

Supporting At-Risk Youth: A Provider's Perspective on Pay for Success

Lili Elkins

Roca Inc.

Roca is currently negotiating with the Massachusetts Executive Office for Administration and Finance to establish one of the first Pay for Success (PFS) pilot projects in the United States. These negotiations involve the Department of Youth Services, the Office of the Commissioner of Probation, and Third Sector Capital Partners, as well as New Profit Inc., which will serve as the project's intermediary. This partnership has provided Roca with a unique learning experience and allowed Roca to develop skills critical to participating in the PFS pilot.

Through the pilot project, Roca will provide its cognitive behavioral Intervention Model to approximately 900 "high-risk" young men aging out of the Department of Youth Services (DYS), aging out of juvenile probation, and/or already on adult probation.¹ These young men have extremely high rates of reincarceration. For example, of those aging out of DHS, 65 percent will be reincarcerated within five years of release.

Roca is at a unique moment in its history. Participating in this project offers Roca an opportunity to take the organization to the next level and move toward long-term sustainability. Roca will demonstrate its model through a rigorous program evaluation while scaling its impact across the state. Concurrently, Roca will implement a clear path for governments in both Massachusetts and across the country to avert and/or reduce incarcerations for this high-risk group of young men and in turn demonstrate significant government cost savings.

Roca believes this project will create a sustainable public funding source to support work with very high-risk young people. Further, because Roca has taken on a portion of the risk from the project itself, this project offers Roca the ability, if outcomes are achieved, to generate revenue—above and beyond success payments—that will support ongoing organizational operations and growth.

While the pilot has not yet been implemented, Roca has spent the last twenty-five years preparing for such an opportunity and has learned many lessons as part of the project's planning and implementation processes. We believe that to effectively engage in PFS contracts, organizations must: 1) demonstrate significant government cost savings while addressing a substantial need, 2) administer a strong, evidence-based service delivery model, 3) clearly understand program outcomes and have a strong ability to track results, and 4) be able to manage risk internally and communicate risks to investors.

¹ "High-risk" young men are defined as those young men, aged 17 to 24, who are not connected with programming and have the highest propensity for incarceration or reincarceration.

Demonstrated Cost Savings to the Government

For a PFS project to be successful, payments must be tied to clear, significant expenses for the government, and cost savings should exceed program implementation costs, so that ultimately the government is paying for successful services.

Every year, approximately 4,000 high-risk young people “age out” of the juvenile justice system or are on adult probation in the Commonwealth of Massachusetts. According to the Commonwealth, 68 percent return to prison one or more times within six years of release,² costing the Commonwealth on average \$47,000 per prisoner annually.³ Since each of these reoffenders spends an average of 28 months in a correctional facility within six years after release,⁴ this population generates over \$300 million in additional incarceration expenses for the Commonwealth. Similar cost savings are apparent for high-risk young men on juvenile and adult probation. This is the target population for the PFS pilot project. These young people were selected because they incur the most costs for the Commonwealth, are the most likely to be reincarcerated, and are the most likely to be positively impacted by Roca’s Intervention Model.

Roca’s Intervention Model is projected to save Massachusetts significant money. The cost of putting someone through four years of Roca’s Intervention Model is \$25,355, a significant cost savings when compared to the average cost of \$112,800 for one 2.4-year incarceration.

A Strong Service Delivery Model Based on Evidence

The most effective PFS projects will be created using strong, evidence-based service delivery models. Roca is an outcome-driven organization that has served high-risk young men since 1988. Roca developed and operates an Intervention Model designed to help the highest-risk young men break destructive cycles of poverty, violence, and perpetual incarceration.

Roca’s Intervention Model pushes young men to identify, confront, and overcome destructive behaviors and learn skills needed to reengage and succeed in society, education, and the economy. Each year, Roca serves over 700 men between the ages of 17 and 24 who are involved in the juvenile and/or adult criminal justice systems, have risk indicators predictive of adult criminal justice involvement, have no work histories, and have limited educational background (i.e., no high school diploma or general equivalency diploma [GED]). Roca’s participants are typically unready, unwilling, or unable to participate in traditional programming or work. Roca helps these young people change their behaviors over time, helps them stay out of prison or jail, and prepares them to get and retain employment.

