, state and local governments. Our work attempts to meet the comprehensive needs of communities, spanning multiple categories—from improving the long term financial well-being for families, to reducing crime in communities through targeted interventions, to investing in supportive housing that mitigates the societal cost of emergency responses for the chronically homeless.

In early May 2016, the Corporation for National and Community Service (CNCS) announced LISC as a Social Innovation Fund (SIF) PFS grant recipient. Over two years, a \$1.3 million award will be used by LISC to provide transaction structuring support to three to four PFS projects. LISC's program will connect government funding to preventative programs in the health, youth and employment arena in an effort to demonstrate positive outcomes for people who access these services. By helping social service providers design programs, raise private capital and produce the metrics needed to demonstrate results, we will be continuing our work in revitalizing neighborhoods and improving outcomes for its low-income families.

IMPROVING COMMUNITIES VIA PAY FOR SUCCESS:

Evidence-based practices and policies are a way to build a culture of continuous improvement and accountability through the use of administrative data to monitor ongoing program performance. As Senator Wyden conveyed during the hearing, "This is a great opportunity to dig into an issue that really should be an underpinning of the work Congress does every day: that is to say, we should be constantly asking whether the laws we write are working as they ought to be." With evaluation built into the PFS model, there are clear metrics of success. Below are several examples of our work that we believe will help to enrich the field of Pay For Success.

LISC NYC Two Shades of Green

LISC New York City's Two Shades of Green (TSG) program is a housing preservation strategy that incorporates green and healthy practices into the buildings. LISC received a \$15 million Weatherization Assistance Program (WAP) contract from New York State to fund the installation of energy-efficiency retrofits in 2,226 apartments in 95 buildings. LISC used this opportunity to expand the program scope beyond energy outcomes to capture other health, environmental and economic benefits.

TSG has two primary goals. First: Increase the health and wellness of building residents and staff by integrating green, healthy and cost-effective measures into existing affordable housing rehabilitation and property maintenance. Measures include: safe and green pest control to reduce exposure to toxic pesticides, aperture sealants to prevent pests from entering and heat from escaping, smoke-free housing to reduce resident exposure to secondhand tobacco smoke and fire risk as well as decrease the cost of unit turnover, active design through low-cost modifications and add-ons to increase the physical activity of residents, and use of green cleaning products to reduce exposure to harmful chemicals.

Second: Help property managers and owners consume less energy and water and realize cost savings through more efficient operations. As such, TSG also provides a comprehensive set of services to advance energy and water conservation measures, including: benchmarking to measure project performance pre- and post-retrofit, project design assistance for energy and water retrofits, coordination with available rebate or incentive programs, preparation of financing packages to support retrofit work, and staff training and preparation of operation and maintenance plans.

Since 2013, LISC and our partners have helped implement TSO energy, water and health upgrades on 600 units. Baseline measures have been established to hone TSO outcomes and assess changes to asthma triggers, costs, and complaints over time, and the program conducts ongoing evaluation of both the health and utility outcomes. Preliminary evidence shows a reduction in the number of asthma attacks and other health complaints for building residents along with reduced utility costs for property managers.

Supportive Housing Services to Vulnerable Populations

Senate Finance Committee members emphasized a desire to see federal funds used more effectively to address social issues. We believe that providing supportive housing services to vulnerable populations represents an opportunity to recognize cost savings to society.

LISC, through its affiliate the National Equity Fund (NEF), financed a mixed-income housing property in Brooklyn, NY which includes 60 supportive housing units: 20 designated for referrals from the New York State Office of Mental Health and 40 for referrals from the New York City Department of Homeless Services. All of the referrals for these 60 units are persons living with a diagnosed mental illness, and nearly all (more than 90%) spent at least one year prior to their arrival in an expensive publically funded institutional setting (either a city emergency shelter or a state psychiatric center). The development opened in the spring of 2012; by November of that year, all 60 units were occupied. 18 months later (November 2013), 90% of the original occupants (55 out of 60) remained housed at the development. Services include medication monitoring and education, entitlements counseling, access to mental health and primary health care and supported employment programs.

The resultant cost savings are significant: Residents at the development are maintained in housing in the community at a fraction of the cost associated with the institutional alternatives they resided in before. The annual cost to maintain a patient in a New York State funded psychiatric center is \$292,730; the annual cost to permanently house a former OMH psychiatric center patient at this development is less than 15% of that amount, or roughly \$32,000 per year.

Financial Transaction Structuring

There are many high-performing social programs operating throughout the country, but little capacity or capital available to such programs in order to bring them to scale. Transactions yield too thin a margin without capturing the federal component of the savings to offer risk-adjusted returns that would attract market-oriented “impact investors.” USC is well positioned to determine whether a project is a best practice that can and should be replicated. We have the capacity to examine an evidence-based strategy, its social value in the targeted low-income communities, the magnitude of the organizational capacity to implement the project, its attractiveness to funders and other providers of capital, and its riskiness in terms of repayment of capital and achievement of social outcomes.

Financial intermediaries like LISC and other CDFs have much to offer the field of social impact investing. In a recent report by MDRC, *Learning From Experience: A Guide to Social Impact Bond Investing*, Gordon Berlin points out, “Community development finance institutions have the infrastructure and the know-how needed to make social investing deals, making them the ‘go-to’ organizations for SIBs.”

We hope to help build the body of knowledge around PFS best practices and transaction structuring and contribute to the ongoing conversations about the strengths and limitations of the Pay for Success model. LISC is committed to helping to shape the future of social impact investing in terms of program implementation, deal structuring and evaluation. As we share our insights with CNCS and the Social Impact Investing field, we hope to identify and bridge existing gaps in services needed to close PFS transactions. To this end, in February 2016, USC hosted a webinar on underwriting PFS investments targeting private investors. USC will build on these knowledge sharing activities through a series of trainings on PFS structuring and investments, risk analysis and contracting. These activities are intended for a wide audiences including investors, underwriters, service providers, government entities and evaluators. We intend for our work to contribute to a rich pool of knowledge with PFS practitioners across the country, driving up the number of executed high-quality PFS transactions.

PAY FOR SUCCESS SHIFTS RISK, SPURS INNOVATION:

Pay for Success investments shift the risk for government entities attempting innovative solutions. When there is evidence of significant cost savings, as demonstrated

above, federal, state and local governments can partner with philanthropies and private investors to leverage financial resources. Governments pay only for outcomes achieved. Private investors assume the risk by initially funding the intervention and are repaid upon success of the program.

We applaud Congress for recognizing the utility of cross-sector partnerships and encouraging data-driven social investments. Social Impact Partnership legislation introduced by Senators Hatch and Bennet (S. 1089) and Representatives Young and Delaney (H.R. 5170) support measurable, clearly defined outcomes that result in social benefit, with independent evaluation as a clear indicator of program success. These innovative proposals encourage social service programs to have evidence of effectiveness in PFS projects and require rigorous evaluation. The bills also seek to spur innovation in the PFS arena by allocating \$100 million in funding for projects and compensating state and local governments for savings that accrue at the federal level.

