



Social Impact Bonds

A Case Study in Funding for Supportive Housing

July 2014

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1.

Executive Summary

Social Impact Bonds (SIBs) are a powerful new tool to jumpstart funding for innovative social programs. SIBs allow governments to support programming that has strong preventative aspects to it, paying only for long term performance, as opposed to short term delivery. Private investors provide the risk capital necessary to finance programming, enabling government to pay only for long term positive outcomes. The SIB model is built on privately funding a service intervention in the short term that accrues savings to the public in the long term. If outcome targets are met, a portion of these public savings are returned to the private investors who provided the operating capital necessary to fund the initial intervention. SIBs finance immediate program delivery with the long term savings that accrue from program outcomes.

While increasingly gaining traction as a tool to fund prevention globally, a SIB has yet to be launched in Canada. We undertook this feasibility study to determine if a SIB could be used to fund the creation of supportive housing in BC. We looked at four key criteria, analyzing the political will for such a SIB, its potential measurable impact, quantifiable economic benefit, and the capability of service providers to deliver supports according to a prescribed model.

Our findings suggest that the high level requirements for a supportive housing focused SIB are in place, and our report outlines the specific ways the model could be deployed in BC. The SIB that we outline in this report would enable government to de-risk an investment into new service delivery, performance management, and outcomes measurement tools that could ultimately shape how existing service delivery systems function for individuals dually diagnosed with severe addiction and mental illness. The SIB would be a contained lab where adaptations to existing models could be tested and proven while new data on how to best serve this population could be collected and analyzed. Our hope is that this report can catalyze a collective effort to deploy this innovative social financing tool, capitalizing on the opportunity for real and sustained positive social impact.

2.

Introduction

The social sector is in transition. Policy makers and funders are increasingly seeking evidence to prove that their dollars are being used as effectively as possible. Agencies are being held accountable to demonstrate the short term outcomes and long term impact of the programs and services they provide. Traditional streams of government and foundation funding are being restructured and tightened to meet the demands of balanced budgets and better defined outcome targets.

Social Impact Bonds (SIBs) align the interests of funders, government, and service providers, expanding the opportunities to direct new financing to programs with well evidenced outcomes. This pay-for-performance funding structure privatizes the risk of innovative program delivery and socializes its benefits.

The findings of this research project could be broadly shared through organizations, such as, BC Housing, Housing Services Corporation, Real Estate Foundation of BC, Metro Vancouver, provincial/territorial and municipal governments across Canada, BC and Ontario Non-Profit Housing Associations, Co-operative Housing Federation of Canada, Chartered Institute of Housing Canada and other housing sector professionals. The findings could also be presented at a wide range of conferences to reach broader audience, such as, International Housing and Home Warranty Conference, the BC and Ontario Non-Profit Housing Conferences, Canadian Housing and Renewal Association (CHRA) Congress and the International Housing Partnership Leadership Exchange.

Background

Following the Federal Government's Call for Innovative Concepts in Social Finance, Ecotrust Canada explored opportunities to apply Social Impact Bonds to housing projects in BC. This evolved into a focused case study on housing for individuals with Severe Addiction and/or Mental Illness (SAMI). The convergence of strong political interest in the SAMI population, new evidence for effective interventions, and new data on the economic impact of co-occurring homelessness, mental health, and addiction in the fall of 2013 indicated that this population could be well served by a social impact bond. The clear need for new and innovative approaches to providing supports to this large and complex population further indicated that the foundations for an effective SIB could be put in place with cooperation across various agencies and levels of government.

With funding from the Real Estate Foundation of BC, Central City Foundation, and Simon Fraser University, Ecotrust Canada and the Beedie School of Business undertook a feasibility study to determine the appropriateness of using a SIB to fund innovative supportive housing models to serve the SAMI population.

To view or download a copy of the original report, "Pay-for-Performance Partnerships: A Case Study in Funding for Supportive Housing" visit <http://ecotrust.ca/communities/socialfinance>

3.

Definition

Social finance encompasses more than just banking – it also includes investments that yield blended value returns. It can be a valuable tool in getting initiatives off the ground, supporting work that might otherwise be overlooked by traditional funding tools.

While there will always be a place for philanthropic funding, social finance can be a bridge between academic research and stable government funding, providing extra financial stability for initiatives with a clear social mission. Below-market interest rates can give charitable and non-profit organizations additional flexibility, allowing them to better adapt to the challenges they encounter in achieving social impact.

SIBs are one type of social finance tool that has recently gained momentum. They are designed to fund interventions that prevent or reverse the growth of costly social issues by directing private investment dollars to the delivery of innovative social programs. Because privately funded programs can, in some cases, address social issues more efficiently than government programs, they can bring long-term savings to the public. If specific program goals are met, a portion of these public savings are returned to the private investors who provided the original investment dollars. Through SIBs, private investors and the public at large both benefit while social issues are addressed.

