



Assessing Feasibility Studies

Understanding Feasibility Studies for Pay for Success and Outcomes-Based Financing

Daniel Teles and Kassie Scott

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Pay for success (PFS, discussed in box 1) shifts the risk of funding a program from traditional funders (usually a government) to investors that are repaid if the intervention achieves predetermined outcomes. PFS doesn't work for all programs or in all contexts (Milner et al. 2016). At a minimum, practitioners need to decide whether expected outcomes can be measured and agree upon a performance threshold for repayment. Effectively addressing these two factors is a complex process, which is why it is common to begin any proposed PFS project with a feasibility study.

BOX 1

Pay for Success

PFS is an innovative financing mechanism that shifts financial risk from a traditional funder—usually a government—to a private or nonprofit funder. The new investor provides up-front capital to scale an evidence-based program to improve outcomes for a vulnerable population. If an independent evaluation shows that the program achieved agreed-upon outcomes, then the investment is repaid by the traditional funder with interest. If not, the investor takes the loss. This model shifts financial and reputational risk from the government to external investors and promotes rigorous evaluation and meaningful outcomes. By prioritizing evidence, outcomes, performance management, and the strategic deployment of resources, PFS has the potential to improve how social services are delivered to the most vulnerable, yielding benefits to individuals, governments, and society at large. To learn more, visit pfs.urban.org.

Currently, there is no widely accepted standard of feasibility for PFS projects and no universal template for feasibility studies. Guidance is available, but much of it focuses on a single area, problem, or

audience. This may be necessary to encompass the breadth of PFS projects, from early childhood education to permanent supportive housing. However, the lack of a common rubric presents challenges to policymakers and practitioners who need to assess whether a proposed PFS project should move forward.

In this brief, we offer some guidance. We provide an overview of feasibility studies; an analysis of their key components; and suggestions for how you can determine whether a feasibility report, which documents findings from the study, provides enough information to decide whether PFS, or performance-based financing models more broadly, is a good fit for the proposed population and intervention.

BOX 2

Pay for Success Administrative Data Pilot and Products

This brief is part of a series designed to help states, municipalities, and local organizations identify, link, and analyze administrative data to better track outcomes of the social services they deliver. The guidance provided in each product emerged from training and technical assistance the Urban Institute provided to 28 communities during 2015–19 as part of our Pay for Success Initiative^a and Pay for Success Administrative Data pilot. Funded by Arnold Ventures and the Corporation for National Community Service, Urban supported partners in addressing and overcoming barriers to administrative data access so that their communities will be better equipped to move toward implementing PFS and other performance-based strategies.

The additional products in this series provide recommendations on how to navigate some of the most vital processes undertaken by communities Urban worked with. They are as follows:

- **Guidance on Collecting Administrative Data for Pay for Success Projects**, which shares lessons from four organizations that tackled administrative data challenges as they carried out a PFS program.
- **Developing a Collaborative Planning Team**, which provides tips on bringing together and engaging diverse stakeholders around data collection and sharing.
- **Understanding Community Resources**, which delivers step-by-step guidance for stakeholders who want to match data across agencies.
- **How to Launch a Supportive Housing Pay for Success Initiative**, which offers initial steps to get PFS supportive housing efforts off the ground and focuses on how to establish an evidence-based supportive housing PFS program that can measure and link payments to outcomes.

^a “Frequently Asked Questions,” Urban Institute Pay for Success Initiative, accessed September 5, 2019, <https://pfs.urban.org/faq/>.

To develop this brief, we first conducted a scan of published feasibility reports and guidance on PFS readiness. Then, we created a list of considerations to address when exploring the viability of a proposed PFS project as well as components to include in feasibility reports. Using that list, we reviewed 19 publicly available feasibility reports, each for a specific, proposed intervention and target population.

