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Date: 6/5/2013 4:55:07 PM

Subject: SIB points

Attachments: Social Impact Bonds - Background 6-5-13.doc

Leigh,

See attached and below for points for tomorrow's Washington Post interview.

Outlet – Washington Post

Reporter – Michael Fletcher

Predicted questions:

10 minutes interview at most, focusing on what exactly attracted South Carolina to this idea and what we hope to gain from it.

TALKING POINTS – SOCIAL IMPACT BONDS

NH Topline Points

- South Carolina is excited to be participating in the SIB Lab because we see public-private partnerships as the best way to bring innovative, evidence-based solutions to bear as we confront the most challenging social problems of our times.
- Public -private partnerships like the SIB Lab are exactly the types of programs that forward looking states are investigating and working hard to make part of their public policy infrastructure.
- Performance-based contracting is clearly beneficial to both the private sector and the taxpayer and South Carolina is proud to be helping lead the way in developing this new set of policy innovations.
- We're especially proud to be at the national forefront in exploring to use of SIBs to improve maternal and child health.

SIB KEY POINTS

- Social Impact Bonds (SIB) are not stereotypical “bonds.” They're really performance-based contracts, often related to human services in some way. Investors accept the risk of laying out the up-front money for a social program, and then the government only repays them later if the program meets agreed-to performance standards.
- In February, the “SIB Lab” at Harvard's Kennedy School accepted applications from state and local governments seeking support in developing applications of the SIB model. South Carolina was one of 6 successful applicants. Our application was based upon a potential expansion of the Nurse Family Partnership (NFP) program at HHS.

- NFP is a thoroughly vetted, evidence-based program through which a nurse visits a low-income, first-time mother as many as 50 times between her detection of a pregnancy and the child's 2nd birthday. The program has been shown to improve the child's and the mother's health and also to improve family self-sufficiency.
- We haven't spoken publicly about other prospective uses of SIBs yet, but others are looking into controlling diseases and related costs (especially asthma), or else trying to reduce recidivism or homelessness.

What is a Social Impact Bond? (SIB)

- SIBs are a specific kind of performance-based contract. The private sector fronts the money to pay for a social program, and then the government pays them back if they meet negotiated performance targets. It's also called a "pay-for-success" approach. The funding isn't necessarily from an actual "bond."
- This is a very recent innovation – the first project was designed to reduce recidivism in British prisons and is still in progress. The first American pilots are just getting under way in NYC and Massachusetts.
- Programs are rigorously evaluated by all parties before they receive initial funding, and then continuously during the project by an independent evaluator (who determines whether the contractual benchmarks have been met).

Why SIBs?

- SIBs promote thorough program evaluation and help bring successful interventions to the forefront. Investors won't front the money to launch programs they aren't confident will be successful.
- They limit the taxpayer's risk – if the program fails to meet the performance standards, then the taxpayers don't pay for it.
- Effective programs will be replicated elsewhere, all across the country.

Harvard Kennedy School's "SIB Lab"

- Dr. Jeff Liebman runs the "SIB Lab" at Harvard's Kennedy School; the Rockefeller Foundation funds much of this work.
- In early February, SC was one of nearly 30 applicants for 4 slots (later expanded to 6) to receive technical assistance from the SIB Lab. Winners of the competition would receive:
 - A "government innovation fellow" to spearhead the project on the state's side for 1 year
 - Up to 6 months of programmer/analyst time
 - Pro bono advice from Dr. Liebman and other experts
 - Up to \$15,000 in flexible funding
- In late March, we received confidential notification from Harvard that we had been selected.
- The press embargo is now being lifted nationally. Other winners: CT, IL, NY, OH, and Denver/Colorado.

Our Application

- Christian completed the cover letter and submitted South Carolina's application, with John Supra (Deputy Director of HHS) listed as prime contact. The nonprofit Institute for Child Success (tied to Greenville Health System) participated in the development of the application and would be part of the project.
- HHS is already running a Birth Outcomes Initiative to improve the health of newborns and also new and expectant mothers in our Medicaid program. This project has cut costs and reduced the number of days of neonatal intensive care.
- South Carolina proposed to explore the use of a SIB to expand the Nurse-Family Partnership (NFP), an evidence-based program through which a nurse visits with first-time, low-income mothers as many as 50 times between the detection of the pregnancy and the child's 2nd birthday. There is substantial research showing that this program works, by (1) improving pregnancy outcomes, (2) improving child health and development, and (3) increasing economic self-sufficiency.
- HHS provides financial incentives to the managed care organizations (MCOs) it contracts with to use the NFP program. There are currently 32 nurse home-visitors working in SC, serving 825 first-time single-mothers annually. This represents fewer than one-tenth of the first-time, Medicaid-eligible births in SC each year.
- The NFP program costs about \$12,500 during the full term of the intervention with each mother.

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