



Cleveland and Cuyahoga County Pay for Success Lead Feasibility

Cleveland Foundation Briefing & Path Forward Conversation

May 3, 2018

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Purpose

- Update Cleveland Foundation senior leadership on project takeaways and recommendations.
- Discuss potential next steps for advancing an initiative aimed at addressing lead poisoning at a larger scale.

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Cuyahoga County and the Cleveland Foundation wanted to continue exploration for how to address lead poisoning via Pay for Success

Building on Existing Efforts to Test Hypothesis for PFS

Local Context

GUCCHI has been exploring how to address lead poisoning by building community awareness, improving lead remediation and advocating for systems change. The subcommittee on lead is working to substantially increase the number of homes treated in order to move the needle on lead poisoning rates.

Compelling Local Opportunity

The Centers for Disease Control and Prevention (CDC) published a report in April 2017 examining how PFS could support scaling lead initiatives and used Cleveland as a case study. This report highlights options for delivering lead services at scale and cataloging the benefits accrued by various entities.

Exploring and Operationalizing a Lead-Focused PFS Project

Third Sector would partner with local stakeholders to:

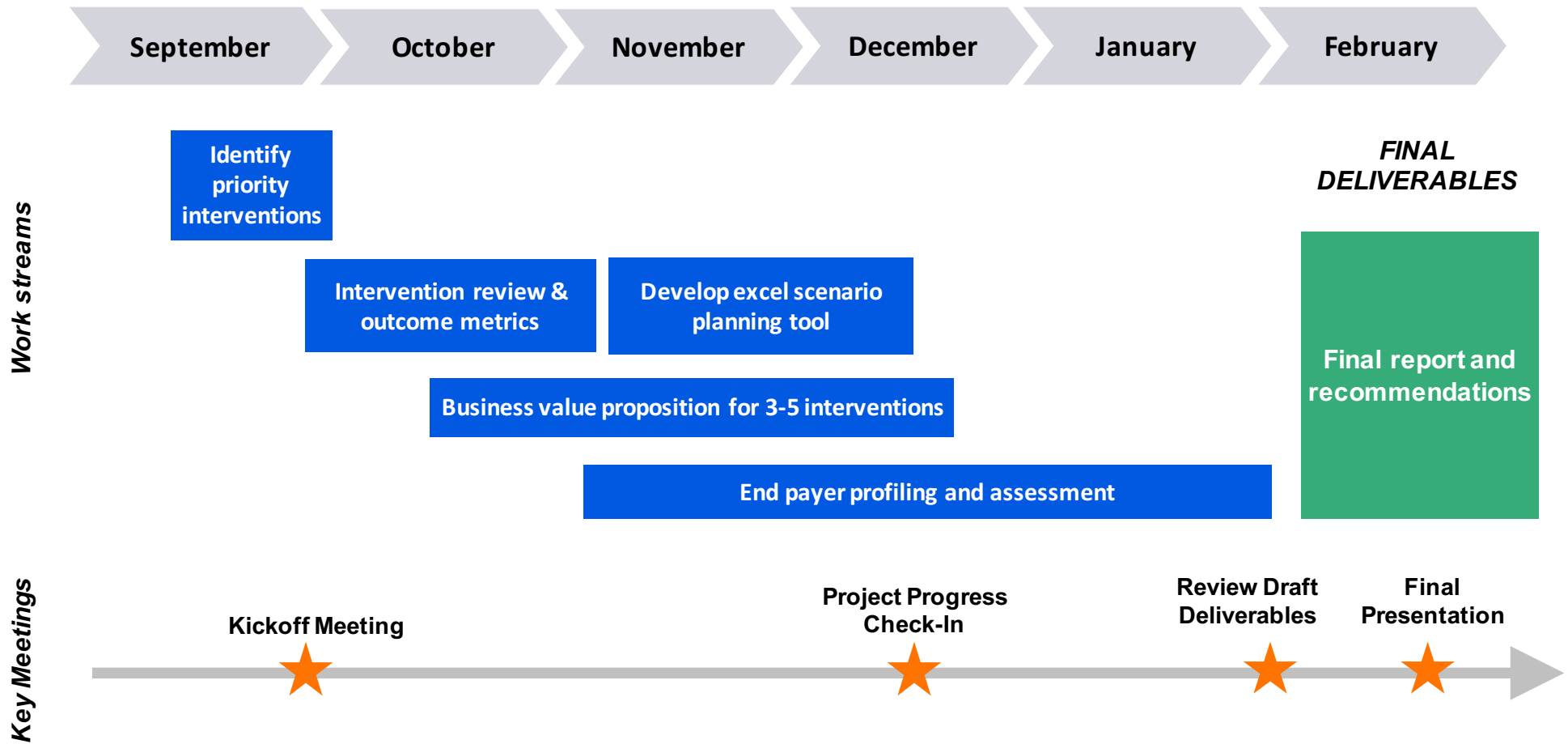
1. Review and validate the PFS assumptions developed in the CDC report.
2. Determine the suitability of PFS as a tool to scale lead remediation efforts in Cleveland.
3. Assess and cultivate potential end payers for a lead remediation outcomes-oriented contract in Cleveland.
4. Recommend potential next steps for operationalizing a PFS project.

The project was overseen by Third Sector and an active Advisory Committee, selected by the Cleveland Foundation.

