

Financing Evidence-Based Programs

Blueprints Conference
San Antonio, TX
April 12, 2012

Session Agenda

- Overview of financing strategies and structures that can support evidence-based programs
- Case study of how to finance a package of evidence-based programs
- Small group discussion on promising approaches, challenges, and resources needed to implement financing strategies for evidence-based programs

Context for Tool Development: Evidence2Success

- Financing framework, white paper, and financing tools developed to support implementation of Evidence2Success
- Mainspring manages the Financing Workgroup, which is made of up a diverse set of financing experts
- Developed with Evidence2Success in mind; core concepts are broadly applicable

Principles for Effective Implementation of Financing Strategies

- Commitment to collaborative decision-making process
- Focus on results – which in turn drive financing decisions
- Shared commitment from leaders to shift funding from deep-end treatment to early intervention and prevention
- Thoughtful combination of diverse funding streams and financing strategies
- Transparent decision making and reporting
- Shared accountability

Steps in Developing a Strategic Financing Plan

1. What are your financing goals?
2. What financial resources do you need to implement those goals?
3. What resources do you have?
4. What financing strategies will you design and implement?
5. What financing structures will you design and implement

Financing Strategy vs. Structure

- Strategy: means or approaches by which leaders generate or secure dollars
- Structure: mechanisms to prioritize, coordinate, and expend dollars

Overview of Financing Strategies

1. Improving the use of existing public funds
2. Allocating state or local general funds
3. Maximizing federal funds
4. Public-private partnerships
5. Debt financing
6. Social impact bonds
7. Generating new revenue

1. Improving the Use of Existing Public Funds

- Approaches include:
 - Redirection: shifting funding from lower priority services to higher priority services
 - Reinvestment: shifting funding from higher cost services to lower cost services, and reinvesting the savings
- Examples: Project Redirection; RECLAIM Ohio

2. Allocating State or Local General Funds

- Approaches include:
 - Earmarks and set-asides
 - Incentivizing EPBs in funding formulas and grant applications
- Example: WA Evidence-Based Initiative

3. Maximizing Federal Funds

- Approaches
 - Maximizing entitlements: Medicaid, Title IV-E
 - Directing formula and block grants
 - Applying for discretionary grants
- Example: Success for All (I3 Grant); Maricopa County, AZ (Medicaid)

4. Public-Private Partnerships

- Collaborations between public agencies, private investors, businesses, and private organizations
- Can fill gaps where no public funds are easily identifiable
- Example: Highmark Healthy High 5

5. Debt Financing

- Low or no-cost loans (typically with favorable term lengths and below-market rates)
- Best aligned with financing large, one-time capital costs; operating capital for program that has reliable revenue stream; transition costs of shifting from higher-cost to lower-cost program
- Approaches:
 - Municipal bonds
 - Program related investments

6. Social Impact Bonds

- Very new financial model currently in pilot test phase
- Contract between a private investor and public agency – investor agrees to pay for improved social outcomes
- If outcomes improve, investor gets paid back, potentially with a return; if outcomes don't improve, investor loses funds
- Success requires a sufficiently high net benefit, clear and measurable outcomes
- Current pilot: Peterborough Prison, UK

7. Generating New Revenue

- Raise new funds (taxes/fees) or set-aside funding for specific populations or services
- Approaches:
 - Special taxing districts: Florida
 - Special tax levy: Seattle Families and Education Levy
 - Prevention-focused taxes and fees (sin taxes): CA Prop 10 cigarette tax; MD alcohol tax
- Difficult, but not impossible

Financing Structures

1. Changes to Budget Structures
2. Pooled or Braided Funding
3. Single Payer System
4. Risk-based Financing
5. Performance Based Incentives
6. Reinvestment Compacts

1. Changes to Budget Structures

- Can be used to ensure funding is coordinated and/or directed to EBPs
- Includes set-asides and earmarks for EBPs
- Can be a useful incremental strategy
- Example: TN's Evidence-Based Law

2/3. Pooled or Braided Funding/Single Payer

- Support more coordinate service delivery
- Pooled funding – combines funding streams for allocation to providers
- Braided funding – coordinates funding typically through MOUs
- Single payer – used with pooled funding source with a single entity managing and coordinating funds
- Example: Wraparound Milwaukee