As Senator Hatch pointed out during this hearing, “Social impact financings gives local leaders the flexibility to design and adjust programs to fit local needs in order to ensure that they have the desired impact.” By structuring payments around measurable outcomes, PFS’s flexibility allows implementation of evidence-based programs, careful testing of innovative projects, and scalability of successful programs.

We applaud Congress’s bipartisan and bicameral efforts to investigate evidence-based practices. We are hopeful that Pay For Success will encourage the implementation of better programs and effective policies through the more responsible use of taxpayer dollars. If LISC can be a resource to you or your staff, please contact Abigail Santos, Assistant Policy Officer, at (202) 739-9288 or asantos@lisc.org with any questions.

THE NATIONAL CAMPAIGN TO PREVENT TEEN AND UNPLANNED PREGNANCY
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TheNationalCampaign.org | bedsider.org | StayTeen.org

May 23, 2016

U.S. Senate
Committee on Finance
Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Re: Full Committee Hearing, “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

Dear Chairman Hatch, Ranking Member Wyden, and members of the Committee:

On behalf of The National Campaign to Prevent Teen and Unplanned Pregnancy, thank you for the opportunity to submit a statement for the record for the Senate Finance Committee Hearing “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?” held May 10, 2016. The National Campaign, a research-based, nonpartisan, nonprofit organization was founded in 1996. Our mission is to improve the lives and future prospects of children and families and, in particular, to help ensure that children are born into stable families who are committed to and ready for the demanding task of raising the next generation. Our strategy is to prevent teen pregnancy and unplanned pregnancy, especially among single, young adults. Ensuring that young people have access to high quality, evidence-based teen pregnancy prevention education is one critical element in helping more young people delay pregnancy and parenting. In this statement, we offer information about two such programs, the Personal Responsibility Education Program (PREP) and the Teen Pregnancy Prevention Program (TPPP), that we hope will be helpful as the Committee goes about its important work.

Since the early 1990s, teen pregnancy and birth rates have declined by 55% and 61%, respectively.^{1,2} However, it is still the case that roughly one in four girls in this country will become pregnant before the age of 20, and nearly half of all teen girls in foster care have been pregnant at least once by the age of 19.³ Even with dramatic across the board declines, disparities persist by race and ethnicity, education and income, and geography.⁴ For example, four in 10 African American girls and one in three Latinas will become pregnant before age 20, compared to roughly one in six non-Hispanic White teen girls.⁵ Birth rates for Native American teens are well above the national average.⁶ In addition, teen birth rates in rural areas are

nearly one-third higher compared to rates in the rest of the country.⁷ Moreover, the United States has much higher teen pregnancy rates than our trading partners.

In addition to costing taxpayers more than \$9.4 billion annually, our high teen pregnancy rates threaten to hinder our nation's progress, as young parents have less opportunity to get the education and skills they need to compete in a 21st century workforce.⁸ For instance, 30% of teen girls who have dropped out of high school cite pregnancy/parenthood as a key reason. And fewer than 2 percent of those who have a child before age 18 attain a college degree by age 30.⁹ However, the unprecedented declines over the past two decades show that progress is possible. Since the evidence-based programs PREP and TPPP began in 2010, the teen birth rate in the U.S. has declined 29%, a drop about twice as large as in any other 4-year period.¹⁰

Before these two programs began, there was no federal investments in evidence-based teen pregnancy prevention programs; research in this area had primarily come from private investments. In fact, our organization, which has had a long standing commitment to identifying and supporting evidence-based programs to reduce teen and unplanned pregnancy, published one of the first reviews of effective teen pregnancy prevention programs in 1997 by Dr. Doug Kirby entitled *No Easy Answers*¹¹ that found very few effective programs. By 2001, when we published Dr. Kirby's next research review, called *Emerging Answers*,¹² there were several rigorous studies of programs that showed sustained positive effects on behavior. These offered the field a handful of programs from which to choose, but trying to find funding for such programs was a struggle. When we published Dr. Kirby's updated literature review called *Emerging Answers 2007*, the quantity and quality of evaluation research had grown dramatically and there were now 15 programs with strong evidence of positive impact on sexual behavior or pregnancy or STD rates.¹³ However, the ability to replicate these programs was limited in large part by a lack of public funding.

In FY 2010, this changed significantly when the Finance Committee established PREP, funded at \$75 million annually, and Congress appropriated \$110 million for TPPP.¹⁴ As of FY 2016, there is \$286 million dedicated to teen pregnancy prevention education programs, of which \$176 million is devoted to these two evidence-based programs.¹⁵ An additional \$6.8 million is appropriated for evaluating teen pregnancy prevention programs. This was a tremendous shift towards evidence-based policymaking. Still, taken together, multi-year PREP and TPPP grants are sufficient to serve fewer than 2 percent of teens in the United States.

PREP and TPPP, like the Maternal, Infant, and Early Childhood Home Visiting program, have been recognized as pioneering examples of tiered evidence-based policymaking,¹⁶ and represent an important contribution to building a body of evidence of what works. They include high quality implementation, evaluation, innovation, and learning from results. The majority of PREP and TPPP funding goes toward replicating programs that have been demonstrated to change behavior using well recognized high standards of evidence. A smaller portion of funding is reserved for research and demonstration projects to develop, replicate, refine, and test additional models and innovative strategies. This ensures that the menu of effective approaches to reducing teen pregnancy will continue to grow and be refined.

Grantees can choose a program model from a list of effective programs that have been identified as a result of the U.S. Department of Health and Human Services' (HHS) ongoing systematic review of the teen pregnancy prevention research literature. Since 2009, HHS has sponsored this review of the literature to help identify programs with evidence of effectiveness in reducing teen pregnancy, sexually transmitted infections (STIs), and associated sexual risk behaviors. The review, conducted by Mathematica Policy Research, looked at hundreds of evaluations and initially identified 28 programs that met Tier 1 criteria. That is, they must have been evaluated using a randomized controlled trial or quasi-experimental design. These evaluations must demonstrate actual changes in behavior (not just knowledge or behavioral intent), and results must be published in a peer-reviewed journal. The evidence review is updated periodically to capture the latest evaluation studies, and now includes 44 programs.¹⁷ The evidence reviews and searchable database of effective programs available on the HHS website is similar to the "what works clearinghouse" called for in Results for America's *Moneyball for Government*.¹⁸ The wide range of models on the HHS list of evidence-based programs, including abstinence programs, youth development programs, and those that address both abstinence and contraception gives grantees the flexibility to choose an effective approach that reflects their needs and values, recognizing that what people in Utah choose may be different from what people in Oregon choose.