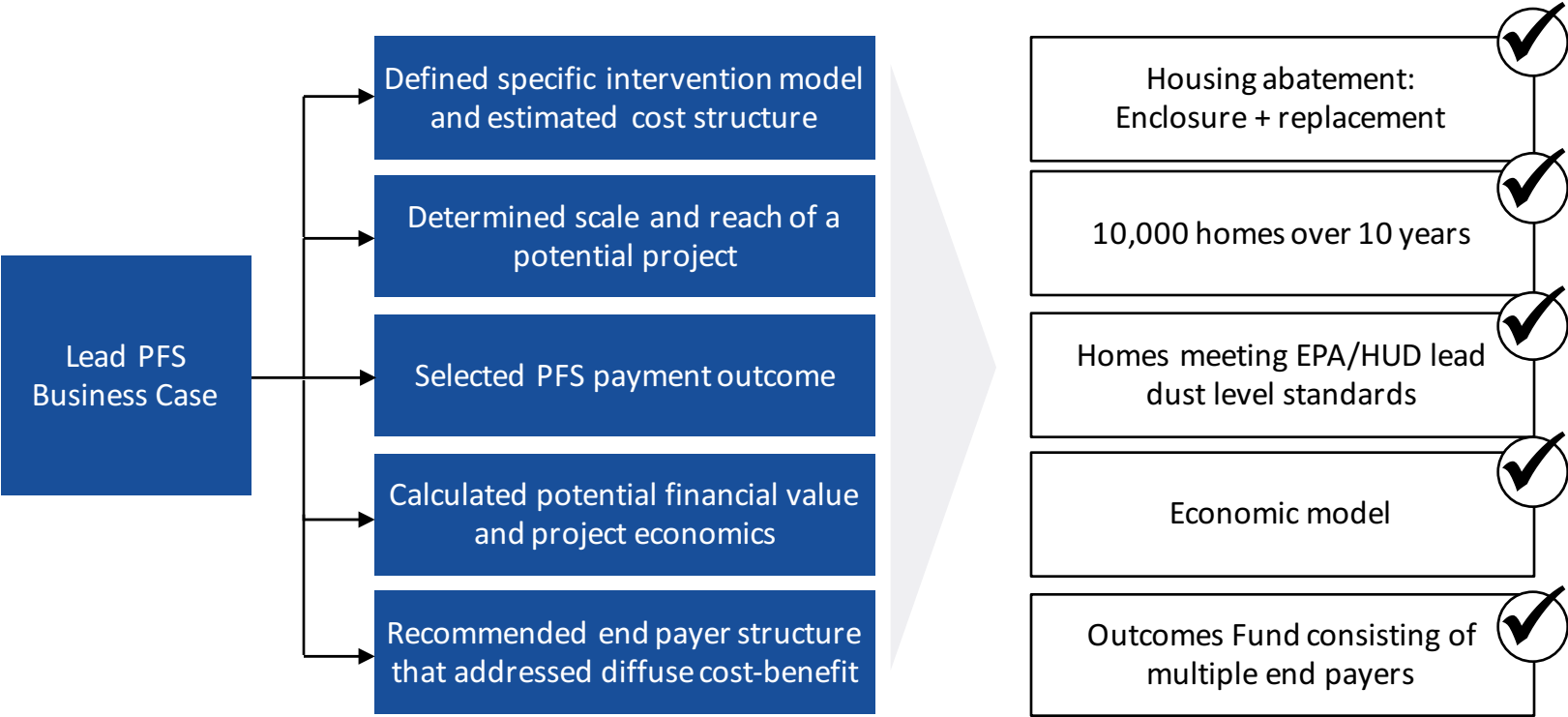
Advisory Committee Member Organizations

- Case Western Reserve University
- City of Cleveland Department of Public Health
- City of Cleveland Mayor's Office
- Cleveland Department of Community Development
- The Cleveland Foundation
- Cleveland Neighborhood Progress
- Cuyahoga County Board of Health
- Cuyahoga County Housing and Community Development
- Environmental Health Watch
- Neighborhood Connections

The project began in September 2017 and recommendations were presented to the Advisory Committee in late February 2018.



Third Sector developed a PFS business case and engaged potential community stakeholders for feedback on each element.



Third Sector conducted over a dozen conversations with potential end payers and key stakeholders to inform the recommendations.

List of Organizations

- Case Western Reserve University
- City of Cleveland
 - Department of Health
 - Public Affairs
 - Department of Development
- Cleveland Clinic
- Cleveland Foundation
- Cuyahoga County
 - Office of County Executive
 - Board of Health
 - Department of Development
- Mt. Sinai Foundation
- Philadelphia Department of Health
- University Hospitals

Pending/Unsuccessful outreach: State of Ohio; Key Bank; George Gund Foundation

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Nearly 500,000 housing units in Cuyahoga are at risk of lead poisoning a child, causing lifelong social and financial costs to the community.

Scale of Lead Poisoning

- **Main cause: lead paint in homes built prior to 1978.**
- Lead poisoning rates in Cleveland are some of the worst in the nation. Blood lead levels (BLL) above 50 micrograms/deciliter (mcg/dl) have been detected in some children.
- 2015 rates for children tested with $BLL \geq 5$ mcg/dl: City of Cleveland, 12.9%; Glenville = 23.3%; St. Clair-Superior, 25.7%; E. Cleveland (1st ring suburb), 23.3%.

Effects of Lead Poisoning

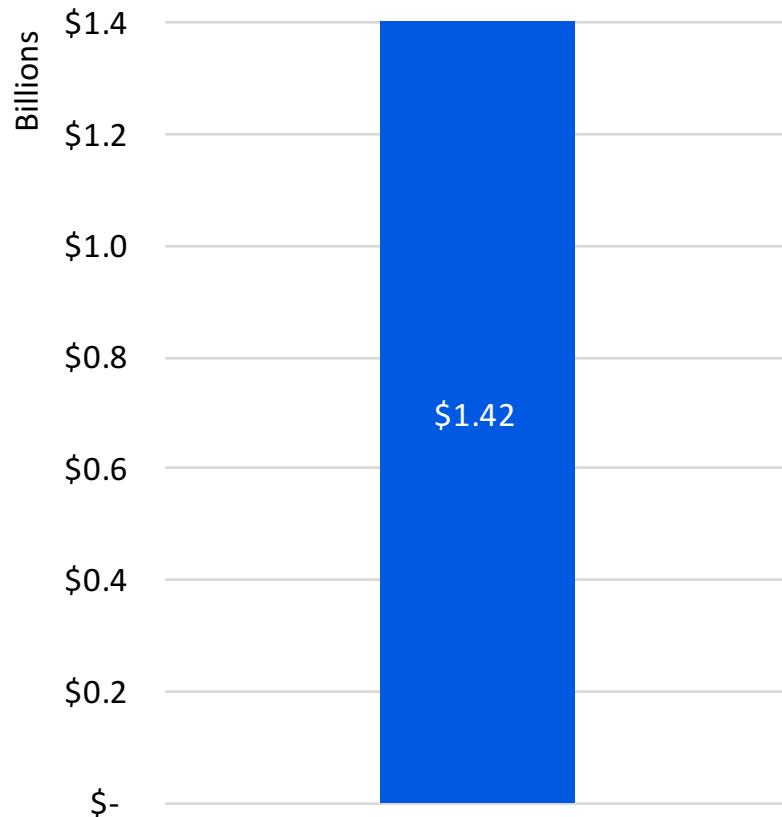
- Poorer health, educational, and social outcomes in life.
- Affects children's brain development, dropping intelligence quotient, and adverse effects on behavior.