4. Risk-Based Financing

- Alternative to fee-for-service payment systems
- Provides a fixed payment for every person enrolled (capitation financing) or for every person who presents for a service (case rate financing)
- Incentivizes efficient service delivery
- Example: NE Behavioral Health Supports case rate approach

5. Performance-Based Incentives

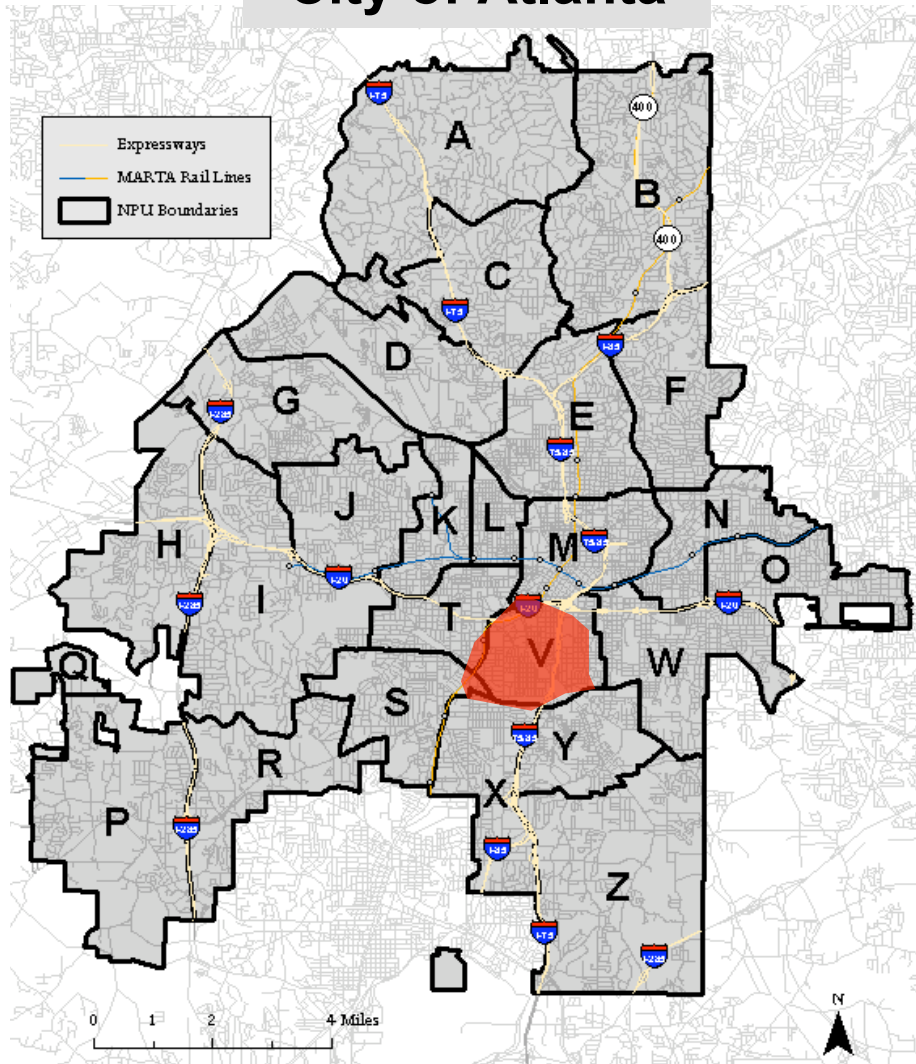
- Reward (or penalize) based on performance
- Tie contract renewal, extension, and payment to meeting specific targets for outputs, quality of service, and/or outcomes
- Example: IL Performance Contracting for Foster Care

6. Reinvestment Compacts

- Legal agreements that specify that funds saved as a result of practice change will be reinvested in a particular population, set of services, or agency
- Provides the critical structure for reinvestment strategies
- Example: MD Opportunity Compact

Super-quick case study: Atlanta, NPU-V

City of Atlanta



NPU-V:

- AECF Civic site
- Total population: 15,500
- Child population 4,100
- 35% of households have at least 1 child
- 59% of children are in poverty
- Diversity: 92% African American
2% Hispanic Latino
3% Caucasian