PREP was established by the Finance Committee in FY 2010, alongside the State Abstinence Education grants. PREP continues to be funded at \$75 million in mandatory funding annually through FY 2017. Administered by the Administration on Children Youth and Families (ACYF), PREP supports states, communities, and tribes to educate adolescents on both abstinence and contraception to prevent pregnancy and STIs, and on other adulthood preparation topics such as healthy relationships, communication with parents, and financial literacy. PREP focuses on youth at greatest risk of teen pregnancy and geographic areas with high teen birth rates. For example, 34% of grantees targeted youth in foster care and 74% target youth in high need areas.¹⁹ Most of the PREP funding (\$58 million) supports grants to states, territories, and tribes and emphasizes the use of evidence-based programs. Indeed, more than 95% of youth served by the state grants received one of the evidence-based programs from the HHS list referenced above.²⁰ An additional \$10 million supports competitive grants to public and private entities to develop, replicate, refine, and evaluate innovative strategies to reduce teen pregnancy and repeat pregnancies among youth up to age 21. These grants are subject to rigorous evaluation and reflect a “Tier 2” approach that supports innovation, fills gaps in existing programs for underserved populations, and expands knowledge about what works. Together, PREP grantees served more than 126,000 youth in 2014.²¹

Funded at \$101 million for FY 2016, TPPP is a discretionary program administered by the Office of Adolescent Health that currently supports 81 competitive grants to a broad range of organizations and agencies in 38 states and the Marshall Islands. The grantees focus intensely on communities with the highest teen birth rates and the most at-risk youth. These 5-year grants were awarded in FY 2015 and are contingent on continued appropriations. Approximately 75% of the grants funds are used to replicate program models that have already been shown through careful evaluation to change teen behavior (Tier 1), and approximately 25% of the funds support research and demonstration projects to develop, replicate, refine, and test additional models and innovative strategies to prevent teen pregnancy (Tier 2). The first round of TPPP grantees served more than 140,000 youth in 2014,²² and the new round expect to serve 291,000 youth annually.²³

PREP and TPPP have been lauded by independent experts as strong examples of evidence-based policymaking. For example, the Bridgespan group cited the TPPP as a model for how to expand evidence-based practices.²⁴ Ron Haskins, a former Ways and Means Human Resources Subcommittee Staff Director, described PREP and TPPP as case studies of evidence-based policymaking in his book *Show Me The Evidence*.²⁵ PREP is also highlighted in the Results for America Invest in What Works Index of federal departments and agencies.²⁶ Moreover, the federal list of evidence-based teen pregnancy prevention programs has become a resource for people around the country looking for effective programs, allowing states and communities to leverage their resources, without reinventing the wheel. Also, as the National Conference of State Legislatures has noted, the evidence-based approach to teen pregnancy prevention programs has inspired legislation in several states.²⁷

A number of experts, including Ron Haskins, have referenced the importance of continual learning and evaluation as a hallmark of evidence-based policymaking. Both PREP and TPPP have made a serious commitment to evaluation, with a combination of national and grantee level evaluations.^{28, 29} This includes rigorously evaluating models that have already proven effective in past studies to see how they perform in additional sites and settings, rigorously evaluating promising programs to determine if they can demonstrate positive results, and collecting a host of grantee-level performance measures. They have also invested in technical assistance, training, and support for grantees to ensure high quality implementation.

Ongoing commitment to evidence-based approaches to reducing teen pregnancy will not only improve outcomes for vulnerable children and families, but are also a cost-effective investment.³⁰ In fact, only about \$1 out of every \$100 spent on federal programs is backed by any evidence that the money is being spent wisely. At a time when leading experts—from The Brookings Institution to The Heritage Foundation to Results for America—and members of Congress are wisely and increasingly focused on ensuring that federally funded programs achieve results, and that they are rigorously evaluated in order to be sure that they do; PREP and TPPP are smart uses of taxpayer money.

Reducing teen pregnancy helps reduce poverty, increase educational achievement and workforce competitiveness, and improve the health and well-being of children and families. PREP and TPPP help achieve this goal by adhering to high standards of evidence, focusing on outcomes rather than program content, and ensuring the

growth and support of a broad menu of proven program models that communities can choose from. Indeed, both programs embody many of the positive qualities of evidence-based programs highlighted by Finance Committee members and witnesses at the hearing, such as continual evaluation that allows for ongoing program improvement, the flexibility to respond to outcomes by replicating program models that demonstrate success, and the ability to refine what we know about what program models work best with specific populations and in specific settings.

In closing, thank you for your commitment to evidence-based policymaking and improving the lives of vulnerable individuals and families. If you have any questions or need additional information, please contact me at 202-478-8554 or akane@thenc.org.

Sincerely,

Andrea Kane
Vice President, Policy and Strategic Partnerships

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² The National Campaign to Prevent Teen and Unplanned Pregnancy. (2016). *Teen Childbearing in the United States, 2014 Birth Data*. Washington, DC: Author. Retrieved May 23, 2016 from <http://thenationalcampaign.org/resource/teen-childbearing-united-states-2014-birth-data>.

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¹⁰ The National Campaign to Prevent Teen and Unplanned Pregnancy. (2015). *Survey Says: Extend Not Eliminate*. Washington, DC: Author. Retrieved May 23, 2016 from <http://thenationalcampaign.org/resource/survey-says-plus-july-2015>.

¹¹ Kirby, D. (1997). *No Easy Answers: Research Findings on Programs to Reduce Teen Pregnancy*. Washington, DC: National Campaign to Prevent Teen Pregnancy.

¹² Kirby, D. (2001). *Emerging Answers: Research Findings on Programs to Reduce Teen Pregnancy*. Washington, DC: National Campaign to Prevent Teen Pregnancy.

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¹⁵ For an overview of these programs, see The National Campaign to Prevent Teen and Unplanned Pregnancy. (2016). *Federal Funding Streams for Teen Pregnancy Prevention*. Washington, DC: Author. Retrieved May 23, 2016 from <http://the.nationalcampaign.org/resource/federal-funding-streams-teen-pregnancy-prevention>.

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NONPROFIT FINANCE FUND (NFF)

5 Hanover Square, 9th Floor
New York, NY 10004

Statement for the Record

**“Can Evidence-Based Practices Improve Outcomes for
Vulnerable Individuals and Families?”**

May 10, 2016

Nonprofit Finance Fund

Nonprofit Finance Fund (NFF) is a national 501(c)(3) community development financial institution with over 35 years investing in and advising the social sector. We unlock the potential of mission-driven organizations through **tailored investments, strategic advice, and accessible insights**. NFF has partnered with a wide range of public and private providers of capital to develop and implement innovative and effective ways to increase the flow of capital to a chronically undercapitalized social sector. Throughout this time, we have also worked closely with the providers of services to empower them with the skills and capacity necessary to convert capital into meaningful, positive outcomes for the individuals, families and communities that they serve. We are a financial educator and trusted advisor to nonprofits and funders. We surface and communicate trends that emerge from serving thousands of organizations.

