



## CALENDAR YEAR 2022 (JANUARY THROUGH DECEMBER 2022) Report to the Governor, Legislature, and General Assembly

### Rhode Island Pay for Success Act January 31, 2023

#### REPORTING REQUIREMENT:

Relating to State Affairs and Government – Rhode Island Pay for Success Act  
**Rhode Island General Laws Section 42-160-3**  
[webserver.rilegislature.gov//Statutes/TITLE42/42-160/42-160-3.htm](http://webserver.rilegislature.gov//Statutes/TITLE42/42-160/42-160-3.htm)

*The executive office, in collaboration with the Rhode Island Coalition to End Homelessness, shall provide yearly progress reports to the general assembly beginning no later than January 30, 2022, and annually thereafter until January 30, 2027. These reports will include recommendations on a proposed structure for entering into pay for success contracts, for administering the program, and for any and all matters related thereto that the executive office deems necessary to administer future pay for success projects at the conclusion of the pilot program in 2026. As a condition of this project, HUD requires that a third party conduct a transparent and rigorous evaluation of the intervention to determine whether the outcomes have indeed achieved success. The evaluation results will be reported yearly to the governor and general assembly.*

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#### I. EXECUTIVE SUMMARY

Pay for success (PFS) is an innovative financing mechanism that shifts financial risk from a traditional funder—usually government—to a new investor, who provides up-front capital to scale an evidence-based social program to improve outcomes for a vulnerable population. (Urban Institute)

During calendar year 2022, the Rhode Island Pay for Success (PFS) Program achieved key milestones in program planning and development by leveraging the Department of Justice/Department of Housing and Urban Development (HUD) grant. This funding was unlocked and awarded to the Rhode Island Coalition to End Homelessness (RICEH) for the agency’s spending throughout calendar year 2022 because of the RI legislature’s commitment to provide service delivery funds in the amount of six million dollars. Strategies for the PFS program model were developed throughout 2022 and key stakeholders were engaged and onboarded to this work. Client enrollment and service delivery are expected to begin February-March 2023.

## II. SUMMARY OF CALENDAR YEAR ACHIEVEMENTS

The following achievements are the results of the rigorous program planning and stakeholder engagement over the past year:

### Planning and Design (RICEH) Achievements

#### 1. Planning and Oversight

Pay for Success Governance structure was established. Committees met regularly to further develop the RI PFS rollout and model, including:

- PFS Working Group: 9 members (weekly meetings)
- PFS Steering Committee: 9 members (monthly meetings)
- PFS Stakeholder Committee: 9 members (quarterly meetings)
- PFS EOHHS and RICEH Collaboration: 4 staff (bimonthly meetings)

#### 2. Evaluation Plan and Contract

RICEH released a request for proposals for qualified independent evaluators for the PFS Program.

- Faulkner Consulting Group (FCG) was selected as the evaluator and has drafted an evaluation plan that is nearly finalized with RICEH.

#### 3. Supportive Service Providers (RFP and Contracts)

RICEH released a request for letters of interest and thereafter a request for proposals for qualified homeless services providers for the delivery of services of the PFS Program.

- Five agencies responded, and ultimately four were selected (see table).

#### 4. Eligibility Criteria and Program Participant Identification

Drawing on outcomes from the 2016 feasibility study and models of other successful PFS programs, the RI eligibility criteria were developed to create the eligibility list. Criteria established:

- Eligible program clients must be experiencing homelessness and be high utilizers of Medicaid services or have significant involvement with the Rhode Island Department of Corrections (RIDOC) and/or high utilization of homeless services.
- One hundred and twenty-five participants “slots” have been divided and assigned to the four selected service providers.

#### 5. Program Budget

The PFS program budget was established and approved by the RICEH and EOHHS. The budget allocates six million dollars over five years of program delivery and includes one EOHHS full-time employee to oversee program implementation and evaluation.

## Investment Progress and Achievements

### 6. HUD Dollars

\$1,405,753.51 in awarded HUD/DOJ funds were awarded to RICEH to carry out this planning work from 2016 to 2023.

- As of December 31, 2022, RICEH has spent \$1,166,026.80 of this award

### 7. Maycomb Capital

RICEH identified Maycomb Capital as a potential private social investor for the RI PFS program and cultivated a relationship with them throughout 2022. Maycomb Capital is an impact investing platform that provides financing across asset classes to fund strategies and enterprises that transform communities.