For every report, we documented whether those considerations and components were included. After comparing the recommended guidance on the feasibility phase with the content in the feasibility reports, we identified nine common components:

1. Target population
2. Intervention
3. Outcomes
4. Evidence base
5. Data sources
6. Cost-benefit analysis
7. Stakeholder analysis
8. Policy and legal considerations
9. Payment mechanisms

The Feasibility Phase

A PFS project involves four phases: feasibility, structuring, implementation, and evaluation. The **feasibility phase** is an exploratory period during which stakeholders assesses the viability of a PFS project and may or may not lead to a PFS project. Included in this phase is a **feasibility study**, a formal analysis that examines whether PFS or another performance-based financing strategy is suitable for a specific intervention and group of people in a specific community and at a specific time (OPEPD 2017). That study typically leads to the production of a **feasibility report**. However, many PFS proposals might begin the feasibility phase but never produce a feasibility report.

Next, we address common questions about feasibility.

What Is a Feasibility Report?

A **feasibility report** documents the findings of the feasibility study. Reading a feasibility report should tell you whether the proposed funding model is a good fit for the intervention and population of interest. If the funding model is not a good fit, the report should explain the obstacles and what would be necessary to remove them.

When Is a Feasibility Report Written?

Writing a feasibility report is generally the last step in the feasibility phase of a proposed PFS project. This phase can begin in several ways, and it may be initiated by the potential end payor, the intermediary, or the potential service provider.

Who Writes It?

Our review of feasibility reports found that most were written by a research team (often composed of people from two or three partner organizations). Organizations involved in feasibility studies have included nonprofit research organizations, universities, consulting firms, and PFS intermediaries. To date, intermediaries with grant funding from the Corporation for National and Community Service have initiated many feasibility studies. **Intermediaries** use evidence to find high-performing programs, price the PFS instrument, and oversee implementation.

Who Decides if a project Is Feasible?

For a PFS project to launch, all participants in the financing agreement need to agree that the outcomes are appropriate and that the repayment thresholds are both achievable and fair. A feasibility report should provide stakeholders with the information they need to make this assessment themselves. Most reports offer the authors' conclusions about a project's feasibility.

How Is Feasibility Determined?

There are no standard criteria for what makes a proposed PFS project feasible. Some researchers have argued that PFS feasibility requires a robust evidence base that includes randomized controlled trials (RCTs) and cost analyses; other guidance sets the feasibility threshold as any intervention that can attract an investor willing to take on the risk.¹ Many PFS projects will be funded based on their potential to achieve cost savings (e.g., reducing recidivism will save money) or outcomes (e.g., investing in pre-K will improve third-grade test scores).

Recommended Components of a Feasibility Study

From a scan of published feasibility reports and guidance on PFS readiness we identified 10 commonly discussed components. Using these components as a rubric, we examined five sources of guidance and 19 feasibility reports in greater detail. After comparing the recommended guidance on the feasibility phase with the content in the feasibility reports, we identified nine components that should be addressed in any PFS or performance-based financing feasibility study.

Which Components Appeared Most Frequently in Existing PFS Guidance?

Table 1 summarizes the components discussed in five published sources with detailed guidance on PFS readiness. Two of these sources are research reports; the other three are self-assessment tools for service providers. Each emphasizes the importance of identifying an evidence-based intervention for a particular target population with clearly specified and measurable outcomes.

TABLE 1

What Should Be Addressed in a Feasibility Study?

	Department of Education	Green & Healthy Homes Initiative	Nonprofit Finance Fund	YourSAy	Urban Institute
Target population	X	X	X	X	X
Intervention	X	X	X	X	X
Outcomes	X	X	X	X	X
Evidence base	X	X	X	X	X
Data sources	X	X	X	X	X
Evaluation plan	X	X	X		X
Cost-benefit analysis	X	X	X	X	X
Stakeholder analysis	X	X	X		X
Policy and legal considerations	X	X	X		
Potential payment mechanisms	X	X	X		X

Sources: Urban Institute analysis of guidance on feasibility. See Blum (2015); NFF (2017); GHHI (2016); Milner et al. (2016); OPEPD (2017); and “Social Impact Bonds: Self-Assessment Tool,” YourSAy, accessed September 27, 2019.

Notes: Nonprofit Finance Fund, YourSAy, and the Urban Institute provided guidance in the form of self-assessment tools for service providers looking to implement PFS projects. The Department of Education and the Green & Healthy Homes Initiative wrote reports on feasibility studies. All five sources provide information on what components should be included during the feasibility phase.