Social Costs of Lead Poisoning

- Education: special education services.
- Justice: detention, legal and administrative, and victim services.
- Healthcare: lead tests, chelation, hospitalization/ER visits, ADHD treatment.
- Government, workforce, and community: lowered lifetime earning potential.

Over the past 10 years lead poisoning has cost the Cleveland and Cuyahoga County community over \$1.4 billion.

Estimated Financial Costs of Lead Poisoning Over Past 10 Years



- 27,861 children <6 years of age in Cuyahoga County between 2005-2015 with confirmed elevated blood lead levels (EBLs) ≥ 5 ug/dl*. \$50,000 lifetime cost per child**.
- Roughly \$2 million per year in federal dollars spent by the City and County to fix around 140 homes/year, typically after a child has confirmed lead poisoning.
- Estimated Costs of City and County staff time focused on primarily remediation activities.
- Over 104,000 staff hours.

*Data analyzed by Epidemiology and Surveillance Services at The Cuyahoga County Board of Health. Original data obtained through the Ohio Department of Health's Childhood Lead Poisoning Prevention Program.

**Jessica W. Reyes, "Social Cost of Lead" in "Lead: The Global Poison - Humans, Animals, and the Environment." Convening of the American Association of the Advancement of Science Conference in Boston, MA. February 2013

Many stakeholders and initiatives are working to address lead poisoning in Cleveland and Cuyahoga County.

- **Housing and Urban Development (HUD), Cuyahoga County and City of Cleveland lead abatement programs:** Collectively abate approximately ~200 homes per year, federally funded
- **Greater University Circle Community Health Initiative (GUCCHI):**
 - Outreach and education: Community Health Action Teams (CHAT), community awareness and education events, door to door outreach
 - Survey to identify homes where residents have expressed an interest in lead remediation (123 homes) and enroll eligible homes for remediation through HUD
- **Cleveland Neighborhood Progress:** Goal of rehabbing 1,000 homes over 5 years
- **Invest in Children:** Home daycare initiative to check for lead
- **Partners in Health at Case Western Reserve:** Lead screening in Pre-K and K children
- **University Hospital:** Lead Hotline to educate the public on lead hazards and what to do
- **Bright Beginnings (formerly Help Me Grow):** child and family services to age 3

In the last 10 years, Cleveland Foundation, Mt. Sinai Health Care Foundation, and St. Luke's Foundation have contributed over \$3 million to address lead poisoning.

Despite some progress, if no new action is taken lead poisoning will cost the community an additional \$1 billion over 10 years.

Estimated Future Financial Costs of Lead Poisoning Over Next 10 Years



- Additional 20,000 children <6 years of age in Cuyahoga County with confirmed elevated blood lead levels (EBLs) ≥ 5 ug/dl*.
- \$50,000 lifetime cost per child**.
- Roughly \$2 million per year in federal dollars spent by the City and County to fix 140 homes/year, typically after a child has confirmed lead poisoning.
- Estimated Costs of City and County staff time focused on primarily remediation activities.
- Over 104,000 staff hours.

Addressing lead poisoning on a more significant scale is a necessity if the community hopes to achieve greater impact through investments in Say Yes! to Education, Universal Pre-K, and other early childhood initiatives.

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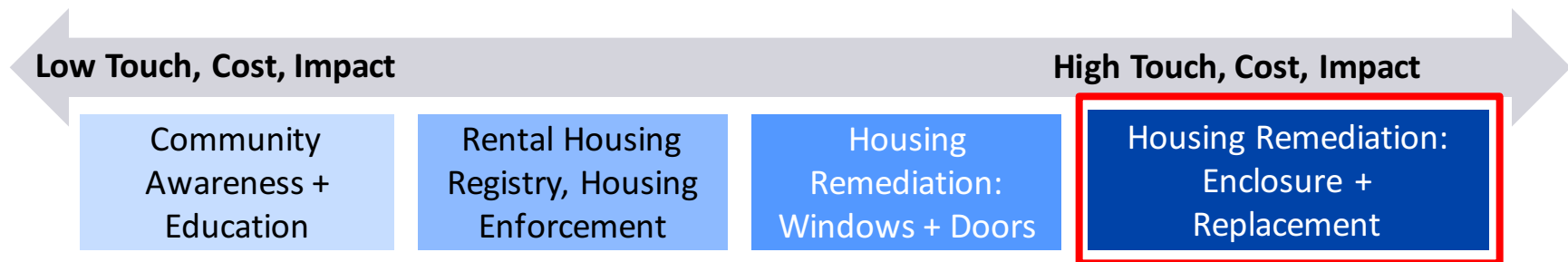
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Residential lead abatement is the most impactful strategy to significantly reduce lead poisoning in Cuyahoga County.

Spectrum of Lead Abatement Strategies



- Housing remediation is focused on reducing lead dust and hazards by:
 - Permanently covering large, stable surfaces that contain lead paint using **enclosure** systems, such as wood panels, boards, plaster and stucco systems, siding and tile.
 - **Replacing** housing components that do not lend themselves to enclosure or experience a lot of friction, such as windows, doors, molding and trim.
- Multiple rigorous evaluations have demonstrated a causal link between enclosure and replacement abatement and lead dust reduction. Combined with structural improvements and proper clean-up, enclosure and replacement will ensure lead-safe homes meet HUD and EPA lead dust clearance levels.

There is an opportunity to significantly scale the number of lead safe homes and the number of children impacted each year.