- This relationship building included approximately 12 virtual meetings to orient Maycomb to the work and program model.
- Also notable was an in-person site visit in Providence in December 2022 in which Maycomb leadership and staff met with the PFS Working Group, Evaluator, Service Providers and the RICEH team to strengthen relationships with all program contributors.
- Although a contract is not yet in place between RICEH and Maycomb, Maycomb is expected to commit 80% of capital funds (appx. \$4,260,237) for outcome payments for this project at an 8% return.

### 8. Rhode Island Foundation

RICEH and EOHHS have engaged the Rhode Island Foundation (RIF) for the remaining 20% of the capital investment needed to operate the program. RIF specializes in funding opportunities that build stronger communities. As one of Rhode Island's most well-known and established charitable organizations dedicated to improving communities, RIF is a logical partner to commit the remaining 20% capital investment.

- The relationship building between RIF and RICEH has included approximately 6 meetings and ongoing email communication since 2021.
- RIF has an impact investing arm in their organization, and they have expressed interest in learning more about the program and model.
- RIF is actively an interested secondary investor, but some logistical and procedural steps are necessary to move the investment forward, including Board Approval.
- Final approval of both the 80% and 20% investments will dictate program operations beginning (aiming for Spring 2023).

## Staffing and Contracting Achievements

### 9. RICEH Staff and Consultants

In addition to internal staffing, RICEH has worked closely with Social Finance, a social impact firm that has informed the RI PFS program development with lessons learned from their PFS program administered in Anchorage, Alaska.

- As the lead implementer, RICEH hired a skilled consultant (Tara Murphy, Independent Consultant) and dedicated 1 FTE from RICEH to support program planning and implementation.

#### **10. EOHHS-RICEH Contract**

EOHHS and RICEH solidified the partnership, with RICEH named as the implementation agent named in State legislation, by officially entering into a contractual agreement on 1/30/2023.

- The contract specifies the deliverables that RICEH is responsible for achieving, including third party evaluation, service provision, outcomes monitoring, and outcome repayment.

#### **11. Data Use Agreement (DUA) with EOHHS**

A DUA with EOHHS was signed and executed in early January 2023 that allows for the transfer of data from EOHHS Medicaid Management Information System (MMIS) to RICEH for data matching to occur across three systems to build the PFS client eligibility list.

- RICEH is the responsible entity for building, managing, and updating the eligibility list. The data matching necessary to build out the eligibility list includes data from MMIS, the Department of Corrections, and the Homeless Management Information System (HMIS).
- As stated in legislation, the PFS intervention targeted to top Medicaid utilizers is expected to result in the greatest cost savings. The data sharing from EOHHS to RICEH includes the identification of the top 3% of Medicaid utilizers based on overall Medicaid spend and inpatient and emergency department utilization for individuals over 18 years old excluding individuals in long term care facilities.
- In January 2023, EOHHS Medicaid transferred the data needed from MMIS to begin the matching and build of the client eligibility list.

#### **12. Pay for Success FTE (EOHHS)**

To support contract management, evaluation efforts, and inform program decisions and future spending, 1 FTE has been hired by EOHHS in the role of Chief Health Program Evaluator.

- She has considerable experience working with ‘hard to reach populations’ and maximizing patient outcomes in a clinical setting by way of supportive services and social supports and will start in February 2023.

### **Next Steps and Key Milestones for 2023**

#### **13. Near-term 2023 Milestones**

EOHHS and the RICEH look forward to continuing to work together over the next 4-5 years of program implementation.

- Execute remaining contracts in review, including EOHHS & RICEH contract, service provider contracts
- Confirm Maycomb and RIF funding commitments and enter contractual agreements
- Develop eligibility list by way of approved data sharing agreements
- Finalize evaluation plan including outcomes pricing and payments to investors to be appended to contract within 60 days of contract execution
- EOHHS PFS FTE onboarded and oriented

#### **14. Mid-term 2023 Milestones**

- Begin client identification, engagement, and enrollment
- Establish case conferencing with engaged service providers
- EOHHS transfer of funds to the escrow account
- Program evaluation begins tracking housing readiness success measures and actual client movement into Permanent Supportive Housing (PSH) units

#### **15. Long-term 2023 Milestones**

- Annual program evaluation performed tracking outcomes achieved, payments to investors, and remaining funds
- Existing gaps in funding are addressed/RICEH fills any funding gaps with internal fundraising efforts or alternative grants outside of the primary investors in the PFS Program