NFF’s aspiration is to share the learnings from our work in the sector to help government and other stakeholders make public policy changes that benefit nonprofits and help them accomplish their mission. NFF is uniquely positioned for this work, building from a distinguished record of direct investment, advisory work and applied research. Our transactional experience in the trenches and our demonstrated ability to communicate complex financial concepts to nonprofit practitioners provide a unique and powerful base from which to move forward. NFF continuously advocates for the health and vitality of the social sector, providing critical insights in response to challenging environmental conditions, a sector-wide need for reform, public policy changes or lack thereof, and apparent fragility among organizations working in the current system.

Pay for Success

Pay for Success is a creative approach to funding social services, with potential to bring new, significant, and reliable resources to proven preventative programs. In a Pay for Success deal, private investors pay for preventative or interventional social services up front. Should these services deliver their intended results, governments then reimburse the investors with a return on their investment, while saving money on what they otherwise would have spent. It is a model designed to both improve outcomes and reduce costs. Pay for Success centers upon evidence-based practices that have demonstrated effectiveness in addressing some of society’s most intractable issues. From reducing chronic homelessness and jail recidivism, to improving early childhood education and health outcomes for vulnerable populations across the nation, Pay for Success is shifting the sector’s focus to the importance of understanding and scaling services that have demonstrated evidence of effectiveness and propelling states and counties across the United States to form multi-sector stakeholders aligned around shared outcomes goals. NFF believes that the system change work of aligning spending and program delivery around outcomes-oriented services requires the collaboration of public, private, nonprofit and academic stakeholders. PFS is but one tool that can catalyze this shift, but it has had a notable impact to date, bringing attention to innovative means to align resources around evidence-based programs.

NFF’s Work in Pay for Success

With the arrival of Pay for Success (PFS) in the United States in 2010, we at NFF, along with many others in the sector, recognized its potential to catalyze improved delivery of and investment in better social outcomes. Equally as important was the recognition that PFS also had the potential to motivate a needed discourse among service providers, traditional and new social sector investors, governments and other stakeholders in the sector on how to align their efforts to improve our society’s capacity to deliver better outcomes more cost effectively for the beneficiaries of social programs.

NFF continues to provide capital to the U.S. social sector through facility, working capital and bridge loans from our \$80 million loan fund and New Markets Tax Credit transactions and to deliver strategic financial management advice and capacity building programs to service providers and providers of capital. We have also made a strong commitment to supporting an investigation of PFS's potential and to systematically preparing the sector for outcomes-based financing of social services more broadly.

Within this framework, the portion of NFF's work devoted to the PFS space has focused from the outset on helping service providers, investors, and governments understand and build readiness for productive participation in a U.S. social sector where providing and accessing capital is increasingly tied to the achievement of meaningful and measurable outcomes. During this time, NFF has led sector-wide PFS education, outreach and convening efforts in close collaboration with multiple stakeholders, including the Rockefeller Foundation, the White House Office of Social Innovation and Civic Participation, William and Flora Hewlett Foundation, Joyce Foundation, DoL, DoJ, OMB and numerous other service providers, state and local government entities, intermediaries and researchers. Through these efforts and our Pay for Success Learning Hub (payforsuccess.org), which has attracted more than 35,000 unique visitors, we aim to facilitate a balanced, objective and transparent dialogue on the opportunities and challenges PFS presents for all of us in the social sector.

Throughout this period, our PFS work has also focused on capacity building initiatives to better prepare service providers, investors, and governments for collaborative participation in an outcomes-based funding world. With support from the Rockefeller Foundation in 2013, NFF designed and led readiness incubators and accelerators for cohorts of service providers in five geographies across the country. Governments, funders and high performing service providers in each of these targeted locations are advancing outcomes-based finance strategies such as PFS to test the potential of these approaches to deliver better outcomes and provide a supplemental, cost-effective source of capital for vital social service programs.

As NFF begins its 35th year serving the capital, capacity building and thought partnership needs of the social sector, we are very excited about our growing diverse and integrated portfolio of capital access and capacity building work. Most recently, in partnership with the Corporation for National and Community Service (CNCS) Social Innovation Fund, and the Laura and John Arnold Foundation, NFF has launched an initiative that will award a total of \$2.88 million, through an open, competitive grant competition, over 2 years to support Pay for Success transaction structuring efforts across the U.S. Additionally, with the support and partnership of Irvine Foundation, NFF continues to oversee a statewide initiative in California designed to catalyze Pay for Success transactions by sharing expertise, building leadership and aligning the efforts of a diverse set of stakeholders, such as service providers, investors, intermediaries and government. Furthermore, in 2013 NFF received an award of \$1.347 million from the Community Development Financial Institutions Fund Program Award to attract additional capital to invest in Pay for Success transactions. We have invested these funds into two county-level Pay for Success projects: the Cuyahoga Partnering for Family Success Program in Cuyahoga County, OH and the Housing to Health Initiative in Denver, CO.

Insights to Share With the Senate Finance Committee

- Allocation of federal funding to support state and local PFS projects in the form of back-end payments is still critical to market growth—this can take the form of the \$300 million PFS Incentive Fund, proposed to be housed at Treasury Department, or RFPs put out by individual agencies as in the case of the HUD/DOJ opportunity.
- Federal government can also enable better outcomes by providing authority within existing budgets (as in WIOA, which allows for up to 10% of state block funding to be used in pay for performance arrangements) or by providing relief from regulatory constraints which prohibit agencies from blending funding and sharing data. One example of this is the Performance Partnership Pilot projects which allow states to blend different sources of discretionary and block grant money typically managed by different, non-collaborating agencies, and report on a single set of outcomes for projects serving disconnected youth.
- Ongoing support for the Social Innovation Fund is critical, because it has dedicated resources to evaluation/building the evidence base through the SIF Classic competitions, as well as seed market growth in the PFS field. SIF has also played the role of field builder and educator about PFS and evidence within

government, and can continue to support other agencies in developing PFS RFPs and competitive funding opportunities that weight evidence and evaluation in their scoring.

- In general, there is a greater need for federal resources for evaluation, as well as resources to support service provider capacity building to ready the field to engage in evaluations, and measure and report on outcomes.

LETTER SUBMITTED BY DEBORAH PERIN

May 21, 2016

Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

Re: Full committee hearing held on May 10, 2016 entitled, "Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?"

Dear Senate Committee on Finance:

I am deeply concerned about how our child welfare system treats children and families once those families are involved with the child welfare. Families are often treated without compassion, and care is not taken to ensure parents are not falsely accused. In reality, if initial allegations are false, child welfare will often dig for reasons to stay in a family's life and take their child.

Let me give you a hypothetical example:

Little Carly is playing out in front of her house. The neighbor sees the child playing, and because the child's mom is not directly in her view, she assumes that the child is unsupervised. The neighbor chooses to call child welfare. A caseworker arrives at the house with two police officers; they say that they had an anonymous call about their small child playing out front without supervision and they insist that it is necessary to come in the house to check on the child. The parents, feeling that they do not have a choice, invite the caseworker and the police officers into their home.