The SIB model is built on privately funding a service intervention in the short term that accrues savings to the public in the long term. If outcome targets are met, a portion of these public savings are returned to the private investors who provided the operating capital necessary to fund the initial intervention. In this way, Social Impact Bonds finance immediate program delivery with the long term savings that accrue from program outcomes.

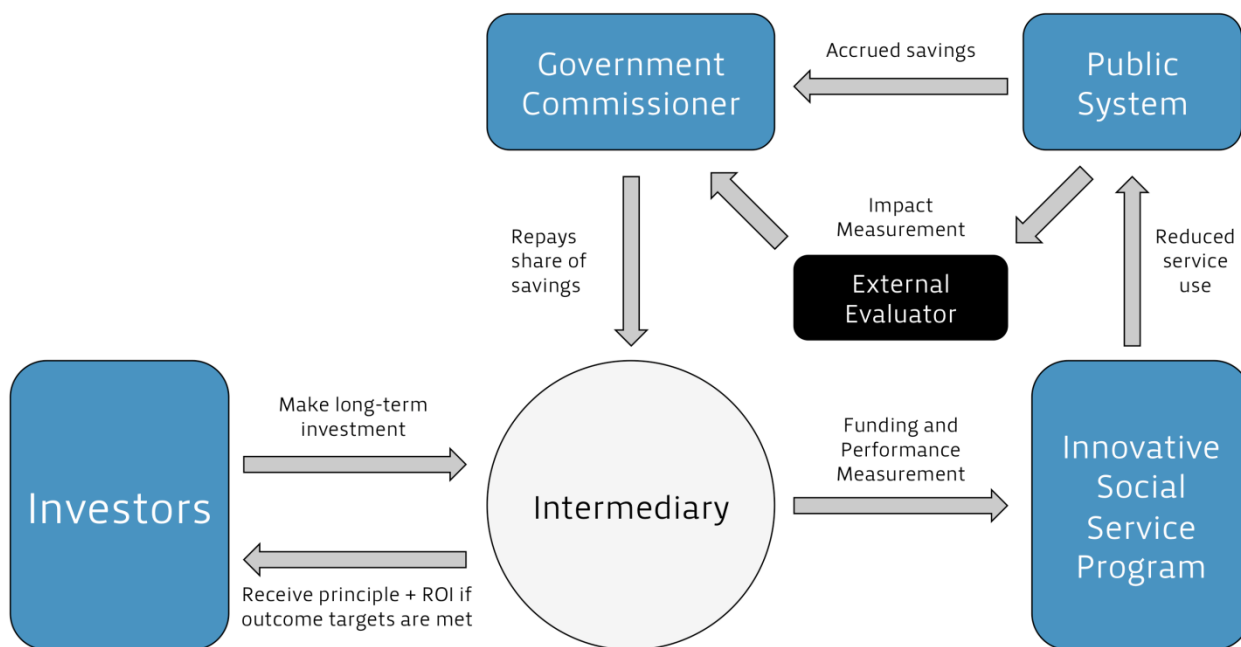
4.

How it Works

There are five key players in a Social Impact Bond:

- **Investors:** Private investors provide initial and ongoing capital to the intermediary agency responsible for coordinating the provision of support interventions. Investors maintain an active role in ensuring that the intermediary is meeting their intended performance goals.
- **Intermediary:** A SIB Performance Management Intermediary is the coordinating body for the whole SIB, managing investor funds and providing leadership for participating social service providers. They are ultimately accountable for achieving program goals. An intermediary organization, directly funded by investors, commits to achieving designated outcomes. The intermediary hires for key management roles and ensures that outcomes are met by contracted service providers.

- **Service Providers:** Service providers are contracted by the intermediary to deliver a specified service intervention according to an evidenced based model selected prior to the commissioning of the SIB. Providers are ideally contracted into specific roles, providing the intermediary organization flexibility in achieving the desired outcome over the lifetime of the SIB.
- **Government Commissioner:** Government guarantees repayment of investors' capital, as well as a modest additional return on that investment if predetermined program goals are met. If targets are met, government stands to save more in long run costs than it ultimately spends to fulfill its contract with investors.
- **External Evaluator:** A third party evaluator acts as an impartial referee for the SIB, objectively assessing the SIB's success in meeting initial program goals. A passing grade triggers payment from the government commissioner, which serves as a return on investment for the original investors.



This case study will explore the roles that each of these parties could play in a potential supportive housing program in Vancouver – a program that, should it move forward, would be the first SIB in BC.

