



RHODE ISLAND PAY FOR SUCCESS ACT

Interim Progress Report to the Governor and General Assembly

Calendar Year 2021 (July—December)

Prepared January 2022

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

The Executive Office of Health & Human Services (EOHHS), in collaboration with the Rhode Island Coalition to End Homelessness (RICEH), 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 EOHHS 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

Background

There is established a five-year (5) pay-for-success pilot program to be administered by the Rhode Island executive office of health and human services. The pilot will follow the proposal outlined in the 2016 pay-for-success grant proposal to HUD and 2017 feasibility study. The pay-for-success project will provide a housing and supportive services intervention (PSH) for one hundred twenty-five (125) persons in Rhode Island experiencing homelessness who are high utilizers of the healthcare and justice systems. The pilot program will leverage eight hundred seventy-five thousand dollars (\$875,000) of HUD/DOJ grant funds. Contract agreements with the executive office of health and human services pursuant to this chapter shall not exceed one million five hundred thousand dollars (\$1,500,000) per fiscal year or six million dollars (\$6,000,000) in the aggregate over the five (5) years of the pilot program, as determined by the department; provided, no agreements shall be entered by the department after July 1, 2026, without further authorization by the general assembly.

Social Investment 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. If PFS program successfully meets the 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 to private investors. Capital funds are raised from private investors to cover initial service delivery and program administration costs. Outcome payments will be made to the investors from EOHHS funds based on the PFS PSH pilot's impact with regards to 1) increased housing stability 2) decreased healthcare utilization; and 3) decreased criminal justice interactions. The standard investment approach is that a 20% subordinate investor joins a lead investor who provides 80% of the upfront capital.

Current State

In 2021, the Pay for Success (PFS) pilot began to take form. Initial meetings between the Rhode Island Coalition to End Homelessness (RICEH) and Executive Office of Health and Human Services (EOHHS) focused on understanding the program model, reviewing the 2016 Housing and Urban Development (HUD) award, outlining next steps a based on the 2017 Feasibility Study, learning from experts such as Social Finance who has conducted similar projects, beginning to recruit potential social investors, and developing both a working budget and scope for the program.

II. SUMMARY OF CALENDAR YEAR 2021 PROGRESS

During six months of calendar year 2021, the Rhode Island PFS Program demonstrated progress in program design for this complex program.

Planning and Design Achievements

1. Planning and Oversight

Determined that at least three core levels of governance would be established for the program, including a Steering Committee to guide policy, a working group to guide operations, and a stakeholder forum to align with other initiatives.

2. Sub-Contract Planning Evaluation Plan and Contract

RICEH worked to outline the solicitations required to bring aboard the independent evaluator and service providers.

3. Eligibility Criteria and Program Participant Identification

RICEH worked with EOHHS, RIDOC, and HMIS to begin outlining the processes needed to create and share the eligibility list based on the legislation and HUD grant requirements.

4. Program Budget

PFS program budget concerns were explored. Three concerns arose: (1) social service provider staff cost more than in 2017, (2) rental costs have increased dramatically since 2017, and (3) available Federal vouchers/subsidies expected to be leveraged for the program were essentially exhausted during COVID-19. RICEH is exploring ways to make up differences in what it will take to run the program through fundraising efforts to move the program and contracting forward.

Investment Progress and Achievements

1. HUD Dollars

\$1,405,753.51 in awarded HUD/DOJ funds had been awarded to RICEH to carry out this planning work from 2016 to 2023. The remaining HUD funds in this grant were unlocked for RICEH to utilize with the passage of the legislation. These funds will support program evaluation and consultant advisors.

Staffing and Consultants

1. RICEH Staff and Consultants

RICEH has begun to work 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. Additionally, RICEH outlined a job description for its Pay for Success Project Coordinator.

III. NEXT STEPS AND KEY MILESTONES

Near-Term 2022 Milestones

- Finalize EOHHS/RICEH contract scope, budget, and data sharing agreement.
- Hire RICEH staff for program oversight.
- Finalize and post Requests for Proposals for the independent evaluator and social service providers.
- Create program one-pager and begin to work with Social Finance to identify possible social investors locally and Nationally for the program.

IV. INTERIM REPORT CORRESPONDENCE

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

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V. APPENDICES

APPENDIX A: EOHHS PAY FOR SUCCESS OVERVIEW

Rhode Island Pay for Success: Permanent Supportive Housing



WHAT IS PAY FOR SUCCESS?

Pay for Success is an innovative financing model that shifts financial risk from a traditional funder—usually government—to a new investor, who provides up-front capital to fund a social program. In Pay for Success models, governments work with high performing provider agencies and intermediary organizations like nonprofits and charities to identify measurable targets for program outcomes.