The mother states, "I am in the process of cleaning out some closets so please excuse the mess." The mother then explains to the caseworker that she was watching her child on the day someone claimed the child was alone, and that she would never dream of leaving her child unsupervised. The caseworker checks Carly for outward signs of abuse and then insists on looking in the refrigerator and in the child's bedroom.

The caseworker writes in her notes, "The house is a mess and dishes are piled up in the sink." In reality, the breakfast dishes are in the sink and the house is only a mess because as the mother had said, she was cleaning out some closets. The caseworker then asks the parents if they have ever abused drugs or alcohol. The dad reveals that he had a problem with alcohol, but that he went through rehabilitation and has been clean for 10 years.

The caseworker writes down, "Father is an alcoholic." The caseworker says to the mother, "The child has a small bruise on her lower leg." To which the mother says, "She fell down 2 days ago while we were playing at the park." The caseworker writes down, "Child has a bruise on her leg, possible abuse."

At this point, the caseworker tells the mother and father that their child is being taken into custody and they will be contacted concerning a court date. Over the next few months, the mother and father are given a case plan by child welfare and each of them is assigned their own court-appointed attorney.

Each parent is then told by their own court-appointed attorney to sign the case plan, and that if they truly want their children back, they will need to separate from each other. Over the next few months, the parents contact their attorneys regularly trying desperately to figure out how to get their daughter back. Their calls are ignored.

At his court-appointed attorney's request, the father leaves the family home, and moves in with his mother and father. Both parents follow the case plan, which states that the parents will be required to attend parenting classes, psychological evaluations, and psychotherapy. The father is also required to attend AA meetings and take weekly urine tests. In addition, both parents must allow background

checks and access to their old high school records. Child welfare also demands access to Carly's medical records and school records.

Over the next several months, the parents never miss a visit with Carly even though the visit days and times change quite frequently. When the parents ask for more visitation, they are told that is not possible, and they will just have to be happy with two supervised visits per week, at one hour apiece.

When the parents go to family court, the judge listens to the caseworker who says, "The child was living in filthy conditions, she was obviously being abused and neglected. In addition, the father is an alcoholic." The caseworker continues by saying, "The child needs to stay with the foster family." The caseworker also says, "This is the best course of action." The family court judge agrees. Carly's court-appointed attorney agrees. The mom's court-appointed attorney agrees. The father's court-appointed attorney agrees, and the CASA agrees.

Upon looking at the child's school records, the caseworker reads that little Carly "has some issues paying attention in class" and "the teacher asked the parents to have her evaluated for ADHD." The record continues saying, "The parents stated that they did not want to medicate their first grader and they were hoping the school had other options." The caseworker writes in her file, "Parents refuse to medicate their ADHD child. Parents are medically neglecting their child."

Months go by and the parents have slowly seen their child become emotionally detached from them. The psychological evaluations of the parents say that both parents are "depressed and maybe a little paranoid that the system is out to get them." According to the psychologist hired by child welfare, the parents were "desperately in need an intervention from child welfare."

During psychotherapy, with the psychologist hired by child welfare, the parents admit that they are living separately because their court-appointed attorneys felt they would have a better chance of getting their child back if they were to live separately. The psychotherapist writes, "Parents are not living under the same roof. There is concern about contention between the parents. This is an unsafe environment for the child."

During the months following Carly's removal from her family, family members have stepped up and offered to take Carly in during the child welfare investigation. This request is denied by child welfare.

Carly's parents only hear from their court-appointed attorneys right before a court appearance is imminent and their attorneys do not return their phone calls. In addition, their attorneys just seem to agree with whatever the family court judge says, and Carly's parents finally realize that they are completely on their own because they don't have the funds to hire their own attorney.

Hoping to prove they are good parents, Carly's mom and dad obtain a statement from Carly's pediatrician stating that she was seen regularly, and that the doctor never had concerns of abuse. This paperwork is ignored by child welfare. Friends and acquaintances offer statements stating the parents are of good character. This information is also ignored by child welfare. In addition, the father's court-ordered urine tests for alcohol use have been clean every time, but no mention of this has been made in court by child welfare.

Around 15 months after their child was taken from them, the caseworker tells the judge that the child is deeply bonded to the foster family and it would be in Carly's best interests to be adopted. Each parent gets a letter stating that the state is moving forward with termination of parental rights. Upon speaking to their court-appointed attorneys, the parents are told they have two options.

Here are the parents' two options:

#1 Sign away your parental rights and be given 2 to 3 supervised visits per year under a Post Adoption Visitation Agreement. A court-approved visitation specialist will supervise these visits, and you, the parent, will pay the hourly fee for that supervisor. If you sign your rights away voluntarily, this is called a voluntary adoption. Because it is voluntary, and your rights are not being terminated by the state, we will not step in and seize future children should you have more in the future.

#2 Go to trial and if you lose, you will not be allowed any visitation after your child's adoption. You will also have lost your parental rights through state intervention and so any future children will be taken from you at birth, and we are under no obligation to return those children to you.

- > The story above was not based on one family's experience with child welfare. Instead, it is based on the general experiences of several families. This story was meant to show the rabbit hole that parents are forced to go down while dealing with child welfare.

It would be nice if we could depend on child welfare to behave morally regardless of where the federal funding is allocated. However, it is obvious that their goal is to tap the most lucrative funding sources.

I have seven suggestions to improve child welfare:

#1 Prioritize keeping parents and children together from day one. Parents and children need to stay together while services are offered to families unless it is determined that the child is in imminent danger.

- > Who determines that the child is in imminent danger? It cannot be child welfare. Not while they are still receiving massive funding for removals and adoptions.

#2 Remove mandatory reporting which often scares people into reporting even the smallest detail for fear of losing their job or license. Instead of trusting child welfare agencies completely, we need to start putting more faith in the average professional to report only when they deem it necessary.

#3 Get rid of adoption incentives.

- > I realize that you might be hesitant to get rid of adoption incentives because you are worried about the children who would be stuck in foster care. However, offering adoption incentives has only caused child welfare to look for more children to place instead of just placing the children they already have.

#4 Create a funding structure that strongly favors returning children to their families over adopting them out to another family.

#5 Family courts need a jury of 12. Criminals get a jury partly because they may be up against a life sentence or even a death sentence. I say with all honesty that parents are up against the same cruel punishment within our family courts. Losing a child is worse than death.

- > Give parents a jury of 12 in family court.

#6 Give parents ongoing surveys with open-ended questions. Give those surveys to extended family members and friends of the family who are involved with child welfare, and allow them to give input as to how child welfare is treating that family. Are they helping or hindering? See if they feel the child's best interests are being valued.

- > Obviously, child welfare would not be put in charge of those surveys nor would they be in charge of handing down their own sanctions.

#7 Perform yearly audits on child welfare and impose sanctions on them for misdeeds.

I often hear people say quite often that child welfare does not protect children who are truly abused. I believe this to be true for two reasons.

Reason #1, child welfare has filled its system with children who never should have been taken from their parents in the first place. As a result, caseworkers have too many cases assigned to them.