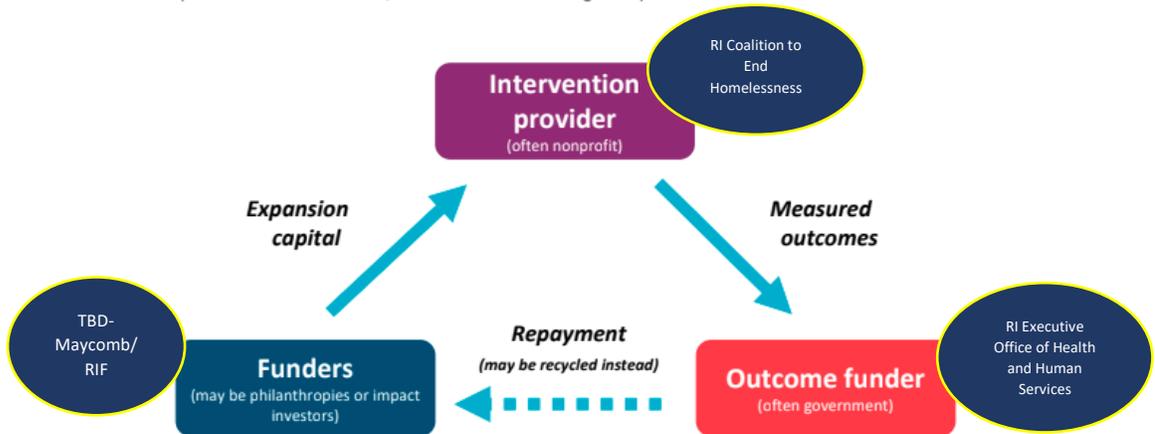
### **III. BACKGROUND**

#### **Program Concept**

Pay For Success (PFS) is an innovative model for financing social programs that enables governments to tackle society-wide problems by tapping private investors for upfront costs. In PFS models, governments work with high performing provider agencies and intermediary organizations like nonprofits and charities to identify measurable targets for program outcomes. These outcomes are in turn selected to reflect meaningful improvements in program participants' lives. If a PFS program successfully meets outcome measures, government repays the original private investments plus a modest return. If the program falls short of achieving outcomes, private investors bear the costs. PFS models shift the financial risk for novel or new programs from the government (i.e., public dollars) to private investors.

## Conceptual Framework: Adapted to Rhode Island Context

There are many versions of this model, and more are evolving today



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### Rhode Island Model and Historical Context

The Pay for Success (PFS) Pilot Program uses a social finance approach to house people experiencing homelessness and provides additional services and supports for these clients to remain successfully housed. The Coalition to End Homelessness also known as the Rhode Island Coalition for the Homeless or the Rhode Island Coalition to End Homelessness or abbreviated (RICEH) will execute this program in accordance with passed legislation naming the RICEH as the lead implementation partner. In this social finance model, capital funds to support service delivery and program administration will be raised from private, non-state government investors. RICEH has procured an independent evaluator to evaluate program outcomes, which is an essential component of the PFS model. The State of Rhode Island will pay back the private investor(s) plus a modest return (not to exceed 10%) to the extent that the intervention improves social outcomes per jointly established targets.

In 2016, the United States Department of Justice (DOJ) and the United States Department of Housing and Urban Development (HUD) awarded funding to the Rhode Island Coalition for the Homeless (RICEH) to pursue a PFS program in Rhode Island focusing on housing and supportive services for persons experiencing homelessness who are high utilizers of the health care and justice systems. The DOJ and HUD funds have supported RICEH planning efforts for the Pay for Success (PFS) Program throughout 2022. The program is expected to begin serving clients in early 2023. The PFS Program is administered by the Rhode Island Executive Office of Health and Human Services (EOHHS) and implemented by RICEH.

## IV. TARGET POPULATION

The PFS PSH pilot program in Rhode Island will support 125 permanent supportive housing slots and is expected to serve 175 -200 homeless individuals who are high utilizers of the state's healthcare, housing, and criminal justice systems over a five-year period. The target population for this program includes persons that experience long-term homelessness and incur significant costs within the criminal justice and/or health care systems, likely related to their housing instability. For example, the average annual health care costs per person nationally is \$10,000, yet the average per person cost of Medicaid claims for adults in shelter is \$229,695<sup>1</sup>. Based on research locally and nationally, these persons, if housed via a permanent supportive housing voucher, would benefit from increased well-being and reduced health care and correctional utilization costs.