5.

SWOT Analysis

Strengths

1. SIBs enable governments to access new pools of private investor capital. In fiscally tight times, governments do not have readily available working capital funds to allocate to even the most effective social programs. SIBs bring in private investors to fund the working capital requirements of programs that can save the government money in the long run.
2. SIBs allow governments to support innovative programming, expanding the range of supported services without bearing the large share of risk associated with their provision. Private investors provide the risk capital necessary to finance programming, enabling government to pay only for positive outcomes. In this way SIBs are the ultimate pay-for-performance contract.
3. SIBs tie government payments to performance, and integrate measurement and evaluation into the funding terms. This ensures program outcomes are measured and evaluated against intended targets.

Weaknesses

1. SIBs are relatively new and remain largely untested. While there are now many examples of SIB fund programs in place, none of these SIB implementations have yet run their full course through to contract completion.
2. Without the proper controls on participant selection, SIBs could incentivise agencies to ‘skim’ participants that are most likely to achieve the outcome that is linked to payment. Random sampling is one of the ways to restrict an agency’s ability to select only those participants who are most likely to succeed.
3. Due to many partners being involved in the structuring of SIBs, they have high transaction costs relative to philanthropy or typical government funding. While the contracts supporting SIBs can be complex, they are well worth the complexity if the time period is adequately long to demonstrate successful outcomes that wouldn’t have otherwise been funded.

Opportunities

1. SIBs enable governments to move an intervention beyond the realm of academic random control trials, and into wider deployment. SIBs are an ideal model to ease the transition of innovative programs into sustained governmental funding.
2. Centralizing data collection, operations management, and ongoing performance measurement enables the intermediary to share ongoing results with all participating organizations and collaboratively overcome emergent barriers to achieving the intended outcome.

Threats

1. The relative complexity of the SIB structure and the high transaction costs of implementation could slow implementation of the funding model.

6.

Organization & Implementation Issues

Social Impact Bonds present an opportunity to transform the way that individuals on the SAMI spectrum are supported. As an individual funding tool, SIBs allow governments to reduce investment risk while supporting new, leading edge programming such as Housing First.

We believe that the SIB is not only an innovative funding model but also a way to lead innovation in program delivery. At their most ambitious, SIBs provide opportunities to test radically new systems, restructuring and reorganizing how support programs are delivered to a target population. At their most conservative, SIBs pull evidence-based interventions out of academia and into the real world, supported by public funding.

Depending on need and the desire to innovate, SIBs can be structured with varying levels of ambition, complexity, and capacity for service model and systems change.

3 Options for SIB Development

	1	2	3
Level of Innovation	Low	Medium	High
Use a Social Impact Bond to...	Fund a well-defined intervention involving a small number of agencies and ministries	Design an innovative service model that combines multiple best practices with input from multiple agencies and ministries.	Lead an intensive systems transformation exercise, engaging numerous stakeholders to redefine how services are delivered.
Time to commission	10-12 Months	12-18 months	18-24 months
Purpose of the Social Impact Bond:	Demonstrate an innovative funding tool for proven services	Implement an innovative and comprehensive service model that builds on existing best practices	Catalyze broad change in how individuals with severe addiction and mental illness are supported

Preliminary research led us to base our feasibility study on a Housing First approach, patterned on the findings of the At Home/Chez Soi study by the Mental Health Commission of Canada.ⁱ

A Housing First SIB in Vancouver's Downtown Eastside would fall into category 2 outlined above, serving as a trial of innovative new social programming that could eventually be scaled up system-wide. The SIB would provide a venue where adaptations to existing models could be tested and proven while gathering new information on how to best serve the SAMI population.

7.

Scoping a Possible Intervention

While the ultimate design of a SIB-funded intervention is a collaborative process that requires input from all major stakeholders, in the early stages of SIB development it is necessary to make some basic assumptions about possible intervention models in order to assess feasibility and viability. In scoping our intervention we considered four broad categories of research.

Identified Gaps

In order to identify gaps in the current supportive housing models in Vancouver, we interviewed service providers, government, funders, health sector professionals, and the municipal police, all of whom are involved in current approaches to housing individuals on the SAMI spectrum. Three recurring themes came up throughout these interviews:

- **Accountability and Best Practice** - in many provincially-funded supportive housing projects, non-profit organizations that operate housing facilities have minimal accountability. Contracting agreements do not provide external organizations – including the Province – with oversight or control of how supports are delivered.

While these operators are providing a valuable service that is a positive alternative to the shelter system, health outcomes for tenants are still troublingly negative.ⁱⁱ Bolt-on mental health and addiction supports have been funded through healthcare, but housing operators' ability to manage buildings according to their own principles can undermine the impact of additional health supports.