Reason #2, when child welfare changed to a system that is 100% focused on child removals and adoptions, they sought to obtain children who were adoptable. Potential adoptive families are drawn to a child who was well taken care of, but whose parents fell on hard times and received no help. The adoptive families are told that the well taken care of child was abused, and so believing they are saving a child, they choose to adopt.

Because I understand that this is a difficult topic and valuable insight is critical to making child welfare better, I have included some names of individuals on the following pages who may be able to offer you that valuable insight while the committee works on a valid solution. We do not want abused kids sitting in foster care, but we do not want our individual states to continue kidnapping children to obtain federal incentives.

Molly McGrath Tierney is the head of child welfare in Boston.

Ms. McGrath Tierney was part of a documentary called “On the Other Side of Fear: A Reinvention of the Foster Care System.” The trailer for that film can be found on Vimeo or YouTube. She also put out an exceptional TedTalk entitled “Rethinking foster care: Molly McGrath Tierney at TEDxBaltimore 2014” that is also on YouTube.

Ms. McGrath Tierney seems to understand that the foster care system is broken and genuinely seems to want to come up with answers. I do not know her personally, but I am hoping that she genuinely wants something much better for kids. That fact that she has insider knowledge may make her a good choice for the Senate Finance Committee to consult with.

If you want to read more about her, you can find a 2015 article put out by the *Baltimore Sun* entitled, “Former city social services chief returns to head agency.” According to that article, she has “advised government groups and nonprofits in management strategy and delivery of social services.”

Molly McGrath Tierney

Baltimore City DSS
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Shawn McMillan is an attorney in California.

News articles concerning Shawn McMillan:

<http://www.nbcsandiego.com/news/local/Mother-Custody-Settle-San-Diego-Johnneisha-Kemper-Shawn-McMillan-278899941.html>

Class Action Lawsuit Filed Against Orange County (CA) Child Protective Services Alleges Unwarranted Seizure of Thousands of Children

<http://www.prweb.com/releases/2015/04/prweb12668689.htm>

Shawn McMillan

4955 Via Lapiz
San Diego, CA 92122
Phone: 858-646-0069
Fax: 206-600-4582
<http://www.mcmillan-law.com/?cmd=Shawn>

Robert Powell is an attorney in California

His website says, “Attorney Robert Powell has been representing parents in CPS and Juvenile Dependency cases for over 16 years. In addition, the firm handles federal civil rights cases associated with the unlawful removal of children and deprivation of a family’s right to association.”

In the YouTube video below, Robert Powell is one of the individuals speaking about the problems with child welfare.

“In the Interest of the Children CPS Exposed—Freedom”
Forum: <https://www.youtube.com/watch?v=k5JZx5J5W5U>

Robert Powell

925 W. Hedding St.
San Jose, California 95126
Phone: 408-553-0200
Fax: 408-553-0203
http://www.rrpassociates.com/cps_defense.html

Carin Johnson is an attorney in California.

Her website says . . .

“Attorney Carin Johnson heads the firm’s parental rights and juvenile law practice. Mrs. Johnson has been passionately defending parents, grandparents, foster parents, and family members’ rights in the state of California for over 17 years and has successfully defended thousands of clients in Child Protective Services and Division of Child and Family Services Juvenile Dependency Court.”

In the YouTube video below, Ms. Johnson is one of the individuals speaking about the problems with child welfare.

“In the Interest of the Children CPS Exposed—Freedom”
Forum: <https://www.youtube.com/watch?v=k5JZx5J5W5U>

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The four individuals listed above may not be able to help you with finance plans, but they would be able to give the Senate Finance Committee insight into what is deeply wrong with child welfare. Of course, speaking to families who have been robbed of their children would also give you additional valuable insight, and I hope that you will consider listening to affected families before you suggest a new law concerning child welfare. I personally would love the opportunity to speak to the Senate Finance Committee in person and discuss how to turn child welfare around.

Neither adoption nor foster care is the correct permanent solution for temporary problems.

Sincerely,

Deborah Perin

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U.S. Senate

Committee on Finance

Dirksen Senate Office Bldg.

Washington, DC 20510-6200

Re: Committee Hearing: "Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?" held on May 10, 2016

Dear Chairman Hatch, Ranking Member Wyden, and distinguished members of the U.S. Senate Finance Committee:

On April 27, 2015, Senator Orrin Hatch (R-UT) and Senator Michael Bennett (D-CO) introduced the Social Impact Partnership Act (S. 1089), a bipartisan bill that aims to achieve better outcomes for social service program beneficiaries and taxpayers. Quantified Ventures strongly supports Social Impact Partnership Act (S. 1089). We believe that in order to get the highest return on taxpayer investment government should pay providers after they have demonstrated success, not based on their potential for success. A Pay for Success project has the potential to build evidence, encourage innovation, and create incentives for non-federal investment.

Quantified Ventures works with nonprofit organizations, entrepreneurs, and governments across the country who demonstrate capacity for transformative social good. We help scale operations and deliver meaningful impact. What we have seen from our work is diverse communities, Republican and Democratic elected officials and community service providers coming together to improve outcomes for the people they serve.

Pay for Success is a promising model for scaling important interventions while saving governments money in the long term. This model has tremendous potential for accruing savings to the federal government while improving outcomes, and we therefore ask that you support these efforts. Thank you for your consideration of these comments.

READYNATION

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May 17, 2016

The Honorable Orrin Hatch
U.S. Senate

The Honorable Ron Wyden
U.S. Senate

104 Hart Senate Office Building
Washington, DC 20515

221 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden,

We thank you and the members of the Senate Finance Committee for hosting the pertinent and timely hearing, “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?” on Tuesday, May 10. Specifically, we were pleased that the witnesses affirmed the value of Pay for Success (PFS) initiatives, which create innovative partnerships to solve social issues and ensure money is spent wisely on evidence-based interventions for children and families. We deeply appreciate your commitment to this issue.

With over 1,400 business leader members across the country, ReadyNation believes that targeted investments in education lay the foundation for an adequately prepared workforce and a robust American economy. Specifically, the Pay for Success financing approach embodies business principles of making the best use of existing funds, and investing early in order to prevent problems before they happen. Pay for Success financing can be applied to a wide variety of social programs, including high-quality early childhood and voluntary home visiting programs. This approach will reduce taxpayer burdens and produce positive returns for young children and their families, for taxpayers, and for county, state, and the federal government.

We encourage the Finance Committee to report the Social Impact Partnership Act (S. 1089) out of committee and continue to examine these ground breaking investment methods. Pay for Success has the potential to be a critical means of improving social services delivery, promoting better outcomes for the populations served, and demonstrating meaningful returns to policymakers and the general public.

ReadyNation recognizes the important implications of this hearing and commends you for your leadership. We look forward to working with you on this and other initiatives to improve the long-term outcomes of young children and families in the future.