### Identifying the Target Population in Rhode Island

The Rhode Island Pay for Success Program aims to support 175 -200 individuals with complex needs and a history of homelessness<sup>2</sup> and/or risk of incarceration/reincarceration. Approximately 5 program slots will serve participants that are experiencing homelessness and are high utilizers of Medicaid services. The remaining 50 slots will serve participants who are experiencing homelessness AND have significant involvement with the Rhode Island Department of Corrections (RIDOC) and/or high utilization of homeless services. The program eligibility list will be built, organized, and updated by the RICEH. The list will be created at the onset of program implementation and will then be updated by RICEH at least semi-annually. The eligibility list will inform participant eligibility to participate in the Pay for Success Program. In early January 2023, the Data Use Agreement (DUA) between EOHHS and RICEH that will allow for the sharing of Medicaid data was authorized and executed. In late January 2023, EOHHS Medicaid transferred the data needed from MMIS to begin the matching and build of the client eligibility list so that prospective participants can be identified, located, and enrolled in the Pay for Success Program.

Participation in the program is limited to Rhode Islanders who:

- a) *Are high Medicaid utilizers and/or*
- b) *Have high involvement in the criminal justice system and/or*
- c) *Have high homeless service involvement*

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<sup>1</sup> Rhode Island Medicaid and HMIS data match for adults in shelter

<sup>2</sup> HUD Exchange. Category 1, 4. [CoC and ESG Homeless Eligibility - Four Categories in the Homeless Definition - HUD Exchange.](#)

## V. PROGRAM PLANNING

### Leveraged Funds Expenditures

Throughout calendar year 2022, funds were leveraged from the DOJ/HUD award to engage in required preparatory planning work. RICEH led much of the legwork including research and information gathering with stakeholders, management of relationships with prospective private investors, development of program approaches and implementation strategy, draft requests for proposals for independent evaluator and service providers and convene all PFS groups and committees.

### Stakeholder Engagement

Throughout 2022, the following committees convened and furthered the development of the Pay for Success Program:

- ✓ Workgroup (9 members): weighed in on proposed plans and “open questions” and “approved” decisions/direction
- ✓ Stakeholder Committee (9 members): provided feedback on and asked questions about decisions/direction
- ✓ Steering Committee (9 members): received updates, asked questions, and provided high level guidance
- ✓ EOHHS- RICEH Collaboration: biweekly updates and strategic planning

### Milestones Achieved

Throughout 2022, robust plans were developed, and numerous milestones achieved to prepare the Pay for Success Program for service delivery in 2023. Some of the notable achievements include:

Achievement	Date (2022)	Brief Description
<b>Procurement of Independent Evaluator</b>	July	Faulkner Consulting Group was procured as independent evaluator.
<b>Release Service Provider LOI &amp; RFP</b>	September	RICEH held office hours extending technical assistance for all interested service providers to explain the PFS concept and goals to further understanding of this new program model in RI.
<b>Review and Select Service Providers</b>	November - December	Crossroads Rhode Island, East Bay Community Action Program, House of Hope Community Development Corporation, and Open Doors Rhode Island were selected as Service Providers. Contracts with these agencies are being finalized and pending final signatures

<b>Contract Developed (RICEH-EOHHS)</b>	November - December	As directed in legislation, EOHHS and RICEH are working closely on this initiative. The contract was signed and executed 1/30/23.
<b>Data Use Agreement</b>	December	DUA executed to initiate data sharing between EOHHS and RICEH. The DUA will allow for sharing of information to create the eligibility list of program participants for identification and enrollment.
<b>Evaluation Plan Developed</b>	December	Faulkner Consulting Group (FCG), RICEH, and anticipated private investors have developed an evaluation plan that is currently being finalized
<b>FTE Hiring</b>	December	EOHHS has hired an FTE to focus on evaluation efforts of the PFS Program. She will start in February 2023.