Homes
served
per year:
1,000

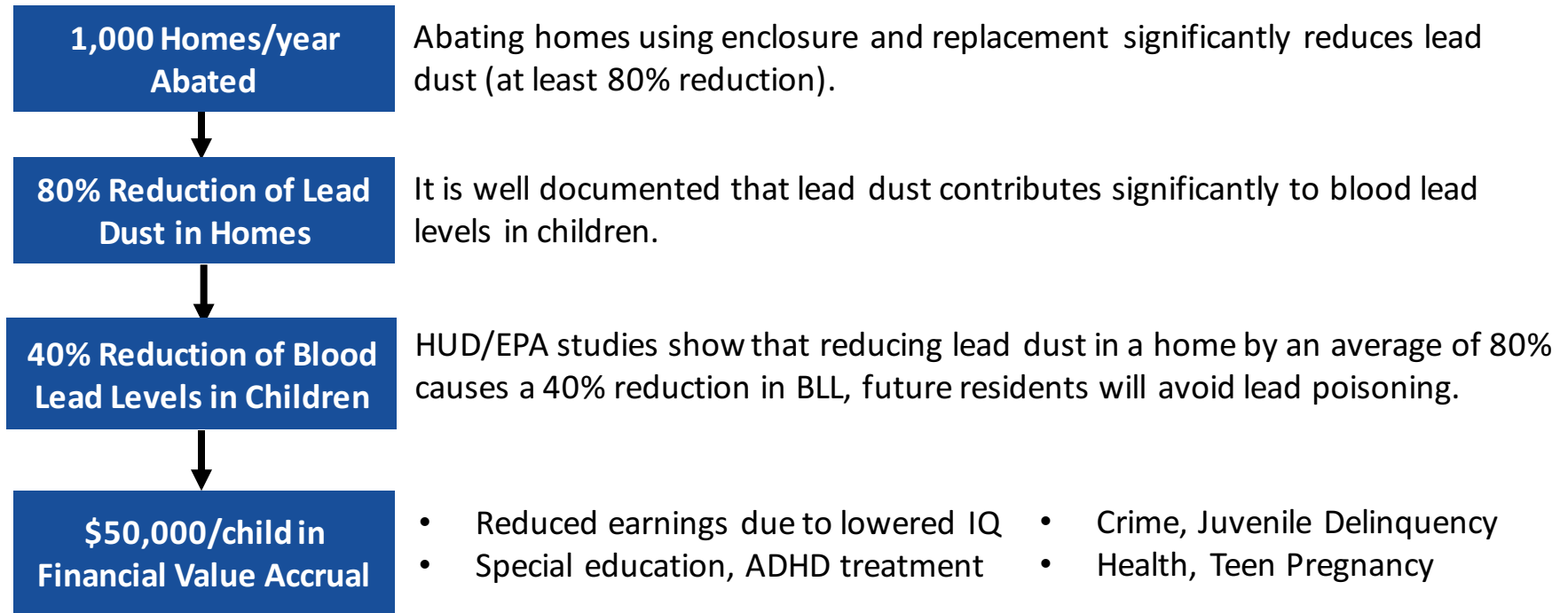
- Focus on neighborhoods with highest rates of children having elevated BLL above 5mcg/dl.
- Desire to scale up from the current pace of ~200 homes/year.
- Approximately 2,000 children/year would be impacted.

Average cost
per home:
\$15,950

- Slightly higher than the national average due to the age and larger size of homes in Cleveland/Cuyahoga.
 - The 2017 CDC Lead Abatement report estimated \$9K-\$10K/home. Green and Healthy Homes Initiative estimated \$11,500/home.
- Includes financing, evaluation and management costs.

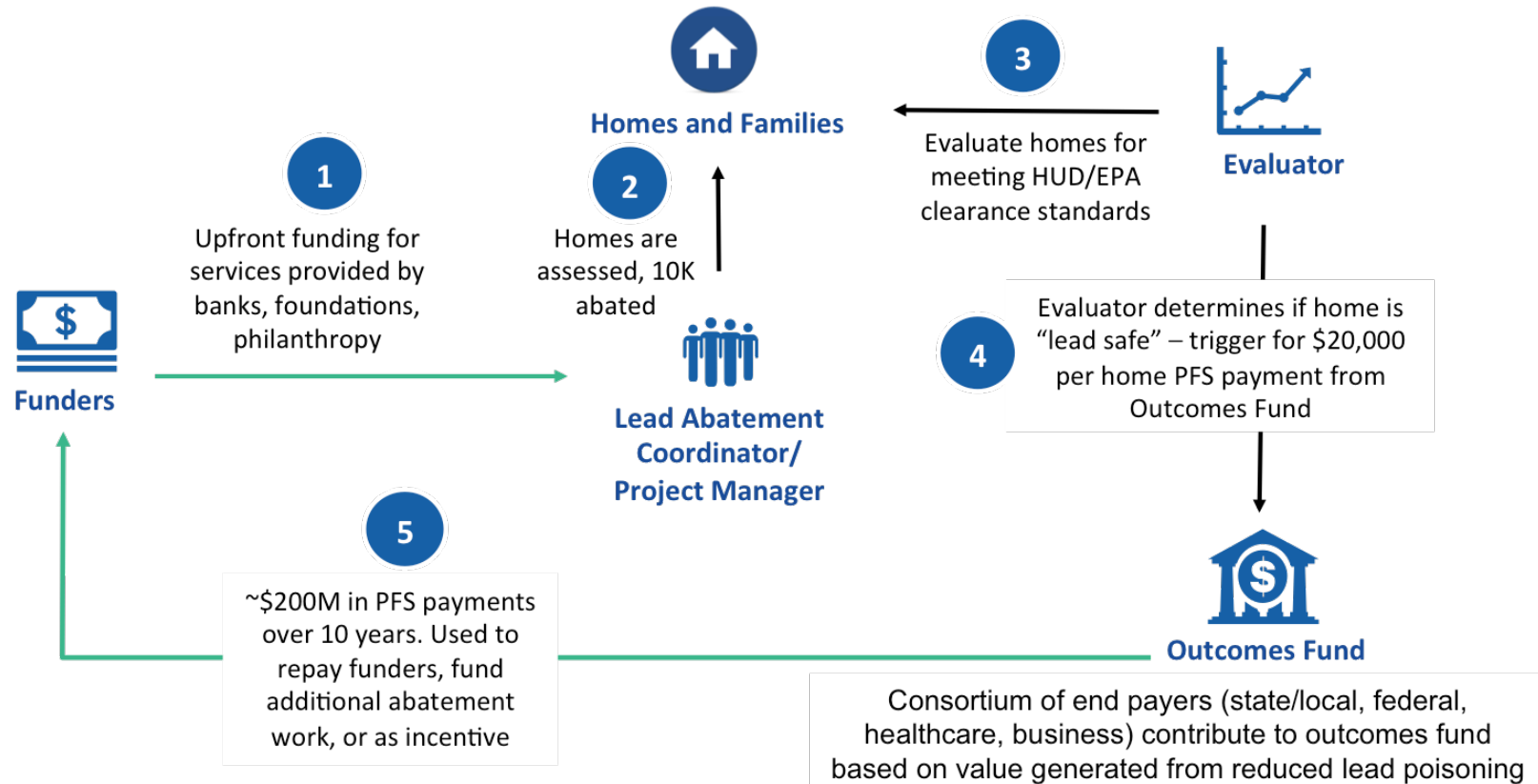
Scaling lead abatement can generate significant financial value for stakeholders throughout Cuyahoga County.