- **Effective Measurement** - other than the few academic studies on residents living in supported housing in the Downtown Eastside, there is often little measurement of whether housing supports improve the health of tenants with multiple diagnoses. Rigorous long-term tracking studies are often limited by privacy concerns.
- **Fragmentation of Support** - while multiple agencies might be supporting a single individual, current funding structures do not facilitate collaboration between housing providers, health care providers, mental health teams, and police. Referral requirements can also lead to disjointed care for individuals.

At Home / Chez Soi

At Home/Chez Soi was a nationally funded study, sponsored by the Mental Health Commission of Canada. At Home demonstrated the efficacy of a Housing First approach to supporting homeless individuals with SAMI, and provided the necessary evidence base to scale Housing First programs broadly. The substantial evidence base provided by At Home/Chez Soi demonstrates not only improved primary health outcomes through the provision of Housing First, but significant impacts related to quality of life as well.ⁱⁱⁱ

Housing First

The core principles of the Housing First intervention model are:^{iv}

- **Unconditional access into the program** - participants do not need to meet any minimum thresholds for mental health or sobriety.
- **Choice** - participants are offered the choice of a residence that could be in a congregated supportive building or, more preferably, a private residence in a neighbourhood of their choosing.
- **Individualized Support Services** - Housing First provides voluntary support teams that are portable and professionally qualified to support a range of needs, from substance abuse to employment to mental health.
- **Social and Community Integration** - opportunities for community engagement near a participant's new residence are offered as an optional part of the program. These activities provide opportunities for the participant to socialize and integrate into his or her new neighbourhood.

Modified Assertive Community Treatment

There is broad evidence showing that ACT is effective in treating homeless individuals with multiple disorders.^v A SIB-funded model provides the opportunity to adjust and adapt the basic ACT formula to the specific needs of the Vancouver community, enabling service delivery on a larger scale, tailoring services to a wider range of individuals on the SAMI spectrum, and improving the program's ability to meet an individual's changing needs over time.

The following innovations on the basic ACT model would provide adaptive support for clients, facilitate rigorous data collection, and enable collaboration between participating agencies and ministries:

- **Adaptive Support** - there is limited data on how an individual's need for ACT changes over time as he or she moves through various stages of recovery. While some individuals will require full ACT services for the duration of their lives, many individuals with mental health challenges may not. As recovery increasingly becomes a focus of mental health care, it is important that individuals who 'graduate' from needing a full ACT team are provided strong continuity of care – something the current referral system does not adequately support.

An adaptive support system would enable gradual increases or reductions in service according to each individual's need, all while remaining with the same support team. This continuity of care through a single program would enable stronger case management and client collaboration towards achieving health outcomes. Most importantly, it would allow individuals to remain within a single overarching support system regardless of their current status or rate of recovery.

- **Longitudinal Outcomes Assessment** - a SIB delivered over 8-10 years would offer a chance to study the long-term effects of adaptive support programs. Tracking health outcomes, health care service use, and police interactions would provide even stronger evidence for integrated care models.

In addition, data on adaptive support models could help similar programs to be scaled up, potentially leading to broader changes in case management for the public health system.

- **Wrap-Around Support Model** - a SIB-funded model would provide a comprehensive support system, encompassing supportive housing, psychiatric care, substance abuse support, clinical care, and integrated pharmaceutical provision. Combining multiple services under one coordination umbrella has been shown to result in better health outcomes and greatly improved quality of life.^{vi}

Due to ACT's flexible, modular structure, there is room to explore new additions to the suite of supports. One such example is with pharmaceutical care. Many mental health services are challenged by patients not following prescribed courses of medication, especially in cases of severe addiction.^{vii} Fragmented service delivery makes it challenging to support individuals requiring complex medical care; if an individual receives treatment at the emergency room, for example, doctors there may have no interaction with her psychiatrist, support worker, or pharmacist, making it difficult to ensure that she is following her various prescriptions.

Integrating a team of clinical pharmacists within the pool of support services would link clinical care providers, psychiatrists, and pharmacists, ensuring that patients' medication plans are supported by an entire team of service providers. The BC government is expanding the scope of practice for clinical pharmacists, allowing them to perform many services previously reserved for physicians and lowering program costs.

- **Inter-Agency Coordination and Data Collection** - integrated case management is an innovation that has been widely shown to improve case management outcomes, and has a precedent in Vancouver in the form of At Home/Chez Soi.^{viii} Using a similar strategy, the Victoria Integrated Community Outreach Team (VICOT) established formal relationships with police and the Ministry of Social Development to collaborate on health and service outcomes for VICOT's clients.^{ix} Partnerships with other agencies and ministries allowed VICOT to offer more comprehensive services, including more appropriate welfare and disability payment structures and coordination between police and clinical providers to respond to rapidly declining individuals.