Super-quick case study: Atlanta, NPU-V

NPU-V Resources

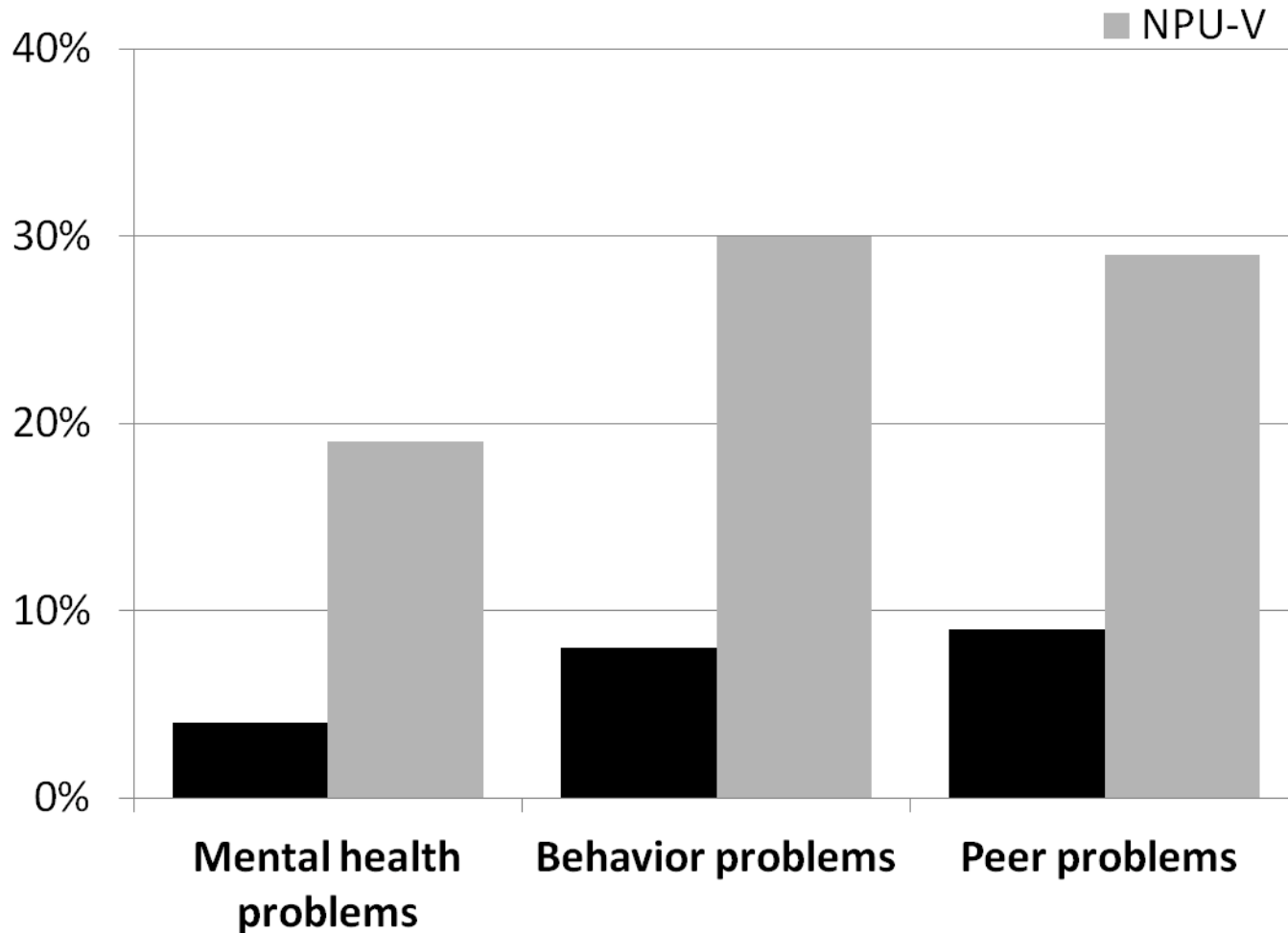
- 3 Pre-K sites
- 1 Head Start site
- 4 Elementary schools
- 1 middle school
- No High Schools