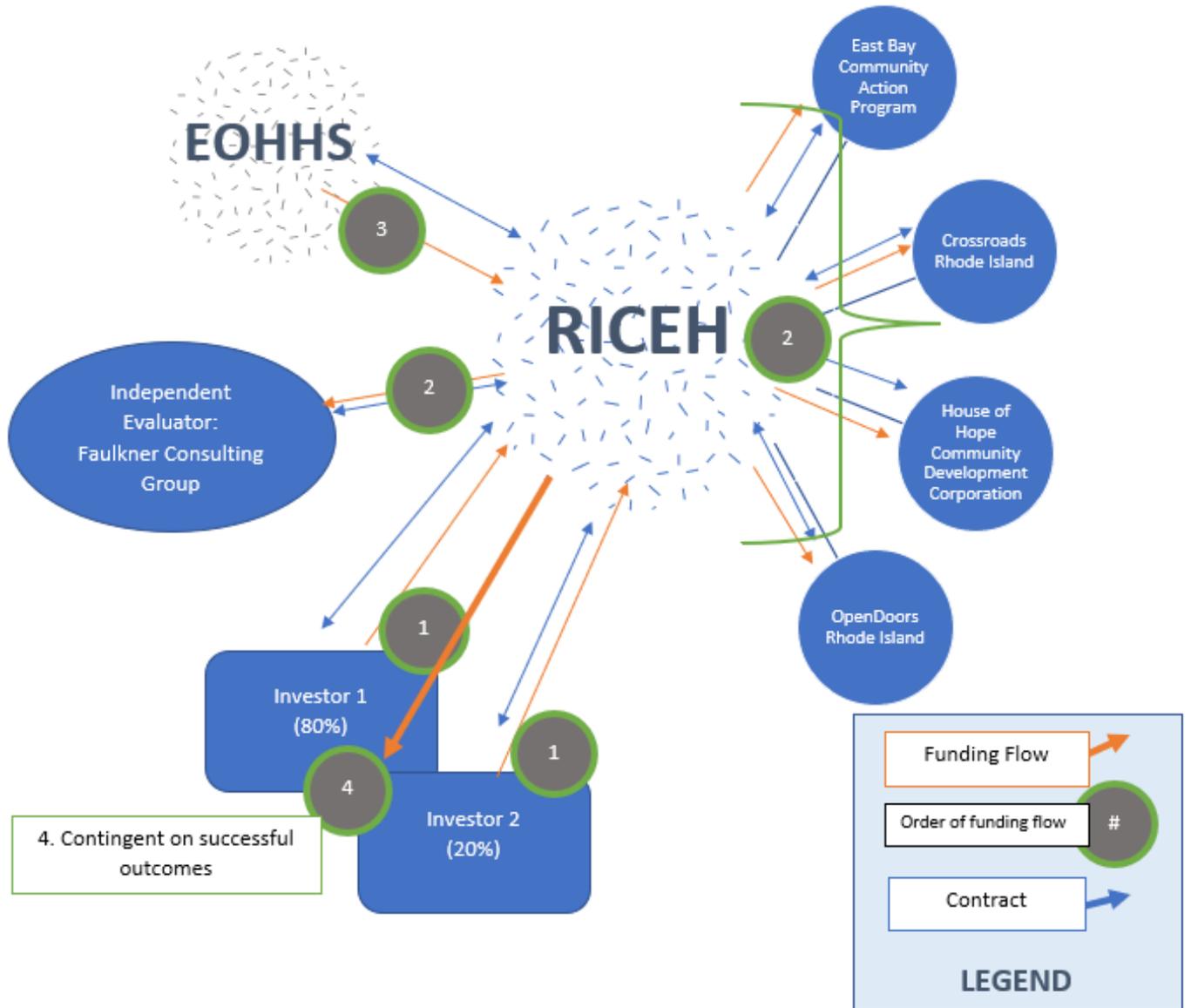
### **Contract Structure**

Various agencies are involved in the Pay for Success Program in Rhode Island, and all are critical pieces to successful implementation. EOHHS and RICEH have worked together throughout 2022 to engage partnering agencies and develop contracts and the Rhode Island program model. Throughout the year, Social Finance, a national finance and advisory nonprofit has engaged in planning efforts and advised on contract structure and program model. They have been supportive in providing recommendations from experience, drawing on examples and work from their Anchorage based Pay for Success Program. Most PFS programs are similar and revolve around developed relationships and contracts between a governmental body, non-profit, service providers, private investor(s) and independent evaluator.

On the following page a pictorial depiction of the RI Pay for Success Contract structure. As noted above, some contracts are pending final signature as of January 2023.

# Rhode Island Pay for Success Contractual and Funding Structure

## Contractual & Funding Structure



## VI. MODEL FOR PROGRAM ADMINISTRATION AND EVALUATION

### Governance

The RICEH will continue to lead program planning and implementation. RICEH will continue to lead committee groups in an adjusted cadence once service delivery begins.