8.

Performance Evaluation

An external evaluator serves as an objective third party, evaluating the SIB's degree of success in meeting its initial goals.

A SIB's outcomes could be measured in many ways, each with varying degrees of cost and complexity. A range of considerations should be taken into account in selecting a methodology, including operational and pragmatic constraints, ethical requirements, institutional preferences, and whether the SIB program needs to generate data.

Of the potential evaluation methodologies, a random control trial would be the ideal choice for a supportive housing SIB. If such a trial proves to be infeasible, propensity score matching would be the next best method for estimating the SIB's impact.

Study Methodology	Advantages	Disadvantages
<p>In a Randomized Control Trial (RCT), a population is randomly divided into two groups. One group is designated a treatment group and the other becomes a non-treatment control group.</p>	<p>This is the most comprehensive evaluation for determining whether there has been any impact, allowing for adaptive programming changes in direct response to positive or negative results.</p>	<p>RCTs are very resource-intensive and data collection can be logistically challenging. Concerns have been raised around excluding a group from access to potentially life-saving services to establish a control. This is a fundamental feature of an RCT that SIB stakeholders may or may not be comfortable with.</p>
<p>In Propensity Score Matching (PSM), individuals self-select control/treatment groups through their behaviour. That is, individuals who avoid treatment programs form the control group, while those who seek to participate in the supportive housing project form the treatment group.</p>	<p>PSM allows for comparative studies between two populations when an RCT is inappropriate due to feasibility or ethical concerns.</p>	<p>PSM can be confounded by other factors; care must be taken to ensure that variables unrelated to the SIB program do not show false positives or negatives in the evaluation results.</p>
<p>In a Historical Baseline study, data from previous studies on similar populations serve as a control group for comparisons against the program's treatment group. The two groups must be similar enough to allow meaningful comparison.</p>	<p>This is the most straightforward method for determining effects; the only new measurement required is for the treatment group.</p>	<p>A historical control group is not necessarily a strong baseline. If underlying conditions have changed such that the historical data is no longer relevant, findings will be of limited use.</p>

Once the “how” of measurement is established, the “what” must be addressed. Selecting which datasets to use for analysis is a key part of designing a SIB. To ensure accurate evaluation, the datasets must be closely tied to the treatment effects and should not be influenced by outside forces. For example, a SIB aimed at reducing street homelessness would be poorly served by tracking aggregate street homelessness in the area, as too many other variables could influence the final numbers. A more appropriate metric would be to compare annual days of homelessness in the treatment group against annual days of homelessness in the control group.

A Housing First SIB aimed at reducing public system service use could be evaluated using any of the metrics in the following table.

Metric	Why it is appropriate
Emergency Room Visits	Individuals with concurrent mental illness and severe addiction have high emergency room usage. ^x This population can find themselves in the emergency room for a variety of reasons, including substance overdose, decompensation, or a combination of substance use and mental illness.
Police Contacts	Police are often the first point of contact for individuals on the SAMI spectrum. ^{xi}
Inpatient days	Individuals who end up in the emergency room will often have extended stays in the hospital as a result of health episodes if they have no other place to go. This can reduce hospital capacity, affecting long term planning and preventing appropriate hospital use by those with greater need.
Justice system contacts	The reliance on police as front line service providers leads to greater interaction with the justice system. Court contacts and prison stays are costly and impact the capacity of the justice system.