Sincerely,

Sara Watson, M.P.P., Ph.D.
Global Director

RESULTS FOR AMERICA
1875 Connecticut Avenue, NW, 10th Floor
Washington, DC 20009

U.S. Senate
Committee on Finance
Dirksen Senate Office Bldg.
Washington, DC 20510-6200

Re: Committee hearing: “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?” held on Tuesday, May 10, 2016

Dear Chairman Hatch, Ranking Member Wyden, and distinguished members of the U.S. Senate Finance Committee:

On April 27, 2015, Senator Orrin Hatch (R-UT) and Senator Michael Bennett (D-CO) introduced the Social Impact Partnership Act (S. 1089), a bipartisan bill that aims to achieve better outcomes for social service program beneficiaries and taxpayers. The bill directs resources to states and local communities to support innovative public-private partnerships in an effort to tackle social and public health challenges and establishes a new system for a smarter and more effective use of tax dollars. Under the bill, the federal government would establish desired outcomes to pressing social problems that, if achieved, would improve lives and save taxpayer dollars.

Results for America supports the Social Impact Partnership Act because it demonstrates the federal government’s commitment to leverage private investment, hard data, and rigorous evaluation to achieve better outcomes. We strongly urge the Committee to garner robust support for the Social Impact Partnership Act to bolster social sector innovation and to motivate the federal government to shift to results oriented approaches when serving our nation’s most vulnerable populations.

SAVE THE CHILDREN ACTION NETWORK (SCAN)

899 North Capitol Street, NE, Suite 900
Washington, DC 20002

Written Testimony of Mark Shriver, President

Chairman Hatch, Ranking Member Wyden, and honorable members of the committee, thank you for the opportunity to provide testimony about the use of evidence-based practices to improve outcomes for vulnerable individuals and families. My name is Mark Shriver, and I am the President of Save the Children Action Network (SCAN). SCAN is a national, non-profit organization aiming to mobilize Americans in support of critical investments in early childhood education.

SCAN supports expanding access to high-quality early childhood education programs for all children, especially the most vulnerable and at-risk. For this reason, SCAN is pursuing a number of innovative financing mechanisms to drive more resources toward early childhood education. One of the methods that has received significant bipartisan support is Pay For Success, a model supported by the Social Impact Partnership to Pay for Results Act (S. 1089) and its companion legislation in the House.

Background

Participation in high quality Early Childhood Education (ECE) programs is critical for children. During the first 5 years of life, a child develops many of the skills necessary to become successful. It is during these years that children build the foundation necessary for academic success in key subjects, including reading, math, and science, as well as the skills necessary for character building, social-emotional growth, gross-motor development, and executive functioning—including everything from impulse control to problem solving.

In addition to putting kids on the path to success, early education has lasting economic benefits as well. Nobel-prize winning economist James Heckman has found a return on investment of \$7 for every \$1 invested in preschool.^{1,2}

Unfortunately, two out of five American children are not enrolled in preschool. Without access to high quality early learning programs, children fall behind and many never catch up. By age 5, more than half of all American children are not prepared for school.³ Early education—starting at birth and continuing until a child's first day in kindergarten—is a critical window for ensuring future academic achievement. This window, however, closes quickly, and children who enter kindergarten unprepared are more likely to experience serious negative social impacts. Disadvantaged children who do not participate in high quality early education programs are:

- 70 percent more likely to be arrested for a violent crime;
- 60 percent more likely to never attend college;
- 50 percent more likely to be placed in special education;
- 40 percent more likely to become a teen parent; and
- 25 percent more likely to drop out of school.⁴

It is critical to ensure that all children, regardless of their families' income, have access to high quality preschool and comprehensive early education and family engagement programs.

Financing

We know government budgets are tight, and funding is often the largest hurdle in the debate to expand early education. While SCAN strongly supports robust government funding for early learning programs, we also advocate for additional innovative financing mechanisms to further increase access to high-quality early childhood education in common-sense, cost-effective ways.

¹James Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter Savelyev, and Adam Yavitz, "A New Cost-Benefit and Rate of Return Analysis for the Perry Preschool Program: A Summary," *NBER Working Paper Series* (2010), http://jenni.uchicago.edu/papers/Heckman_Moon_et_al_2010_NBER_wp16180.pdf.

²*Investing in Our Future: The Evidence Base on Preschool Education*, Foundation for Child Development and Society for Research in Child Development (October 2013), <http://fcd-us.org/sites/default/files/Evidence%20Base%20on%20Preschool%20Education%20FINAL.pdf>.

³Julia B. Isaacs, "Starting School at a Disadvantage: The School Readiness of Poor Children," *Center on Children and Families at Brookings* (March 2012).

⁴"Early Childhood Education in the U.S.," Save the Children USA (2015). Print.

One of these mechanisms is the Pay for Success (PFS) model, also known as Social Impact Bonds (SIBs). In a PFS program, the government repays investors for services they agree to pay for up front—but only if an evidence-based program achieves predetermined results. Pay for Success is based on generating savings for taxpayers through privately funded social services, like preschool programs, job training, housing assistance or other interventions. Those savings are then measured, with the government keeping a portion and the original investors receiving a limited portion. If the programs prove effective, the investors are repaid. If they are not effective, the government is not on the hook for a single penny.

These partnerships formed between the private and public sectors save taxpayer money and deliver high-quality, measurable results. Most importantly, Pay for Success programs can help supplement existing funding; they do not replace traditional government spending for these important programs.

Here is how it works. In most cases, a state or local government identifies a need in their community and then contracts with private investors to front the money for a specific social service. Participating nonprofits manage the project while a third party conducts a rigorous, independent evaluation at the conclusion to determine if the desired outcomes were achieved. The government then pays investors back if the desired, predetermined outcomes are achieved. Both the investors and the state or local government must approve the outcome metrics in advance, and an independent, third-party evaluator is tasked with determining if the metrics are met.

Because of this structure, Pay for Success initiatives are a minimal risk to taxpayers, but also enable innovative and nimble service providers to tackle significant societal challenges. One Pay for Success program in Utah is already making a difference in the lives of children. This program paid for 595 at-risk, low-income 3- and 4-year-olds to attend high-quality preschool in the 2013–2014 school year. Based on a predictive standardized test, 110 of these students were determined to be likely to need special education intervention. After one year in high-quality preschool, only one of the 110 identified students needed special education services in kindergarten, significantly reducing remediation costs for the school district.

Utah then kept part of the savings, with the rest going toward paying back the initial investors. It was agreed in the initial contract that the investors' return could not be higher than 5% over the municipal bond rate (for a total maximum return of 7%). This is a fairly modest return for an investment that could be considered relatively risky.

Some critics have pointed to the high success rate of this program as an issue. The developers of other PFS programs are taking the lessons learned in Salt Lake City and refining the metrics used to determine success. Nevertheless, the fact that 600 children in Utah, who would not have had a seat in a pre-K classroom and reap its benefits, can now attend, is a big step in the right direction. Additionally, the Utah program benchmarked payments on those children who are the furthest behind or hardest to serve. The early enrollment of students also led to a number of students receiving Special Ed services a year earlier due to earlier identification of learning disabilities.