- **Executive Steering Committee:** Set the strategic direction, vision, and goals for PFS, model compliance with and approve changes to the PFS model and associated contracts, and champion PFS across the broader Rhode Island community; will meet no less than semi-annually
- **Workgroup:** Continue to advise on the overall direction and implementation of PFS; will meet no less than monthly
- **EOHHS- RICEH:** Continue to collaborate on funding and contractual deliverables; will meet no less than biweekly

### Implementation

RICEH will maintain contracts and ongoing relationships with the evaluator, investors, and homeless service providers to ensure contractual requirements are met, questions answered, and clients are served that are enrolled in PFS. RICEH will be the gatekeeper of the client eligibility list and will ensure the target population is at the center of this work.

RICEH will support program implementation by supporting case conferencing and other communications, facilitation, and supportive materials that may assist the service providers in locating, engaging, and enrolling eligible clients in the PFS Program.

RICEH will continue engagement with the evaluator and ensure an evaluation plan is rigorously developed and executed for program outcomes to be appropriately measured. This is an essential component in PFS programs; successful (or unsuccessful) program outcomes directly affect outcome payments to the investor(s). RICEH and EOHHS will continue to submit annual reports on program progress and outcomes until January 2027.

### Evaluation

A robust evaluation plan is a pillar of Pay for Success programs. Evaluation results directly impact how much money the government (EOHHS) will repay the private investors. The independent evaluator has completed a draft evaluation for the RI PFS Program that is rooted in three key principles for outcome payments.

Outcome payments will be made reflective of demonstrated:

- 1) increased housing stability;
- 2) decreased healthcare utilization; and/or
- 3) decreased criminal justice involvement.

Evaluation metrics and desired outcomes have been drafted based on the uniqueness of each involved target population:

### Evaluation Metrics

**Table 1. Summary of Payment Measures**

Metric	Desired Outcome	Data Source(s)	Metric Frequency
<b>Housing Stability and Program Engagement</b>			
<b>A. Program Engagement</b>	Meaningful engagement by Service Providers with Program Participants	Homeless Management Information System (HMIS)	Quarterly
<b>B. Housing Stability</b>	Maximize the total number of months Program Participants maintain housing	HMIS	Quarterly
<b>Justice Involvement</b>			
<b>C. Days in Community</b>	Maximize the days in the community (for program participants with DOC involvement only)	RIDOC Inmate Tracking System	Quarterly
<b>Health Care Access and Costs</b>			
<b>D. Reduction in ER Visits</b>	Reduction of emergency room (ER) visits	Medicaid Management Information System (MMIS)	Annually
<b>Housing Stability and Program Engagement</b>			
<b>A. Homeless Services Utilization</b>	Reduction in the number of nights spent in Rhode Island shelters for program participants	HMIS	Quarterly
<b>Justice Involvement</b>			
<b>B. Incarceration Rate</b>	Reduction in the number of incarceration events for program participants	RIDOC Inmate Tracking System	Annually
<b>Health Care Access and Costs</b>			
<b>C. Inpatient Admissions</b>	Reduction in the number of inpatient hospital admissions for program participants	RI EOHHS MMIS	Annually
<b>D. Preventive Care Utilization</b>	Improve utilization of primary care and/or behavioral health (BH) health home services.	RI EOHHS MMIS	Annually

Moving forward, the key next steps for evaluation include:

- The evaluator, RICEH, and investors will collaborate on payment pricing and structure.
- The completed evaluation plan will be appended to the EOHHS-RICEH contract within 60 days of execution.
- Business Associate Agreements (BAAs) are in review between the participating agencies that own the data sources to allow for secure sharing of information to inform evaluation outcomes.

## VII. REPORT CORRESPONDENCE

### Authorship

For additional information related to Pay for Success in Rhode Island, please contact the following report authors:

**JAMES C. RAJOTTE, MS | DIRECTOR OF STRATEGY AND INNOVATION**

State of Rhode Island | Executive Office of Health and Human Services  
3 West Road, Virks Building | Cranston, RI 02920  
Email: [James.C.Rajotte@ohhs.ri.gov](mailto:James.C.Rajotte@ohhs.ri.gov) | Phone: (401) 479-8218

**Victoria Novotny, MPH | PROJECT MANAGER—HOUSING SUPPORTIVE SERVICES**

State of Rhode Island | Executive Office of Health and Human Services  
3 West Road, Virks Building | Cranston, RI 02920  
Email: [Victoria.Novotny.CTR@ohhs.ri.gov](mailto:Victoria.Novotny.CTR@ohhs.ri.gov)

### Contributors

The Executive Office of Health and Human Services would like to thank the following for their contributions to the development of this report:

- Rhode Island Coalition to End Homelessness
- Tara Murphy, Independent Consultant