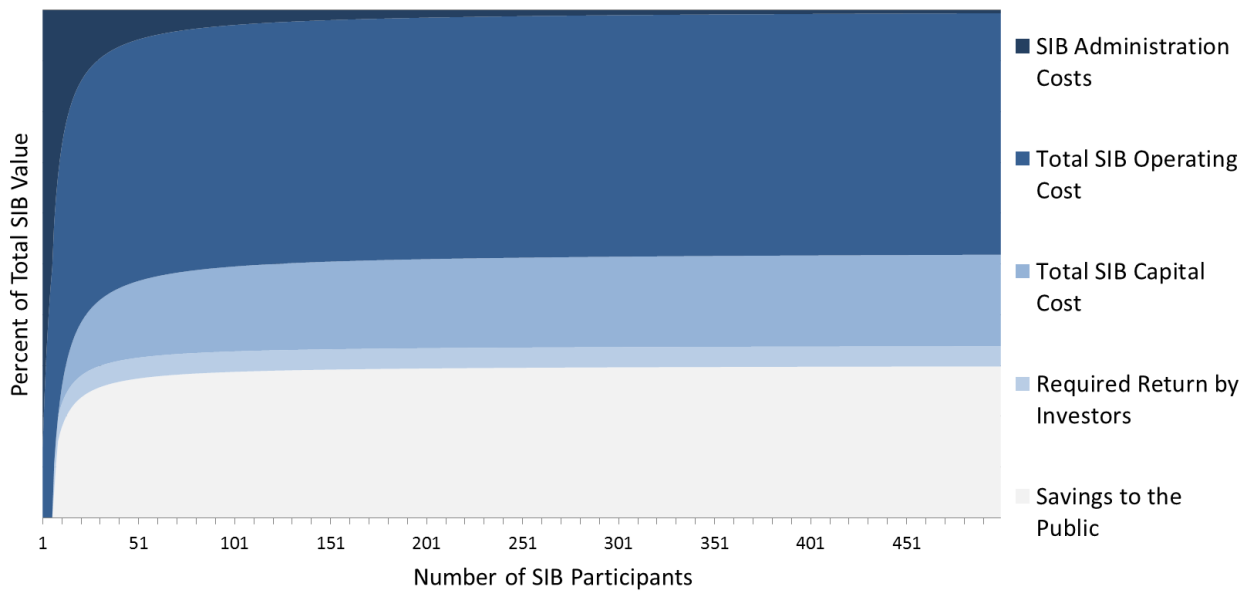
9.

Financial Considerations

As interest in SIBs as a potential vehicle for accessing new pools of investor capital has grown, so too has the debate as to whether governments actually accrue sufficient savings to fund – and justify – later repayment. This debate hinges on whether preventative programs only free up service capacity in the short term or actually lead to long-term system-wide cost reductions.

Based on the body of economic research on this issue, there will not likely be large, immediately cashable savings through reducing inappropriate healthcare use for a cohort of 200-500 individuals. However, given the evidence that concurrent addiction and mental health can weigh heavily on healthcare providers (rivaling major diseases such as cancer^{xii}), preventative programming can clearly improve system-wide healthcare services over the long term.

Evidence suggests that appropriate care for individuals on the SAMI spectrum can lead to significant reductions in acute care use, allowing healthcare providers to transfer resources from acute care to non-acute care^{xiii} and reducing healthcare costs overall.^{xiv xv xvi}



The chart above illustrates the economies of scale that can be achieved with higher levels of participation. Because SIBs have high administration costs, there is a minimum size required for a SIB to maximize its return to the public. In a Vancouver-based Housing First SIB, public savings begin to plateau at 110 participants, with a total SIB value of \$14.3 million over 10 years.

Pro Forma

Although intervention design and participating organizations must be finalized before a full financial analysis can be made, this report includes some preliminary modeling of what a Vancouver-based Housing First SIB might look like. The municipal government has indicated that there are roughly 300 individuals who fit the SAMI criteria and require immediate high intensity supports. We have used this figure as our starting point for costing out a Social Impact Bond.

Three variations of ACT were prototyped to explore how common inputs such as staff and overhead may be scaled over a larger client base. The table below outlines the details and assumptions behind the sample pro forma that follows.

Number of Participants	300 Severely Addicted/Mentally Ill individuals
SIB Length	10 Years
Program Intervention	\$9,990 per person per year for an ACT team that reduces cost by scaling delivery over a larger client base and centralizing case management
Housing Costs	Assuming that a SIB contributes 50% of the required capital costs to provide mortgage financed housing to participants.
Legal Costs	High estimate of the legal costs of structuring the SIB vehicle through contracts and incorporation, assuming an exemption for a prospectus
Tenancy Costs	Cost of rent for the intermediary organization
Independent Evaluator Cost	Cost of contracting throughout the SIB's duration
Repayment of Principal and Return	Assuming an investment return of 6% annually

Over 10 years, the distribution of costs and benefits is as follows:

Expenditures (in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Program Intervention	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997	2,997
Intermediary Performance Management	225	225	225	225	225	225	225	225	225	225
Housing Costs	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122	1,122
Legal Costs	250	0	0	0	0	0	0	0	0	0
Tenancy Costs	80	80	80	80	80	80	80	80	80	80
Independent Evaluator Cost	60	60	60	60	60	60	60	60	60	60
Total	4,734	4,484	4,484	4,484	4,484	4,484	4,484	4,484	4,484	4,484
Revenue (in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Repayment of Principal to Investors					22,670					22,420
Additional Return					1,360					1,345
Total					24,030					23,765
Net Cumulative Investor Cash Flow	-4,734	-9,218	-13,702	-18,186	1,360	-3,124	-7,608	-12,092	-16,576	2,690
Estimated Savings to the Public	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300
Net Savings to the Public	6,300	12,600	18,900	25,200	7,470	13,770	20,070	26,370	32,670	15,467

10.