Which Components Appeared Most Frequently in Feasibility Reports?

Once a feasibility study is conducted, practitioners detail their findings in a feasibility report. We reviewed 19 publicly available feasibility reports and found a difference between the suggested components recommended by sources in table 1 and the components that are ultimately included in feasibility reports. Table 2 presents which recommended components appeared most often in reports we examined.

TABLE 2

What Is Included in Public Feasibility Reports?

Components	Yes	No	In progress
Target population	19	0	0
Intervention	19	0	0
Outcomes	17	1	1
Evidence base	18	0	1
Data sources	11	8	0
Evaluation plan	4	14	1
Cost-benefit analysis	17	2	0
Stakeholder analysis	10	9	0
Policy and legal considerations	6	12	1
Potential payment mechanisms	14	5	0
Project launched	3	14	2

Sources: Carolan (2017); Colorado Office of the Governor (2018); DiDomenico (2017); Dubno et al. (2014); Fry (n.d.); Garvey 2017; Garvey and Herschkowitsch (2018a, 2018b); Golden (2016); Lyons-Eubanks et al. (n.d.); ICS (2016a, 2016b, 2017, n.d.); Miguel and Abughannam (2014); Norton et al. (2016); Sorenson Impact Center (2017, n.d.); and Whitfield (n.d.).

Note: This table assesses only the public version of the feasibility reports and not the research and analysis during the feasibility phase that led to the reports. It also does not rate the level of rigor for each component of each study. It only determines whether the component was included and, in some cases, whether the component was still being created (“in progress”). We could not assess the rigor of the reports because 10 of them were presented as executive summaries, with internal documents available upon request (the other 9 were full-length documents).

All 19 feasibility reports we reviewed identified an intervention to solve a problem for a specific target population. Some described a set of criteria to define the target population (e.g., children under age 5), while others specifically estimated the number of people their programs could serve (e.g., 3,600 toddlers in high-need neighborhoods). A few studies named a specific service provider, but most highlighted potential providers based upon an assessment of local providers. Similarly, some studies identified a specific end payor and provided a list of investors, while others detailed potential payment mechanisms, in keeping with what was recommended by most sources in table 1.

Few reports included evaluation plans (4 of 19), though most expressed an interest in developing a plan or emphasized the importance of committing to one. Most feasibility reports we reviewed did not include evaluation plans. Instead, they included clearly defined outcomes with data sources, which appeared to be sufficient components to include during the feasibility phase.

Most reports (17 of 19) documented the results of a cost-benefit analysis. Estimating the costs of a project while weighing the benefits can help stakeholders determine whether the proposed intervention is suitable for PFS. In some instances, a feasibility study documented a positive return on investment but did not provide much detail. Either the data sources for projections were not included or an estimate of costs was given without showing how it was calculated. Although many of the feasibility reports we reviewed lacked detail on the cost-benefit analysis, detailed breakdowns could have been created but not made public. For example, one report broke down costs for the issue area and intervention without naming data sources for these projections, but the authors stated that an extensive cost-benefit analysis had been conducted. Similarly, another report did not provide documentation, but the authors indicated they intended to finalize the cost-benefit analysis during the structuring phase rather than the feasibility phase.

Few reports included a detailed discussion of relevant laws and policies, even though most guidance on feasibility recommends considering these issues. Only 6 of 19 reports we reviewed discussed policy and legal considerations. One study set aside funds for legal support. Another identified potential regulatory mechanisms that would allow for federal payments. But most reports only acknowledged that policy and legal issues exist, discussion of them was limited, and no specific information was provided on how to handle them.

Of the feasibility reports we reviewed, only three were launched as PFS projects. At least two others were undergoing revisions as works in progress. One was looking to secure investments, while the other received a technical assistance award to further develop its feasibility study—this time to prepare baseline outcomes, clarify the cost-benefit analysis, and determine an appropriate end payor.

We found a large amount of variation among feasibility reports. The reports included different components and varied in length and depth. The best of the feasibility reports we reviewed fell into two groups: Some created a compelling case for financing projects through PFS, and others highlighted a set of opportunities and provided a map of obstacles that would need to be overcome for a proposed PFS intervention to move forward.