Reduced Lead Dust leads to Reduced BLL in Children, Resulting in Financial Value



Overview of potential structure for a Lead PFS project in Cleveland/Cuyahoga County

Cleveland/Cuyahoga County Lead PFS Project





Overview of a Cleveland and Cuyahoga County Lead PFS Project.

PFS Overview for 10,000 Lead-Safe Homes

Services	Target Population <ul style="list-style-type: none">• 10,000 high-risk homes over 10 years (~20,000 children)• Targeted using current lead testing data and age of housing stock		Services <ul style="list-style-type: none">• Assess home, coordinate with landlord & residents to relocate during service• Abate lead hazards in homes• Clean home and retest for lead
Impact	PFS Payment Metric <ul style="list-style-type: none">• Meeting EPA/HUD lead dust level standards per home• \$20,000 payment/ lead safe home based on financial value generated		Evaluation <ul style="list-style-type: none">• Measurement of lead dust levels pre intervention and post abatement• Quality assurance measurement
Funding	Upfront Funding <p>Provided by local and national investors/philanthropy. This working capital would allow homes to be abated and would be repaid using funding from Success Payments.</p>		Success Payments <p>Approximately \$200 million in PFS payments over 10 years from an Outcomes Fund made up of a consortium of organizations</p>

An outcomes fund would enable collaboration and scaling to abate more homes, protecting more children from lead poisoning.

Outcomes Fund Overview

Why an Outcomes Fund?

- Simplicity – Fund serves as the single end payer for the project
- Scale – Fund enables collaboration across multiple entities
- Proactive – Addressing the issue of lead poisoning once and for all, rather than reacting with piecemeal fixes
- Unified – No one organization or payer can solve lead poisoning on their own
- Equality – Healthier and safer children

Potential Members of Outcomes Fund

- City of Cleveland
- Cuyahoga County
- State of Ohio
- Hospitals/Healthcare Systems
- School Districts
- Business
- Philanthropy
- Federal Government

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Stakeholders are eager to scale lead poisoning prevention efforts and are open to creative approaches to fund this work.

Summary of Feedback

Affirmation	Interest	Evidence
Agreement that abatement (enclosure and replacement) is an appropriate level of intervention.	Broad interest in PFS as an innovative funding and contracting approach for community initiative.	Significant evidence of abatement as an effective intervention to address lead poisoning.
Recognition that prevention of lead poisoning is critical component and driver of child, family, and community success.	Concern for more specifics on eligibility criteria for homes and families to be served.	Clear and compelling business case for housing interventions as a way to reduce lead poisoning.
Strong desire to increase the scale and reach of lead poisoning prevention work.	Consideration for how prevention of lead poisoning could align with other community initiatives.	Available data sources to measure impact across a wide range and duration of outcome metrics.

Pay for Success is best pursued as a component of a larger, coordinated initiative to reduce lead poisoning in Cleveland and Cuyahoga County.

Key Reasons

1

There is a compelling business case for long term value of lead abatement that resonates with end payers and other stakeholders.

- Government and other end payers agree that lead poisoning prevention creates tangible financial value.
- Strong evidence of reduction of lead dust and subsequent reduction in blood lead levels.

2

There is enthusiasm for scaling strategies to reduce lead poisoning, but there is lack of consensus on optimal strategy and ownership to coordinate across multiple stakeholders.

- PFS may support a lead abatement project only if all stakeholders fully endorsed this intervention.
- A neutral coordinating entity should be identified and equipped to lead a community-wide mandate.

3

Securing revenue for outcome payments will require significant actions from government with broad, sustained community support.

- There is no “primary” revenue source to serve as source of outcome payments from governments.
- New or increased revenue streams are required and these need political will and community buy-in.

4

Focusing on measurement of outcomes (PFS) can be a motivating factor for an initiative but will compete against other major initiatives when it is the main feature or justification.

- Multiple larger initiatives can limit funding and people resources available to support PFS.
- The scale of a Lead initiative will gain broader support by focusing on early childhood impact.

Pay for Success, as a supporting feature, would be able to address some of the challenges stakeholders surfaced.

Pursue a demonstration project as a way to increase scale and build momentum

- A demonstration project would drive forward end payers in refining project specifics and pursuing resources necessary to implement PFS on a more realistic scale.
- Leverage opportunity created by new Social Impact Partnerships fund of federal outcome payments to prepare a compelling local application.

Align incentives and ensure motivation across project partners

- Collaboration with other major early childhood initiatives creates greater push to secure funding allocations from government and other partners.
- Use PFS and outcomes contract to guide decisions on specific outcome metrics, interventions, and eligibility criteria.

Use coordinating organization to raise profile and priority of reducing lead poisoning in the community.

- Coordinating organization can explore variety of approaches to securing increased funding and scale of interventions.
- Retains value of collective “skin in the game” across multiple stakeholders – both staffing and funding.

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A Pay for Success approach can support part of a larger “big tent” initiative to reduce lead poisoning in Cleveland and Cuyahoga County.

Key Activities

Identify and enable a coordinating organization

- Cleveland Foundation, or a neutral, non-governmental organization, should be resourced to coordinate a community-wide effort to reduce lead poisoning.
- This organization would be given a specific mandate with political backing and support from elected officials in the City and County.