Implementation Timeline

Goal/Timeline	Activities	Outputs
Phase 1A: Establish SIB Feasibility (4-6 months)	Conduct interviews with service providers, government, and service agencies	Interim report Final comprehensive feasibility study
	Gather research on SIBs, service provision gaps, and best practices in support models	
	Solicit provincial support for commissioning SIB	
	Develop basic financial cases for different service provision models	
	Outline study design options including outcome metrics	
Phase 1B: Structure the design and implementation phase (2-6 months)	Assemble an advisory committee with representatives from key agencies, ministries and governments	Representative advisory committee
	Develop Phase 2 design and collaboration process	Framework for SIB program design
	Secure MOUs for organizations participating in the design phase	MOUs between participating orgs
	Secure commissioner support within a provincial ministry	
	Recruit general partner investor(s) to lead the design and implementation phase	Commitment from general partner to lead design phase
Phase 2: Design the SIB intervention program and operational structure (8-16 months)	Collaboratively design intervention model with stakeholder groups (service providers, general partners, intermediary organization, program participants, and healthcare professionals)	Defined service model
	Plan operations and performance management functions within intermediary. Determine model for contracting support services	Operational and governance structures
	Finalize study design, outcome measures, and external evaluators in a contract between government and intermediary	SIB contracting structure
Phase 3: Implement a Housing First SIB (2-6 months)	Sign individual contracts between commissioner, investment intermediary, external evaluator and subcontracted providers	SIB is funded and operational
	Complete funding of intermediary Hire necessary HR capacity within intermediary to carry out performance management role. Setup operations	

11.

Recent Developments

UK Pilot project collides with policy in Peterborough

Launched in 2010, the Peterborough Social Impact Bond was the first of its kind globally and the first financial investment to align successful social outcomes with financial returns.^{xvii} “One Service” – the collective name for a full suite of interventions – was designed to reduce reoffending among three cohorts of 1000 short-sentenced male prisoners leaving Peterborough prison. The pilot project has been heralded as an overwhelming success both for the outcomes it has achieved as well as its catalytic role in driving the development of the SIB market: Peterborough has experienced an 11 per cent decrease in reconvictions amongst program participants relative to a 10 per cent rise in the same statistic nationally and there are now more than 25 SIBs world-wide accounting for more than \$100M in social investment.

In April 2014 the UK Government announced crucial reforms to the probation service that were significantly influenced and informed by the project at Peterborough.^{xviii} The “Transforming Rehabilitation” (TR) program involves extended supervision for all offenders on release from prison and includes in its targeted demographic the same population currently being served by the Peterborough SIB. While the Government has expressed a desire to ensure that these reforms are integrated with the One Service program, they have also made it clear that maintaining the pay-by-results element of the Peterborough SIB is not possible. Originally scheduled to last until 2017, the Peterborough SIB will now officially draw to a close in June 2015 when the delivery of support for the second cohort is due to end.

Those who have been following the development of SIBs as a vehicle for social investment are now left wondering about the effect of this announcement. Should Peterborough be seen as a success and continue to inspire others to follow suit or should the sudden dissolution of this pilot be heeded as a warning sign for agencies considering similar initiatives?

Tony Eccles, founder of Social Finance UK - the organization responsible for launching and managing the Peterborough SIB – suggests that any assessment of success or failure must consider why the SIB model was developed in the first place. Eccles argues that when measured against the objectives of driving innovation, enabling flexibility and a focus on outcomes, bringing rigour to prevention, better aligning the motivations of government and investors, and spurring investment in social change, the Peterborough model has been a resounding success.^{xix} More importantly, the Peterborough SIB inspired the creation of new public policy, something on which many had campaigned for a long time and a development that will unquestionably lead to better outcomes for short sentence offenders.

Critics however are quick to point out the key differences between the Government’s national reforms and Peterborough’s local SIB, questioning whether or not the pilot truly informed the policy. For example, whereas organizations invested in by the SIB had the money upfront and could adjust their service and purchasing levels when needed, the national program transfers financial risk to the bidding organizations that will have to put up their own cash – a condition that may lead to cutting corners, or an incentive to work with only the most promising offenders. The national program’s focus on wider privatisation and cost reduction of probation services also calls into question whether or not these reforms adequately address a better allocation of resources between processing and punishing

people, focusing too much on being nice to prisoners and not enough on stopping crime and helping avoid further victims. Finally, the shorter time frame associated with these reforms raises some doubt about long-term impacts and the ability to track outcomes over time.