Which Components Are Necessary to Assess Feasibility?

Comparing how frequently the 10 components recommended by sources in table 1 appeared in feasibility reports in table 2 helped us determine which components were needed for stakeholders to decide if a project is suitable for PFS. Two components were frequently omitted: the evaluation plan and policy and legal considerations. Our review suggests that an evaluation of policy and legal considerations is an important aspect of feasibility, but an evaluation plan can be developed during the structuring phase. Milner and colleagues (2016) recommend that the service provider should demonstrate a willingness to participate in a rigorous evaluation. Committing to an evaluation plan and identifying an independent evaluator are important because they are critical components of any PFS project design. However, development of the evaluation plan itself is not necessary during the feasibility phase. For the feasibility phase, we identified nine essential components:

1. Target population
2. Intervention
3. Outcomes
4. Evidence base
5. Data sources
6. Cost-benefit analysis
7. Stakeholder analysis
8. Policy and legal considerations
9. Payment mechanisms

In the following section, we describe each of these components in greater detail.

How to Evaluate a Feasibility Study or Report

This section explains how to evaluate and what should be included with regards to each of the nine components necessary to assess feasibility. We provide an associated checklist in the appendix.

Target Population

A feasibility report should define the target population by answering these three questions:

- Who is the project designed to help?
- How big is the target population?
- What are their needs?

If the population is the starting point, the feasibility report should begin by laying out their characteristics and defining their needs. This needs assessment should include a discussion of how people's needs may differ across subpopulations, because some subpopulations may be at greater risk for poor outcomes. If the intervention is the starting point, the feasibility report should tell you who it will serve and their demographic characteristics.

After defining the population, a feasibility study should estimate of the size of the population. Evaluators will need to determine whether the target population is large enough for randomization into treatment and control groups. PFS projects do not have to use an RCT, but it is important to assess as early as possible whether an RCT is feasible.

Ideally, the description of the target population is built upon a thorough analysis of local data (Milner et al. 2016). For example, a feasibility report for a project related to prison overcrowding used data from the county detention facility to describe the target population (Whitfield, n.d.). If national datasets are used, they should be augmented with local context. Another report used census data to estimate the size of the target population but augmented that with local survey data on population needs (Sorenson Impact Center, n.d.).

Intervention

An explanation of the intervention should begin by describing the problem it is designed to solve and then laying out the theory of change. A **theory of change** provides an outline of how activities produce outputs and yield intended outcomes (Milner et al. 2016). A theory of change is often called a theory of action, blueprint, outcome map, or logic model (ORS 2004).

If the population is the starting point, the feasibility study may examine a few possible interventions. The level of detail included in the description of the intervention is likely to differ based on the number of intervention alternatives. If multiple interventions have potential, the feasibility report should explain the differences in eligibility and the different theories of change. The reports we reviewed all focused on either a single intervention or a suite of programs that were designed to operate together (such as the continuum-of-care plan evaluated in Spartanburg, South Carolina; see ICS 2016).

If the intervention is the starting point, stakeholders should consider

- how well the program fits the population, and
- how similar the proposed context is to the one envisioned when the program was designed.

Programs that have worked with similar populations in similar contexts have a greater chance of success (Milner et al. 2016). Most feasibility studies have considered importing an evidence-based intervention into a new location and context. In these instances, the report should explain how a local population may differ from the population upon which the evidence is based. Other studies have considered the feasibility of scaling up a pilot program to a similar but broader population in a similar

but broader geography and context. Again, the fundamental question is how alike or different the proposed participants are to prior participants.

Finally, the discussion of the intervention should either name a specific service provider or provide information about the organizations that are capable of administering the program. There are many tools for determining whether service providers are ready for a PFS project (Milner et al. 2016; NFF 2017; Blum 2015).² Service providers should foster an organizational culture that focuses on outcomes, evaluation, improvement, and measurement (Blum 2015). The following questions should be answered to determine which organization or organizations could best implement the proposed program:

- Does the proposed service provider have experience with this intervention?
- Does the proposed service provider have the ability to meet the project's scale?