Building off of Roca’s success to date and drawing from evidence-based practices in behavioral health, criminal justice, and workforce development, the Intervention Model includes two years of intensive programming with two additional years of follow-up for

2 Commonwealth of Massachusetts, Department of Youth Services internal analysis, 2012.

3 Pew Center on the States, “One in 31: The Long Reach of American Corrections: Massachusetts.” (Washington, DC: Pew Center on the States, 2009).

4 Commonwealth of Massachusetts, Department of Youth Services internal analysis, 2012.

retention and sustainability. The Intervention Model effectively combines relationship building and targeted programming (life skills, education, and employment) to support young people in developing the necessary skills to create positive behavioral changes. Once consistent relationships are established, they become the foundation for cognitive-behavioral change, helping young people move through a long-term, stage-based plan for improving their lives and creating opportunities as they make educational, life-skills, and employment gains. Youth workers are trained in various evidence-based and clinical techniques for promoting behavioral change, specifically cognitive restructuring, an approach designed to help people identify and change dysfunctional thoughts that contribute to problem behaviors; motivational interviewing, a client-centered counseling style designed to help clients resolve ambivalence; stage-based learning, which helps young people practice academic and prevocational skills needed to achieve social and economic independence; and transitional employment, a stage-based approach for helping individuals gain and practice critical entry-level employment skills while earning a subsidized wage.

A Clear Understanding of Program Outcomes and the Ability to Track Results

For any PFS project to work, projected outcomes must be realistic and attainable. Successful programs must not only understand their own outcomes but be able to demonstrate those outcomes over time and have the ability to track long-term results. The Massachusetts PFS pilot project is being developed with the goal that all project outcomes will be measured through a randomized controlled trial and that all outcomes must be measurable against a clear counterfactual, in this case developed using administrative data.

Roca's outcome projections for this project are based on a review of six years of Roca's own historical data. Roca believes it has created what can become a systemic response to violence, poverty, and incarceration for high-risk young men. Each component of Roca's Intervention Model is designed to drive toward measurable, positive outcomes. Of the very high-risk young men who graduated from the model in 2012, 79 percent retained employment, 70 percent made educational gains, 90 percent had no new arrests, and 100 percent had no new technical violations during the retention phase of the program. Further, Roca's outcome projections for the PFS pilot have been supported by a preliminary comparison of Roca's data to administrative data, made by the Commonwealth.

Equally important, Roca maintains a comprehensive, performance-based management system allowing it to measure results against the counterfactual. Over the past seven years, Roca underwent three Theory of Change processes helping to hone and refine the model and has engaged in a systemic cycle of research, design, action, data tracking, and use of data for continuous improvement to deliver an intervention worthy of the young people we serve. Because of this learning and commitment to performance management and continuous improvement, Roca made significant progress in the design and coaching of the model and the development of a performance management system. This intensive work has prepared us for this unique opportunity.

Manage Risks Internally and Communicate Risks to Investors

Service providers must be able to raise (with an intermediary if appropriate) the financial resources to support cash flow and address risk if outcomes are not met. In the case of Massachusetts, investor funds are being solicited by both the intermediary and Roca to ensure that all programmatic cash flow needs are met. Because investors risk not being paid back if outcomes are not delivered, Roca has worked closely with the intermediary on fundraising and management of risk expectations for funders, providing a realistic picture of programmatic outcomes and organizational capacity. Consequently, all of Roca's financial and programmatic estimates have been as conservative as possible. Further, Roca itself is acting as one investor in the project, taking on 15 percent of the risk internally.

Through the use of private capital, PFS represents a dramatic departure from traditionally structured government funding for social services. But, just as importantly, the advent of PFS marks the arrival of a higher standard for outcome measurement and financial accountability for nonprofits seeking public dollars. Had Roca not spent the last twenty-five years sharpening its service delivery model, honing its ability to produce and track competitive outcomes (both social and financial), and developing productive, trusted relationships with private investors, it would not be prepared for this project. So while PFS holds great promise for generating cost savings for government across a wide spectrum of services, the future of this approach ultimately rests with service providers' preparedness and performance.

Lili Elkins has worked with Roca for the past 9 years and served as its chief strategy and development officer for three years. In addition, Ms. Elkins is an associate professor at Columbia University teaching in the School of International and Public Affairs and the Mailman School of Public Health, focusing on government and nonprofit finance and financial management. Prior to her serving in her current role at Roca, Ms. Elkins was as an independent consultant working nonprofit and governmental organizations, providing resource development, financial management, contracting and management assistance to a variety of organizations.