Canada's first SIB

In May 2014, Saskatchewan's provincial government announced the launch of Canada's first social impact bond. The Government of Saskatchewan, Conexus Credit Union, Wally and Colleen Mah, and EGADZ, took advantage of this innovative model of social funding to open "Sweet Dreams", a supported living home for at-risk single mothers in Saskatoon.^{xx}

With the ultimate goal of helping families transition back into the community, the Sweet Dreams project will provide single mothers with children under the age of eight who are at risk of requiring services from Child and Family Services with affordable housing and support while the mothers complete their education, secure employment, or participate in pre-employment activities.

Under the SIB agreement, EGADZ will receive \$1 million from private investors to deliver the program and achieve the desired social outcome, which is to keep children out of foster care. Investors will be repaid from projected savings to the Government of Saskatchewan of between \$540,000 and \$1.5 million over five years.

There are several factors that have been identified as instrumental in getting this first SIB off the ground:

- While Sweet Dreams is based on a multi-ministry, long-term strategy between the Ministries of Social Services, Health and Education, the projected savings are based only on the cost of children in care of the minister of Social Services. Though there will likely be additional savings related to health, criminal justice and any future social assistance, this streamlined approach simplifies the act of securing a government commissioner.
- Tying investor repayment to a single metric - the number of women still with their children 6 months post intervention – made it easier to structure the SIB.
- With the government and one investor on board early and aided by a less complicated bond structure than is normally the case, the working group was able to broker the deal within a relatively short timeframe of approximately 7 months.
- The relatively small deal size allowed this arrangement to occur without the creation of a new intermediary management organization. This follows a simpler direct contracting model whereby the service provider receives funds from investors directly to carry out the program goal.

12.

Future Outlook

Previous studies of the cost of homelessness in Canada have demonstrated that leaving high needs individuals on the street is not cost-effective, regardless of the social and moral implications.^{xxi} At Home/Chez Soi demonstrated the potential public savings that a Housing First intervention can bring.^{xxii} The initial data suggest that, while intervention programs can support individuals at an annual cost of \$18,000 per person, they can bring savings to the health and justice systems in the range of \$20-31,000 per supported individual.

While there are numerous agencies providing housing and support services to individuals on the SAMI spectrum in Vancouver, few deliver services according to best practices emerging from academic research. This is a product of funding structures which have prioritized housing people in low barrier SROs without necessarily addressing comprehensive health outcomes. The interviewees in our study also suggested that ideology plays a significant role in shaping many non-profit service providers' practices, which can prevent them from meeting the terms of their government funding. A SIB would require greater accountability for achieving health outcomes, and would add much-needed rigour to service delivery.

A Housing First SIB in Vancouver's Downtown Eastside could simultaneously expand the scale and quality of support for the SAMI population, increase our understanding of how to best serve these individuals, model improvements to the existing service landscape, and save the public money over the long term. We hope to spark a collective effort to use this innovative social financing tool to capitalize on the opportunity for real and sustained positive social impact.

About the Authors

Ecotrust Canada

Ecotrust Canada is a registered federal charity whose mission is to design economic alternatives that benefit people in place. Our goal is to provide evidence that economic systems which balance financial, environmental and social interests and conditions are not only possible but preferable because they generate increased wellbeing and create a more resilient economy over time.



Radius

RADIUS (RADical Ideas, Useful to Society) is a social innovation lab and venture incubator based at the Beedie School of Business, formed to help SFU and BC step forward as leaders in building the New Economy. Our programs are grounded in a shared approach: the 'RADIUS Way' demands Humility through human-centred solution design; Rigour through lean approaches to model testing and development; and maximizing Impact above all else in identifying problems, solution and business models to work on.



Acknowledgements

This project was made possible thanks to funding and support from the following organizations:

The Real Estate Foundation of BC

The Real Estate Foundation of BC is a philanthropic organization with a mission to transform land use attitudes and practices through innovation, stewardship, and learning. The Foundation's grants program supports non-profit organizations working on progressive projects that address environmental and urban issues. Since 1988 the Foundation has approved more than \$67 million in grants to create positive change for BC communities.



BC Housing

BC Housing develops, manages, and administers a wide range of subsidized housing options across the province of British Columbia in Canada. We partner with private and non-profit housing providers, other levels of government, health authorities, and community groups to increase affordable housing options for British Columbians in greatest need. BC Housing also helps bring about improvements in the quality of residential construction in B.C. and helps strengthen consumer protection for buyers of new homes.



Central City Foundation

Central City Foundation has been bringing neighbours together to build hope in Vancouver's inner city since 1907. By building housing and other capital projects, investing in social enterprises that create jobs and opportunities as well as funding hundreds of non-profit organizations, Central City Foundation has provided help and hope to the most vulnerable people in our inner city community for 106 years.



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