The feasibility study should also assess whether a plan is in place to train proposed service providers that are new to the intervention. If a training plan is not in place, the feasibility report should note this as a current obstacle. With regards to scale, the best way to determine if a nonprofit service provider has the ability to scale up to administer the intervention is by looking at its past performance on programs of similar size and scope (Blum 2015).

Outcomes

Identifying outcomes that could be tied to payment is a critical step in the feasibility phase. An **outcome** is “the way a thing turns out.”³ For PFS projects, outcomes need to be measurable and should align with policy goals, the needs of the population, and existing evidence.⁴ They need to be realized in the short or medium term to be measured during the evaluation period of a project. Examples of measurable outcomes in the reports we reviewed included the share of students with grade-level reading proficiency, the share of low-birth-weight births, and a group's level of housing stability (Dubno et al. 2014; Miguel and Abughannam 2014; Sorenson Impact Center 2017).

Archetypical PFS projects base repayment on estimated program impacts. **Impacts** are the measurable changes in outcomes produced by the program alone (Tatian 2016). Other performance-based models, however, may set benchmarks for outcomes based on validated performance data and define repayment based on the program's ability to exceed the benchmark. In either case, outcomes need to be tied to the evidence base.

In some cases, there may not yet be enough information for you to identify the key outcome. For example, a study of whether PFS could be used to combat childhood asthma identified several direct and indirect outcomes but noted that further planning would be needed to identify which outcomes were feasible (Norton et al. 2016). The study also raised specific issues with sample size and statistical power, providing a framework for addressing this hurdle to feasibility.

Evidence Base

After identifying outcomes, a feasibility study should then evaluate the evidence on program effectiveness along three dimensions:

- How much evidence is there?
- What kind of evidence is it?
- How different is the context?

Program evidence generally takes one of two shapes: **performance measurement**, which explains, summarizes, and assesses a program, and **evaluation**, which determines a program's impact (Tatian 2016). Ideally, PFS projects base repayment on estimates of impact and therefore need to build on prior evaluations. In these cases, RCTs provide the highest level of empirical evidence. Quasi-experimental evaluation approaches, which use statistical models to account for differences between the population being evaluated and a comparison group (Massey et al. 2016), can also provide strong evidence of impacts if they have a sufficient sample size and an appropriate comparison group. If the project is designed to measure impact relative to a comparison group, evidence on performance alone does not provide a strong evidence base (GHHI 2016). But for other forms of performance-based financing, including some of the impact bond funds in the UK, outputs (rather than outcomes) trigger payment (Gustafsson-Wright, Gardiner, and Putcha 2015). In these cases, strong performance measurement evidence can be sufficient.

A feasibility report should explain the similarities and differences between populations in prior studies and those in the proposed intervention. It should also note similarities and differences between service providers as well as between proposed outcomes and the data used to measure them. Finally, the report should examine how each difference could affect the outcomes.

Data Sources

Data availability and reliability are critical to the success of any performance-based funding model. An analysis of permanent supportive housing programs funded through PFS found that obtaining access to data was an obstacle that needed to be addressed at each phase of a PFS project (Lieberman et al. 2018). Data are required during the feasibility phase to identify the target population and propose measurable outcomes. During the structuring phase, data are needed to develop the evaluation plan and define the repayment process. During implementation, if a glitch occurs in the data process or if necessary data are not shared with an evaluator in a timely manner, the contract terms might be violated (Gillespie et al. 2016).

A feasibility report should lay the groundwork for future data-sharing agreements and evaluation design by identifying

- agencies that collect administrative data that will be needed to evaluate the project;

- data that will need to be collected by service providers;
- if and how data from multiple sources can be linked; and
- issues of data confidentiality and security that will need to be addressed.

If the service provider is collecting data directly, it should have a demonstrated record of using data to track clients over time (Blum 2015). If not, the report should explain whether assistance will be designed to help the service provider implement data collection.

Cost-Benefit Analysis

A feasibility report might include a cost-benefit analysis (CBA) as a component or might cite a previous or separate CBA report. If the report is separate, stakeholders need to make sure they have access to the full CBA along with the feasibility report.