The initial results of Pay for Success programs in the U.S. have shown that this promising financing method eliminates investments in programs that are ineffective and reduces long-term costs through effective, results-driven programs that avoid future government spending on remedial services.

Conclusion

On behalf of Save the Children Action Network, and our advocates across the country, I want to thank the committee for examining evidence-based practices as a way to benefit vulnerable individuals and families. We strongly support the Social Impact Partnership to Pay for Results Act (S. 1089) and believe the programs it would make possible will be an important way to expand early childhood education. We ask for your continued partnership in investing in children, increasing access to opportunity, and ensuring a more prosperous America for generations to come.

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May 19, 2016

U.S. Senate
 Committee on Finance
 219 Dirksen Senate Office Building

“Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?”

May 10, 2016

On behalf of Social Finance, I applaud Congressmen Young and Delaney’s and Senators Bennet and Hatch’s leadership and support for the Pay for Success market through the Social Impact Partnerships to Pay for Results Act, H.R. 5170.

The federal government plays a catalytic role in advancing initiatives by innovative state and local governments and we commend its bipartisan leadership and focus on promoting innovative, outcomes-focused policy. As practitioners, we witness first-hand how Pay for Success projects can be used to measurably improve the lives of people most in need by driving resources toward better, more effective programs.

H.R. 5170 would promote and support the use of Pay for Success by state and local governments by enabling federal funds to address community identified needs using interventions that are effective, evaluated, and provide value to taxpayers. It would incentivize the more efficient use of government resources to reward what works.

As you appreciate, government spends hundreds of billions of dollars each year on necessary human services, but for the most part, does not measure the outcomes of those programs. Government also focuses the bulk of its appropriations on tackling existing problems instead of investing in upstream, preventative interventions that set people up for long-term success.

Pay for Success represents one tool for governments to tackle current social challenges, such as reducing recidivism as part of the growing effort to reduce incarceration rates, confronting chronic homelessness to lower the number of people living on the streets, and boosting early education efforts to help narrow the widening achievement gap. It allows philanthropy and impact investors to leverage their financial support to expand access to high impact interventions. It also drives innovation by service providers to most effectively respond to our most critical social needs and our most vulnerable citizens.

Pay for Success projects combine nonprofit expertise, private funding and rigorous evaluation to transform how government leaders respond to chronic social problems. Funders provide upfront capital to expand effective social services and governmental entities pay for all or part of the program only if it measurably improves the lives of participants. Independent evaluators measure the effects of a program based on specific, predetermined metrics that benefit both individuals and society and generate value for taxpayers.

Take, for example, Social Finance’s work on the South Carolina Nurse-Family Partnership (NFP) Pay for Success project. This initiative, which was announced by Governor Nikki Haley in February 2016, will bring NFP’s evidence-based program to 3,200 first-time mothers and their babies across South Carolina over the next 6 years, more than doubling the 1,200 families currently benefiting from this high-impact intervention.

More than 280,000 South Carolina children—or about 27 percent—live in families struggling with poverty. Half of the babies in South Carolina are born to low-income mothers who qualify for public health insurance programs. Young mothers living in poverty are at greater risk for poor birth outcomes including delivering premature babies. Growing up in poverty can be harmful to a child’s cognitive development, health, school performance, and social and emotional well-being.

NFP pairs vulnerable first-time mothers with registered nurses who have specialized training in maternal and child health. Through home visits from early in pregnancy to the child’s second birthday, the nurses support mothers in having healthy pregnancies, becoming knowledgeable and responsible parents and giving their babies the best possible start in life. By strengthening families and improving early childhood development, NFP helps break multi-generational poverty.

This example highlights an important feature of Pay for Success: it holds a unique position in the growing impact investment landscape. While there is a lot of attention in impact investing given to profit-driven social enterprises, Pay for Success mobilizes capital primarily for nonprofits like NFP—classic human-service organizations that have long survived by scrapping together donations in annual development drives, securing government contracts, or both to keep the doors open and services running.

By enabling these organizations to access upfront, patient, and flexible capital, Pay for Success builds a pathway to scale for an entire sector doing incredible work that has been historically overlooked by the capital markets. Additionally, in a Pay for Success project, there is a direct connection between every project stakeholder and tangible human impact. Success is measured based on the life outcomes of individuals—healthy births, employment gained, stable housing—and these life improvements are the source of financial returns.

Against this backdrop, increased federal participation could mark an inflection point, spurring growth for Pay for Success and for the services it supports. This legislation would help solve the so-called “wrong pockets” problem, in which the value of a given program is dispersed across different levels of government, stalling funding even for programs with proven effectiveness. For example, if a particular state agency is expected to bear the brunt of the costs of a preventative program, but sees little benefit in their budget’s bottom line, there is little incentive to implement that program. Any social issue where a federal program pays for services, such as Medicaid, will require a federal commitment to pay for outcomes when savings and value are realized.

Social Finance’s work with NFP in South Carolina led the state to apply for a waiver from the Centers for Medicare and Medicaid Services (CMS) to access the federal portion of Medicaid funding—in essence solving the “wrong pockets” problem that the project would have otherwise encountered. This legislation would streamline the process of solving this challenge for projects throughout the country.

We believe Pay for Success holds tremendous potential to address some of our most pressing social issues, and we believe that government can and should be more innovative in its approach to solving society’s greatest challenges. Passage of the Social Impact Partnerships to Pay for Results Act, H.R. 5170, is an important step towards that goal.

Sincerely,

Tracy Palandjian
CEO and Co-Founder, Social Finance
Co-Chair, U.S. Impact Investment Alliance

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Re: Committee hearing: “Can Evidence-Based Practices Improve Outcomes for Vulnerable Individuals and Families?” held on May 10, 2016

Dear Chairman Hatch, Ranking Member Wyden, and distinguished members of the U.S. Senate Finance Committee:

Across the United States, communities continue to struggle with persistent challenges like homelessness, chronic and preventable diseases, and lack of access to education, and people cycling in and out of prison. These challenges represent immense social and financial costs—both to governments and taxpayers.

On April 27, 2015, Senator Orrin Hatch (R-UT) and Senator Michael Bennett (D-CO) introduced the Social Impact Partnership Act (S. 1089), a bipartisan bill that aims to achieve better outcomes for social service program beneficiaries and taxpayers. The bill directs resources to states and local communities to support innovative public-private partnerships in an effort to tackle social and public health challenges and establishes a new system for a smarter and more effective use of tax dol-

lars. Under the bill, the federal government would establish desired outcomes to pressing social issues that, if achieved, would measurably improve lives.

Third Sector Capital Partners, Inc., a nonprofit advisory firm, supports the Social Impact Partnership Act because it demonstrates the federal government's commitment to leverage administrative data, private funding, and rigorous evaluation to achieve measurable outcomes. We strongly urge the Committee to garner robust support for the Social Impact Partnership Act to bolster social sector innovation and to motivate the federal government to shift to outcomes-oriented approaches when serving our nation's most vulnerable populations.