Align efforts to reduce lead poisoning with other community initiatives

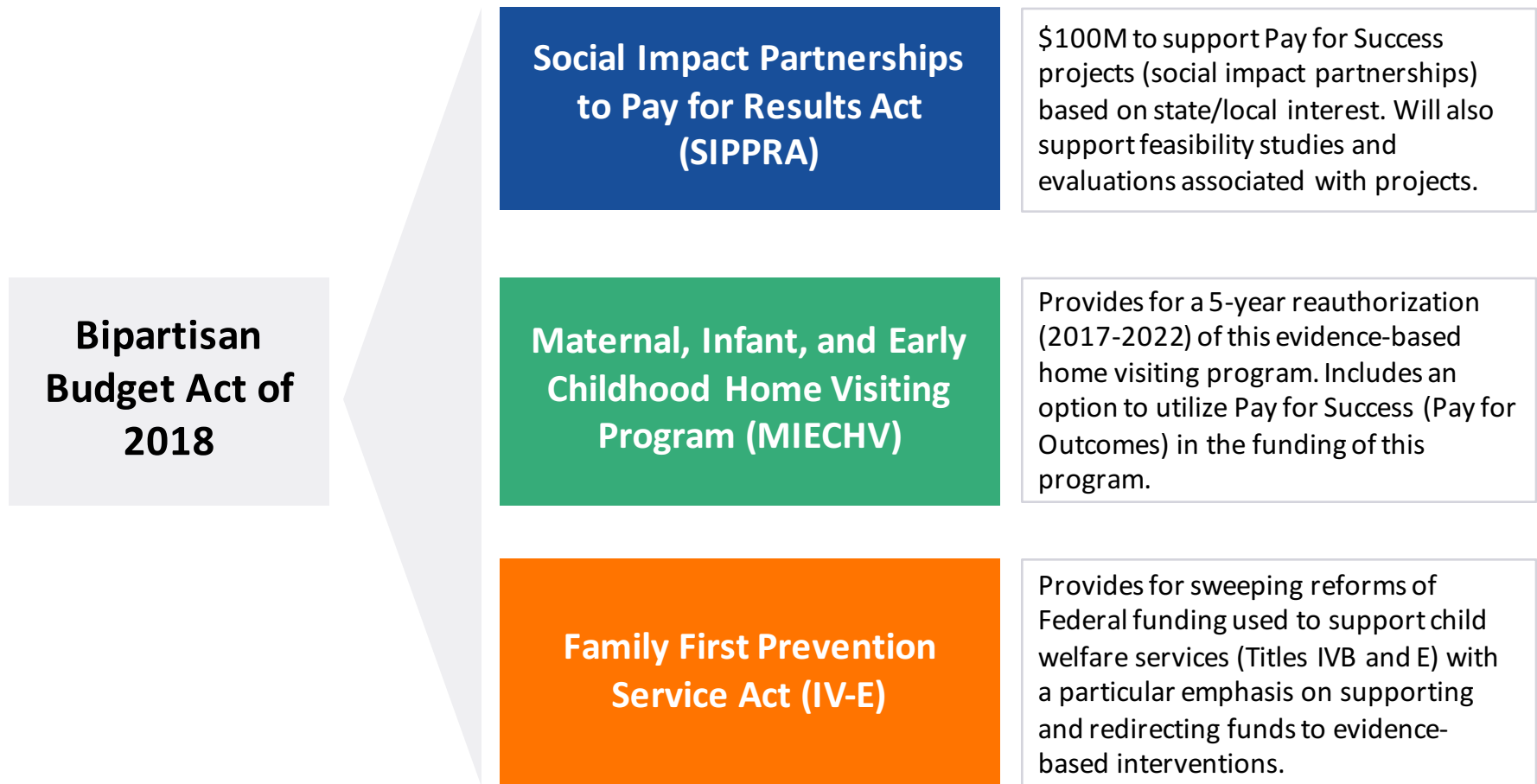
- The coordinating organization should bring together major community initiatives to discuss opportunities for alignment and collaboration.
- Reframe messaging of work to reduce lead poisoning to align with early childhood and family success outcomes.

Embed outcomes measurement and build a PFS demonstration project

- PFS contracting would be a motivating justification to secure new or increased revenue from potential end payers (City and County).
- Cleveland and Cuyahoga County are well—positioned to pursue new funding opportunity from federal government for outcome payments.

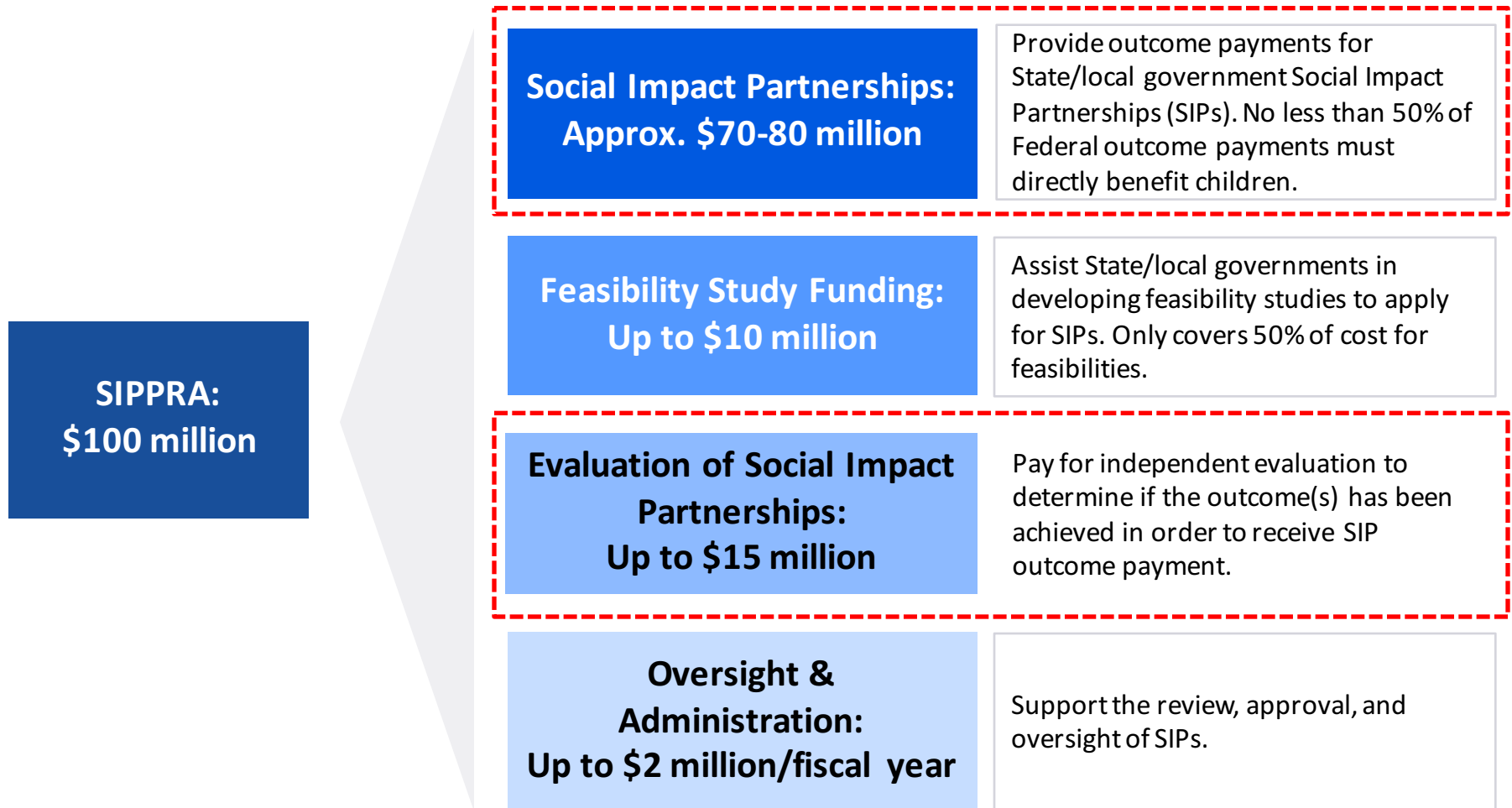
The Bipartisan Budget Act of 2018 passed multiple pieces of legislation related to outcomes-oriented contracting.