CBAs should be built on data from the specific intervention or program and adjusted based on the local context and the target population (OPEPD 2017). A rigorous assessment of the status quo will aid government decisionmaking (Milner et al. 2016). The CBA also should clearly detail how much funding is currently allocated to addressing the problem the intervention is designed to solve, and it should factor in costs that might accrue to other stakeholders, particularly to the end payor. A CBA should also have sound evidence supporting each of its assumptions. Caution is warranted when interpreting CBAs; an industry analysis by the Green & Healthy Homes Initiative found several unsubstantiated economic claims in CBAs (GHHI 2016).

Costs may be direct or indirect and benefits come in a variety of forms. Direct costs are related to running the program. Indirect costs are those that accrue to other agencies or governments. For example, a program that increases high-school graduation rates may lead to indirect costs if more people apply to the community college. Benefits occur in the form of both savings and social benefits. Social benefits are positive outcomes that are not observable within a budget, such as increased quality of life or improved health, whereas savings are generally observable within a budget (Roman 2015).

Savings could accrue to the end payor, to the service provider, to the federal government, to an industry, or to society at large (GHHI 2016). Sometimes savings may accrue to more than one party. This includes instances when agencies other than the implementing agency benefit from an intervention. For example, permanent supportive housing may lead to savings in the criminal justice system because of a reduction in recidivism. This is known as the wrong-pockets problem: the agency that bears the cost of implementing a practice may not see the primary benefit even if the net benefits for government and society are strong (Roman 2015). PFS can solve the wrong-pockets problem by asking multiple agencies to partner in being the end payor if they reap the benefits (Roman 2015).

Generally, projects that aim to create direct cashable savings for the end payor are more likely to launch (GHHI 2016). But this is not a prerequisite for PFS or other performance-based financing strategies. CBAs should factor in the timing of costs and benefits and to use a discount rate to calculate the present value of future costs and benefits (OPEPD 2017).

BOX 3

What Is a Cost-Benefit Analysis?

A cost-benefit analysis, also called a benefit-cost analysis, compares the costs of an intervention to the benefits that will flow from its expected impact (OPEPD 2017). This is done either by displaying a ratio of costs to benefits (or benefits to costs) or by subtracting the total accrued costs from the total accrued benefits, yielding the net benefit (Karoly 2008). A CBA further estimates the present value of future costs and benefits, and it frequently includes potential savings, costs, or revenues that accrue to other stakeholders (Karoly 2008). A similar concept is a cost-effectiveness analysis, which measures the total cost per unit of change in an outcome. Both types of analyses require a comprehensive measure of program costs and an estimate of expected outcomes.

Stakeholder Analysis

Deciding to launch a PFS project often depends on whether you have sufficient support from and collaboration between investors, government agencies, and service providers. A stakeholder analysis is critical to gauging whether all involved parties are willing to move forward on the project. Typically, a PFS project has at least six primary stakeholders: investors, a project manager and/or intermediary,⁵ service providers, the target population, an independent evaluator, and the outcome payer (OPEPD 2017). Several other governmental, political, or interest groups could be stakeholders as well. A thorough analysis should disaggregate stakeholders into internal and external parties (GHHI 2016).

Internal stakeholders—the service providers, project manager and/or intermediary, and the evaluator—are frequently overlooked, yet they are critical to a program’s performance and success (GHHI 2016). A feasibility study should consider whether the program managers and staff are committed to the funding model and whether the government administrative partners have the capacity necessary to develop appropriate contracts and provide sufficient oversight. PFS projects can be time consuming and complex. Both program and government staff with the appropriate skills and time are needed (Milner et al. 2016).

The primary external stakeholders are political leaders and government officials. For a project to move forward, it needs support and commitment from both political and administrative leaders or appointed senior officials (Milner et al. 2016). In this analysis, note the distinction between support and commitment. Stakeholders who express support may provide useful assistance as a project moves forward. Stakeholders who express commitment have agreed to specific contributions of time, knowledge, or resources. A small group of partners—including the service providers, data stewards, intermediaries, and government agencies—must commit to a project for it to succeed. Support from a broader group of stakeholders is helpful, but commitment determines feasibility (GHHI 2016).