If a Pay for Success program successfully meets outcome measures, the government repays the original private investments plus a modest return. If the program falls short of achieving its outcomes, then private investors bear the costs. The Pay for Success model shifts the financial risk for new programs from the government (i.e., public dollars) to private investors.

The Pay for Success: Permanent Supportive Housing Pilot Program in Rhode Island will support 125 permanent supportive housing slots. It is expected to serve 175 - 200 individuals experiencing homelessness who are high utilizers of the state's healthcare, housing, and criminal justice systems. If successful, this program will positively impact individuals' lives while also:

- Increasing housing stability
- Decreasing healthcare utilization
- Decreasing criminal justice involvement

WHY IS PERMANENT SUPPORTIVE HOUSING NEEDED?

Permanent supportive housing is an evidence-based intervention that combines affordable housing assistance with voluntary support services to address the needs of Rhode Islanders experiencing chronic housing insecurity or homelessness. It provides a safe and stable home environment for the duration of the individual's need.



Permanent supportive housing has been shown to lower public costs associated with the use of crisis services such as shelters, hospitals, and the prison system.

- From 2020 to 2021, our state saw a 15% increase in the number of Rhode Islanders experiencing homelessness.¹
- By housing high utilizers of the healthcare, criminal justice, and homeless services with Permanent Supportive Housing (PSH) there is an estimated annual savings of \$15,000-\$20,000 per individual.²
- According to Rhode Island's Point-in-Time Count, from January 2022, persons living in "Emergency Shelter" increased by 14%, persons living in "Transitional Housing" decreased by 32.7%, and persons living "Outdoors or in Cars" increased by 37%.³

¹ Rhode Island Coalition to End Homelessness – Pay for Success www.rihomeless.org/pay-for-success (accessed 3/1/23.)

² Rhode Island Coalition to End Homelessness – Frequently Asked Questions, #3. www.rihomeless.org/homeless-faq (accessed 3/1/23.)

³ Rhode Island/HUD PIT Reports 2021 & 2022 – www.rihomeless.org/point-in-time

WHO WILL BENEFIT?

Permanent Supportive Housing can have a positive impact on all Rhode Islanders by improving health outcomes, reducing healthcare costs, promoting economic stability, increasing safety, and providing a greater sense of community. The primary goal of the Pay for Success: Permanent Supportive Housing Pilot Program in Rhode Island is to provide supportive housing to a population of individuals that are in need. This pilot program focuses on providing safe, stable housing with supportive services, leveraging housing units that already exist. The program does not create housing units.

This pilot program will support the top tier of homeless individuals who are high utilizers of the following systems in the state:

- The Healthcare System
- The Criminal Justice System
- Homeless Services System



WHAT DOES SUCCESS LOOK LIKE FOR THIS PILOT PROGRAM?

Permanent Supportive Housing Programs, such as this Pay for Success Pilot Program, can improve an individual's quality of life while simultaneously reducing participant utilization of the healthcare, homeless, and criminal justice systems. Additionally, state spending on emergency and crisis interventions can be reduced with the successful implementation of a permanent supportive housing program by:

- Identifying and enrolling individuals into the Pay for Success program
- Engaging with and preparing clients for housing
- Providing and maintaining housing through supportive services



HOW DOES PAY FOR SUCCESS, PERMANENT SUPPORTIVE HOUSING ALIGN WITH EOHS'S STRATEGIC PRIORITIES?

PRIORITY 1: Focus on the root causes and the socioeconomic and environmental determinants of health that ensure individuals can achieve their full potential.

1. Stable housing is a social determinant of health. Permanent supportive housing provides individuals with a stable and safe place to live, which improves health outcomes, reduces stress, and provides a foundation for individuals to better address other health concerns.
2. Permanent supportive housing recognizes that the root cause of homelessness lies in systemic issues, such as poverty and income inequality. By providing individuals with housing and supportive services, these systemic issues are addressed, which helps individuals achieve greater socioeconomic stability.
3. Permanent supportive housing is a long-term cost-effective solution. It reduces costs associated with emergency room utilization and hospitalizations, homeless services, and criminal justice system involvement. By addressing the root causes of homelessness, such as poverty and inadequate housing, permanent supportive housing helps individuals achieve meaningful health outcomes and reduces the burden on the system.



WHERE CAN I LEARN MORE ABOUT THE PAY FOR SUCCESS: PERMANENT SUPPORTIVE HOUSING PILOT PROGRAM?

To learn more about this initiative, please visit:

- Rhode Island Coalition to end Homelessness: www.rhomeless.org/pay-for-success
- Please contact EOHS staff member Victoria Novotny at victoria.novotny.ctr@ohhs.ri.gov.



OUR EOHS CORE VALUES: VOICE CHOICE EQUITY

[End of Report]