Outcomes-Oriented Contracting Legislation in Bipartisan Budget Act of 2018



The \$100 million available through SIPPRA is focused on providing federal outcome payments to projects and funding feasibility studies.

SIPPRA Funding Breakdown



Social Impact Partnerships (SIPs) funding will allow State/local governments to received federal outcome payments for projects.

Overview of Social Impact Partnership Funding

Applicants

- **State and/or local governments for use as outcome payments ONLY. Funding is not provided to cover project costs during or before implementation.**
- Applicants will need to provide details on a variety of project details, including outcomes, intervention, payment terms, evaluation, intermediary, and economics.
- Previously completed feasibility studies are acceptable to provide these details.

Selection Criteria/ Requirements

- Maximum project length of 10 years.
- Social benefit and savings (program-by-program basis as well as in aggregate) to federal government of the SIP's outcomes.
- Social benefit and savings to State/local governments of the SIP's outcomes.
- Likelihood, based on existing evidence, that the State/local government and service provider(s) will achieve the outcomes.
- Quality and rigor of independent evaluation.
- Capacity and commitment of State/local government to sustain intervention, if appropriate, beyond the period of the SIP.

Issue Areas

- Broad range of outcomes are prioritized, including: workforce, education, health, child welfare, homelessness, and justice.
- "Other measurable outcomes defined by the State and local governments that results in positive social outcomes and Federal savings."

Note: Formal applications and selection criteria will be released in the coming months.

Discussion: Cleveland Foundation leadership on next steps

1

Building the Coalition: Is Cleveland Foundation willing to lead a convening of the County Executive's office, Cleveland Mayor's office, and key funders to explore a major initiative to tackle lead poisoning in a more coordinated way?

2

Funding for Coalition: Is there willingness to provide funding, alongside other funders, to enable an organization/individuals to be the project manager to advance the coalition?

Appendix

Detailed End Payer and Stakeholder Feedback

Stakeholders generally support and understand intervention but also recognize need for more resources directed to less intensive strategies.

Summary of Feedback



Stakeholders agreed with the rationale for focusing on a more intensive strategy given its potential to address some of the most "at-risk" housing and families.



Most stakeholders raised questions on how other interventions would be funded and scaled. Government and funders believe that other interventions can create impact and financial benefit.



PFS-Supportive Aspects

Proposed intervention has demonstrated track record of implementation and effectiveness.

Feasible that service providers can implement intervention and have capacity to scale.

PFS-Prohibitive Aspects

Stakeholders may not be able to coalesce around a specific intervention for purposes of a PFS project.

PFS not well-suited to fund multiple interventions targeted at a diverse population.

Proposed scale of 10,000 homes over 10 years received mixed reactions from stakeholders.

Summary of Feedback



All stakeholders expressed dissatisfaction with the current scale of efforts on lead poisoning. Greatest dissatisfaction was with focus of work (remediation) and lack of attention to current efforts within community.



Government thought serving 10,000 homes over 10 years was realistic and achievable. Funders and other community organizations thought that it ignored or omitted homes that could be served with lower-cost/intensity interventions.



No stakeholders felt that serving less than 10,000 homes was worth considering.

PFS-Supportive Aspects

There exists an identifiable set of homes of meaningful scale to abate.

PFS-Prohibitive Aspects

Larger scale project would push project economics and parameters beyond feasibility.

There was significant interest in understanding the specific process and eligibility criteria for selecting homes and families to be served.

Summary of Feedback



Stakeholders focused the majority of their questions on which homes and families would be served:

- What types of housing (# of units per home)?
- What is impact of transiency of this population?
- What is the process for identifying homes once criteria have been established?
- How are properties prioritized once they are deemed eligible?
- What happens to ineligible housing?



Priority areas identified by end payers:

- Glenville
- East Cleveland
- St. Clair-Superior
- Broadway-Slavic Village
- University Circle

Majority of areas are within City of Cleveland with some extension into Cuyahoga County.

PFS-Supportive Aspects

Data exists to facilitate formation of specific criteria and refine cost and impact estimates.

Experience managing implementation of intervention within specific criteria via HUD grant.

Defining eligibility criteria is an important part of refining project economics for PFS contracting.

PFS-Prohibitive Aspects

Criteria that are too strict may limit participation of some end payers and hamper implementation.

Unclear which stakeholder(s) would have decision rights in setting criteria.