Policy and Legal Considerations

Although most of the reports we reviewed did not specifically examine policy and legal issues, we think it is important to answer three questions to assess feasibility:

- What are the relevant privacy laws and the relevant legal protections for human subjects?
- How do laws affect payment mechanisms?
- How do laws and regulation affect service provision?

During the structuring phase, the evaluator works with an Institutional Review Board (IRB) to ensure that the project evaluation meets appropriate legal and ethical standards regarding the protection of human research subjects. The PFS contract will likely require that the evaluator follow these IRB protocols (Gillespie et al. 2016). Privacy regulation and ethical standards add complexity to the evaluation design and process. This is especially true when interventions are focused on health because of the additional regulatory requirements and data security needed to protect health data under the Health Insurance Portability and Accountability Act (Booker et al. 2016).

Federal, state, and local laws can affect payment mechanisms in a many ways. Most notably, appropriations are not generally designed to be set aside years ahead of time to be paid out at a future date. Many federal funding sources require that the money is spent within five years (OPEPD 2017). This can rule out federal funding sources in some cases. At the state and local level, it is important to understand whether potential end payors have the statutory ability to appropriate funds years before they are needed.

Finally, it is important to assess how laws and regulations can affect service provision. For example, if the proposed service includes a subsidy, can the subsidy be taxed? In the case of permanent supportive housing, how can current regulations around housing choice vouchers or public housing affect the program? The earlier these questions are asked, the greater the likelihood that obstacles can be identified and resolved.

Potential Payment Mechanisms

A **payment mechanism** defines how, from whom, and to whom funds flow. The payment mechanism does not need to be finalized until the structuring phase, but it is important that you consider options and identify hurdles during the feasibility phase. In defining the proposed or potential payment mechanism, the feasibility study should answer three questions:

- Who will be or could be the fiscal agents?
- Will new legal entities need to be created?
- From and through whom would funds flow?

Analysis of payment mechanisms should include the role of the end payor, the intermediary, and the service provider (or providers). If the end payor has been identified, the feasibility study should explore how the end payor will shape the payment mechanism. If an end payor has not been determined, the feasibility study should explore potential end payors and highlight benefits and challenges associated with them. Similarly, a feasibility report should lay out the role of the intermediaries and identify one if it has already been selected. Finally, it is important to assess whether the potential service providers have the financial management capabilities necessary for PFS. Service providers should have, or should be able to set up, robust and stable financial infrastructure, and they should have the ability to manage the expected cash flow (Blum 2015).

Moving Forward

PFS is still a relatively new concept. But it has been around long enough for it to be clear that many proposed projects are never implemented. In the short term, PFS stakeholders should continue to share the lessons they are learning and the challenges they are facing during structuring and implementation. This experience will help researchers and practitioners refine the feasibility process. As projects move forward and payments are made, researchers should evaluate which aspects of feasibility are most critical to program implementation and which are most critical to program success.

Appendix: Feasibility Report Checklist

	Yes	No
Target population	<input type="checkbox"/>	<input type="checkbox"/>
Is the target population named?	<input type="checkbox"/>	<input type="checkbox"/>
Is the size of the target population specified?	<input type="checkbox"/>	<input type="checkbox"/>
Are the target population's needs defined?	<input type="checkbox"/>	<input type="checkbox"/>
Intervention		
Is the intervention clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>
Does the intervention have a theory of change?	<input type="checkbox"/>	<input type="checkbox"/>
Is the intervention a good fit for the population?	<input type="checkbox"/>	<input type="checkbox"/>
Is the proposed context similar to the one envisioned when the program was designed?	<input type="checkbox"/>	<input type="checkbox"/>
Does the proposed service provider (or providers) have experience with this intervention?	<input type="checkbox"/>	<input type="checkbox"/>
Does the proposed service provider (or providers) have the ability to meet the project's scale?	<input type="checkbox"/>	<input type="checkbox"/>
Outcomes		
Have outcomes been identified?	<input type="checkbox"/>	<input type="checkbox"/>
Are they measurable?	<input type="checkbox"/>	<input type="checkbox"/>
Evidence base		
Does the intervention have a strong evidence base?	<input type="checkbox"/>	<input type="checkbox"/>
Is it an RCT?	<input type="checkbox"/>	<input type="checkbox"/>
Is it a quasi-experiment?	<input type="checkbox"/>	<input type="checkbox"/>
Is it some other kind of evaluation?	<input type="checkbox"/>	<input type="checkbox"/>
Is the context based on a similar population?	<input type="checkbox"/>	<input type="checkbox"/>