NPU-V
RESOURCE MAP

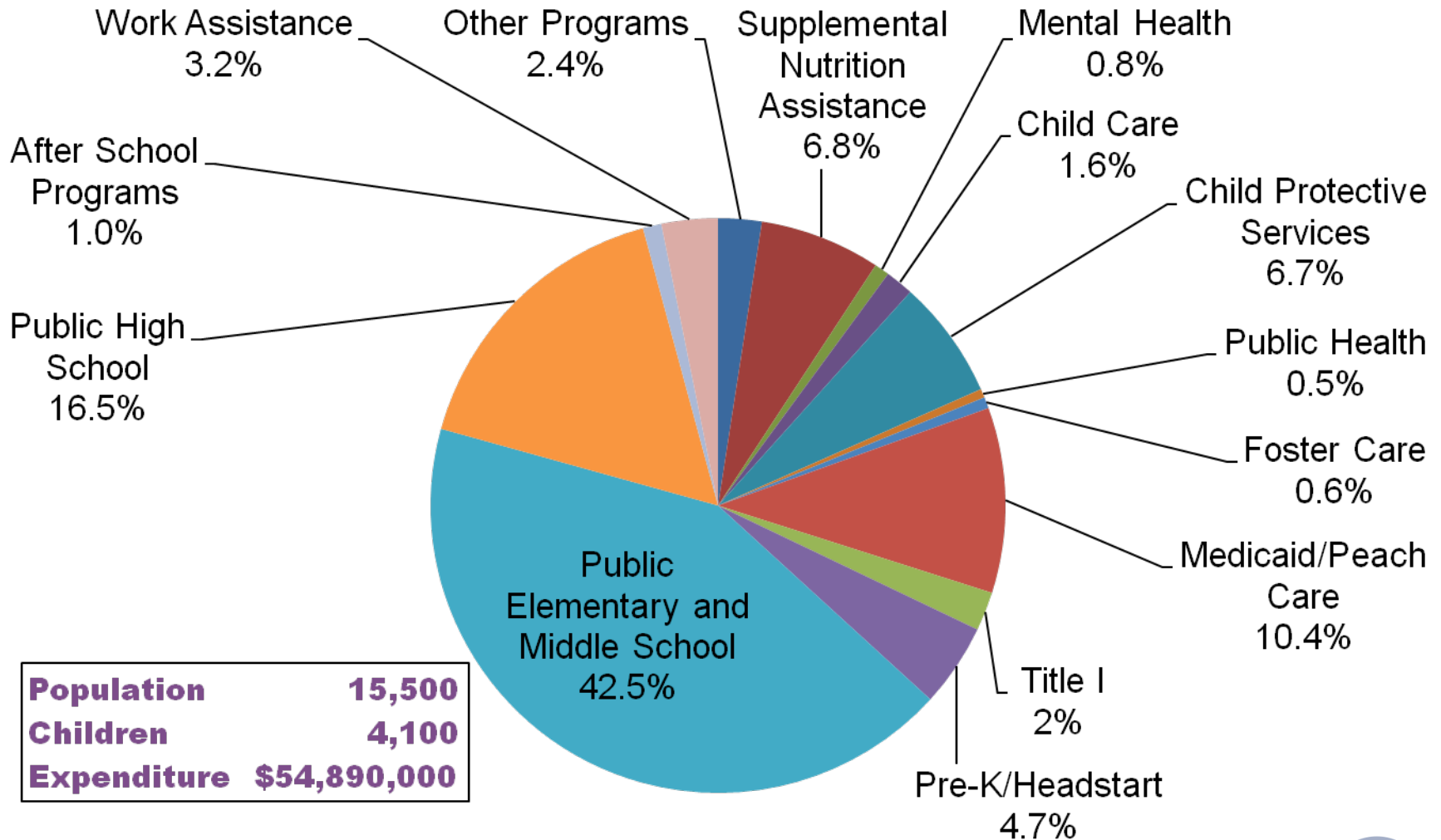


Super-quick case study: Atlanta, NPU-V

Children with high level needs: NPU-V and Atlanta



Nearly \$55 million annually is spent on families in NPU-V



In NPU-V a small investment of \$583,170 – just 1 percent – can have a big impact!