Some stakeholders pushed back against cost estimates and questioned if focusing funding on this intervention was best use of resources.

Summary of Feedback



Non-governmental stakeholders questioned validity of cost estimates, specifically the service costs, compared to similar strategies used in other communities.



No stakeholders directly commented on the additional costs (financing, evaluation, management) associated with the project.



Some government and funder stakeholders questioned whether the proposed intervention was the best use of available funding. These stakeholders also questioned feasibility of securing necessary funding at this scale.

PFS-Supportive Aspects

Cost estimate refinements are possible as part of establishing firm eligibility criteria.




Project costs can be benchmarked and clearly defined based on work in community and elsewhere.

PFS-Prohibitive Aspects

Community-wide buy-in to a specific intervention strategy may be difficult.

Stakeholders believe in evidence linking reduction in lead dust/hazards with the prevention of lead poisoning.

Summary of Feedback

-  All potential end payers were noncommittal, even when pressed, on whether the proposed outcome metric of lead dust reduction would be sufficient as a success payment outcome.
-  Funders and healthcare stakeholders expressed interest in measuring a broad set of outcomes, including blood lead levels, as part of determining impact and success of a project.
-  No stakeholders mentioned requiring direct measurement of blood lead levels as a success payment outcome. However, government and hospitals would need to consider specific outcome metrics, typically health or education related, to justify financial benefit for their organization.

PFS-Supportive Aspects

Rigorous and established evidence base linking abatement to reductions in lead poisoning.

The outcome is specific, measurable, and trackable.
There are defined standards of measurement.

Opportunity for short-term measurement of primary payment outcome.

PFS-Prohibitive Aspects

Uncertain if end payers would require more stringent (measuring blood lead level) or different outcome metrics as part of actual negotiations.

Measurement of blood lead level as primary payment metric increases complexity and cost.

Uncertain if the outcome is a true priority for funders, government agencies, and providers

Long-term value created by reduction in lead dust/hazards is clear; however, stakeholders may require individual cost-benefit analysis.

Summary of Feedback



Across all stakeholders there was buy-in to significant long-term value generated by proposed intervention. Stakeholders understand the importance and impact that can be generated to many organizations as a result of preventive strategies vs. current remediation activities.



City, County, and hospitals would likely require independent cost-benefit analysis to justify participation in project and allocation of funding. These unique cost-benefits would also need to be narrowed to specific neighborhoods or communities most relevant to the particular end payer.



Local funders and some individuals within government questioned specific return on investment from proposed abatement intervention vs. other less intensive strategies across a larger number of homes.

PFS-Supportive Aspects

Existing cost-benefit analysis shows long-term value generated via reduction in lead dust.

Avoided costs can be directly linked to an improvement on outcomes, supporting the argument for success payments.

PFS-Prohibitive Aspects

Unique cost-benefit justifications add additional complexity and development time.

While the long-term value of lead dust reduction is indisputable, the financial benefits do not accrue to a single stakeholder.

All stakeholders recognized necessity of coordinating with other significant, complimentary initiatives underway in the community.

Summary of Feedback

- ✘ Governments are limited in their capacity (people and funding) to pursue multiple major initiatives that are intended to address significant community challenges.
- ✓ Current government and healthcare capacity is largely focused on remediation activities rather than prevention. Some of this is driven by external factors, including State or Federal requirements. There is a strong motivation to shift from remediation to prevention.
- ✓ Government and funders are eager for a more coordinated, community-wide effort that aligns lead poisoning efforts more directly within the context of other early childhood initiatives. Messaging of this initiative needs to tie into early childhood strategies rather than focusing on lead/housing.
- ✘ Competing and complimentary initiatives are requiring major investment of resources and should be evaluated for possible coordination: *Say Yes!* was mentioned by every stakeholder.

PFS-Supportive Aspects

Community has launched a PFS project and understands investment of time and resources.

PFS-Prohibitive Aspects

No existing capacity within government (City or County) to dedicate to PFS development.

PFS as a unique initiative would compete for limited financial resources from funders and end payers.

Despite enthusiasm to address this issue, it is unclear if it is enough of a priority to solicit shared ownership and allocations of funding.

Summary and Feedback

- ✓ Stakeholders willing to consider new approaches to meet funding and other resources needed for a PFS Lead project.
- ✗ While issue is top of mind in community and local media it is unclear if this issue is enough of a priority for stakeholders to dedicate funding and other resources.
- ✓ Participation of multiple stakeholders with “skin in the game” is viewed as a compelling reason for joining outcomes fund.
- ✗ No stakeholder was willing to commit to the outcomes fund or assume ownership over construction of a PFS project.

PFS-Supportive Aspects

Multiple end payers addresses issue of financial benefit being spread across many end payers.

“Collective action” approach creates broader community engagement and “skin in the game”

PFS-Prohibitive Aspects

Multiple end payers without collective mandate creates a void of ownership to drive initiative forward.

Individual end payers lack existing capacity to develop and implement PFS.

Competing priorities within end payers limits access to sources of revenue for outcome payment.

Sources of revenue for the outcomes fund exist but would require significant, coordinated efforts to secure and sustain.

Summary of Feedback



City and county discussed multiple paths to secure revenue for participation in the outcomes fund. Ultimate decision authority rests largely with City and County councils.



Any effort to secure revenue for the outcomes fund will require a well-resourced, community-wide advocacy effort, especially for strategies like a soda tax. This effort would need to be sustained for multiple years.



Potential revenue sources identified include:

- **City/County/School Districts:** Tax abatement; tax increment financing; plastic bag fees; soda tax; fines/penalties; levies.
- **State:** TBD
- **Federal:** HUD; EPA; SIPRA
- **Business/Healthcare:** Could be upfront funder or in outcomes fund. Limited amounts even with strong cost-benefit justification due to budget complexities.

PFS-Supportive Aspects

City and County are positioned to pursue potential sources of revenue for outcomes fund.

Diverse set of revenue sources to leverage for the outcomes fund.

Opportunity to pair revenue sources with other legal or regulatory strategies.

PFS-Prohibitive Aspects

Absence of a single “primary” revenue source for individual end payers. Braided funded increases complexity.

Highly competitive environment within government for allocation of new/increased revenue streams.

Amounts from some revenue sources are hard to accurately predict over long term.

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