Is the context based on a similar service provider or providers?	<input type="checkbox"/>	<input type="checkbox"/>
Is the context based on similar outcomes?	<input type="checkbox"/>	<input type="checkbox"/>
Is the context based on similar data?	<input type="checkbox"/>	<input type="checkbox"/>
Data sources		
Does the study identify agencies that collect administrative data that will be needed to evaluate the project?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study identify data that will need to be collected by the service providers identified?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study specify if and how data from multiple sources can be linked?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study address issues of data confidentiality and security?	<input type="checkbox"/>	<input type="checkbox"/>
Cost-benefit analysis		
Is the cost-benefit analysis included in the feasibility study?	<input type="checkbox"/>	<input type="checkbox"/>
If the cost-benefit analysis is separate from the feasibility study, do you have access to it?	<input type="checkbox"/>	<input type="checkbox"/>
Does the program have direct costs?	<input type="checkbox"/>	<input type="checkbox"/>
Does the program have indirect costs?	<input type="checkbox"/>	<input type="checkbox"/>
Does the program produce benefits in the form of savings?	<input type="checkbox"/>	<input type="checkbox"/>
Stakeholder analysis		
Does the study name a service provider?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name an intermediary or project manager?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name a financial intermediary?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name an independent evaluator?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name investors?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name an outcome payor?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study name external stakeholders (political leaders, government officials, other)?	<input type="checkbox"/>	<input type="checkbox"/>
Policy and legal considerations		
Does the study address the relevant privacy laws?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study include the relevant legal protections for human subjects?	<input type="checkbox"/>	<input type="checkbox"/>
Do laws affect payment mechanisms?	<input type="checkbox"/>	<input type="checkbox"/>
Do laws and regulation affect service provision?	<input type="checkbox"/>	<input type="checkbox"/>
Potential payment mechanisms		
Does the study name who could be the fiscal agents?	<input type="checkbox"/>	<input type="checkbox"/>
Will new legal entities need to be created?	<input type="checkbox"/>	<input type="checkbox"/>
Does the study include from and through whom funds could flow?	<input type="checkbox"/>	<input type="checkbox"/>

Notes

¹ Paula Lantz and Samantha Iovan, "When Does Pay-for-Success Make Sense?," *Stanford Social Innovation Review*, Dec. 12, 2017, https://ssir.org/articles/entry/when_does_pay_for_success_make_sense.

² "Social impact bonds: self-assessment tool," *YourSAy*, accessed June 5, 2019, <https://yoursay.sa.gov.au/pages/social-impact-bonds-self-assessment-tool/>.

³ "Outcome," *Lexico.com*, accessed September 27, 2019, <https://www.lexico.com/en/definition/outcome>.

⁴ In many cases, a primary policy goal is to reduce government costs or increase government value.

⁵ The roles of project manager and financial intermediary are generally served by the same organization.

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About the Authors

Daniel Teles is a research associate in the Metropolitan Housing and Communities Policy Center at the Urban Institute, where he specializes in applied microeconomic policy analysis. His research examines the local effects of public policy. He earned a BS from the George Washington University and an MA and PhD in economics from Tulane University. He has contributed to the *Journal of Economic Inequality*, the Handbook of Research on Nonprofit Economics and Management, and the Lincoln Institute for Land Policy's *Significant Features of the Property Tax*.

Kassie Scott is a research assistant in the Metropolitan Housing and Communities Policy Center. Scott graduated with honors from Washington and Lee University. She has bachelor's degrees in sociology and English, with a minor in poverty and human capability studies.

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500 L'Enfant Plaza SW
Washington, DC 20024

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