| Age Group | # of Youth | Target Group Target Outcomes | Program | Unit Cost | Total Investment (per |
|-------------|------------|--|---|--|----------------------------|
| 2-4 years | 864 | All children at risk of behavior problems Improved behavior, academics, delinquency | Incredible Years BASIC | \$2,022 Aiming to serve 25% of target group (N=63) | \$127,386 |
| 5-10 years | 1,360 | All children Improved behavior, academics, emotional regulation | Promoting Alternative Thinking Strategies | \$112 Aiming to serve 100% of target group (N=1360) | \$50,773 (for 3 years) |
| 10-14 years | 840 | All children Reduced substance abuse, violence, risky driving | Life Skills Training (LST) | \$34 Aiming to serve 50% of target group (N=420) | \$14,280 |
| 10-16 years | 1,400 | Young people at risk of detention Reduced substance abuse, recidivism, improved mental health | Functional Family Therapy (FFT) | \$3,190 Aiming to serve 90% of target group (N=90) | \$287,100 |
| 14-19 years | 650 | Pregnant girls and young women Improved prenatal health. Fewer injuries, improved school readiness | Nurse Family Partnership (NFP) | \$9,421 Aiming to serve 88% of target group (N=22) | \$103,631 (for 2 years) |

How Do We Get There?

- Explore potential financing strategies for these EBPs – (with a focus on FFT and NFP)
- Review current funding in NPU-V with an eye toward opportunities
- Develop a financing plan – a package of strategies and structures for implementation

Potential Financing Strategies for FFT

- Maximizing Federal Funds:
 - Medicaid: when targeted for youth to be diverted from out-of-home placement, the avoided cost of such a placement is usually more than adequate to fund the FFT intervention.
 - Formula Grants: Juvenile Accountability Block Grant (JABG); Office of Juvenile Justice and Delinquency Prevention (OJJDP) Formula Funds; Mental Health Services Block Grant (MHSBG); Title IV-B, Parts 1 & 2
- Allocating State or Local General Funds

Potential Financing Structures for FFT

- Social Investment Bond and Program Related Investments: provide start-up and initial implementation funding.
- A Reinvestment Compact can also be used as a mechanism to reinvest savings to support expansion and/or to sustain the intervention

Potential Financing Strategies for NFP

- Entitlements: often funded by Medicaid (e.g. Targeted Case Management, both for child and mother; State Medicaid “Public Health” program)
- Formula Funds:
 - Maternal, Infant, and Early Childhood Home Visiting Grants
 - Title V Maternal and Child Health Block Grant
 - Title IV-B Child Welfare Services
 - IDEA funds for Infants with Disabilities
 - Child Care Development Block Grant
 - Temporary Assistance for Needy Families.

Potential Financing Strategies for NFP

- Federal Discretionary Grants
 - Early Head Start
 - Safe Schools, Healthy Students
 - Healthy Start
- Allocating State or Local General Funds
 - Tobacco Restitution funding
 - State/Local Partnerships for Children
 - Local school system funding
 - State education funding
 - Dedicated state home visiting funds

Potential Financing Strategies for NFP

- Public-private partnerships: with states with managed care organizations providing Medicaid health services on a capitation basis. (NFP would improve the health of infants and mothers served, lowering future health care costs for the MCOs.)
- Generating New Revenue: Gambling taxes; Children's Trust Funds; Cigarette tax (Prop 10) in California; property tax levies

Potential Package of Financing Strategies for Atlanta NPU-V

- FFT: Medicaid and Reinvestment Compact (costs represent less than 5% of current Medicaid budget in neighborhood; use local foundation grant for start-up and transition costs; savings supports ongoing services)
- NFP: redirect 3% of Title IV-B funding (child protective services)
- PATHS and LST: redirect 4% of Title I funding in schools
- Incredible Years: redirect 5% of Head Start/Pre-K funding

Selecting and Sequencing Financing Strategies and Structures

- First step is clarifying financing goals; Second step is understanding current investments
- Consider how much revenue is generated and the timeframe to realize that revenue
- Consider stability of that revenue over time
- Consider short-term opportunities for pilot funding
- Cultivate and then seize opportunities for larger systems reforms

Selecting and Sequencing Financing Strategies and Structures

- The budget process is a fundamentally political process: cultivate leadership for EBPs both within and around public systems
- Consider and build in transition costs
- Invest in required infrastructure: data collection and analysis, fidelity monitoring, training and technical assistance
- Enlist the assistance of technical experts - budget officers, actuaries
- Consider the important role of private investment in filling gaps

Small Group Discussion

1. What financing strategies and structures hold the most promise for taking EBPs to scale?
2. What do you see as the most critical challenges in financing EBPs?
3. What capacities and resources are needed to support states and communities in implementing these types of financing strategies and structures?

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