Pseudonyms have been used to protect the identities of Lisa, John, and Matthew.


dwindling state and local funds. Thus, social impact bonds may provide a way to address child welfare service needs that cannot be met in the current economic climate.

Children like Lisa, John, and Matthew might be far more likely to have better outcomes if our child welfare policies focused on what really works. Although we spend a great deal on social programs, seldom are the results of programs adequately assessed, which allows programs that don’t work to endure far too long and draw resources from other, more effective interventions. This chapter discusses social impact bonds, which strive to fund child welfare programs that achieve desired outcomes without wasting resources on programs that don’t work.

**OVERVIEW**

A predecessor to social impact bonds, called performance-based contracts, emerged in the early 1990s as one way to fund what works in child welfare. Rather than paying for a unit of a particular service (e.g., an overnight stay in a foster home), performance-based contracts can reward private agencies that achieve or exceed specific outcomes and/or penalize agencies that fail to achieve specific outcomes (e.g., children are reunified with parents, children are adopted, or parents are able to provide a safe and supportive home environment). At least 27 states have experimented with performance-based contracts for one or more child welfare services.

### Social Impact Bonds

Social impact bonds, part of a broader suite of outcomes-based contracting approaches, constitute a relatively new variation of performance-based contracts that focus on funding effective programs in child welfare. Social impact bonds are public-private partnerships that shift risk from the government to investors: An intermediary raises private capital, chooses service providers to provide an evidence-based intervention, and selects an independent assessor to determine performance outcomes and the evaluation approach. Government is required to pay only if the intervention works as intended.

Because of the size and complexity of the child welfare system, ensuring that social impact bonds can be effective in that context requires starting with a well-designed study, with the following components: a clearly defined population and problem, an intervention, a comparison, and the desired outcome.

It is best practice for evaluations of social impact bonds to include a comparison or counterfactual, which is a way to see what would happen if the intervention were not given. One way to provide counterfactuals is to use randomized controlled trials. In randomized controlled trials, participants are randomly assigned by an impartial method, such as a flip of a coin, to determine whether they receive the intervention the social impact bond provides. Although randomized controlled trials are considered the gold standard for scientific research, they are sometimes not used because some argue that it is unethical to withhold a treatment that could work. The irony is that failing to use randomized controlled trials may do more to withhold effective interventions, because that can allow treatments that may not work to be scaled up, wasting limited resources.

---


**EXAMPLES**

States, counties, and child welfare agencies are beginning to embrace social impact bonds to reduce costs and improve outcomes. Connecticut, for example, obtained $12.5 million in private investments for a social impact bond using the Family-Based Recovery (FBR) intervention, which researchers from Yale University and the University of Connecticut found to be an effective treatment intervention for parental substance abuse.\(^{18}\) FBR is an in-home, intensive, long-term clinical treatment intervention to keep families of children under the age of eight intact while providing the services needed (e.g., substance use treatment, parent-child relationship support, developmental guidance, and case management) to ensure that the home is a safe and supportive environment.\(^{19}\) In Cuyahoga County, Ohio, a $4 million social impact bond is housing and providing supportive services to 135 homeless parents with children in foster care, to reduce the children’s length of stay in foster care.\(^{20}\) In Illinois, the Dually-Involved Youth Project was developed to target youth who are involved in both the juvenile justice and child welfare systems, since nearly two-thirds of those youth spend time in costly institutional care and half recidivate within two years.\(^{21}\)

Although the literature regarding the strengths of child welfare social impact bonds is sparse, there are indications that social impact bonds may have the potential to strengthen the child welfare system. Axford and Morpeth suggest that the outcomes-based focus of social impact bonds may be a better fit for employing programs with a proven track record (i.e., evidence-based practice) than providing traditional public child welfare services without such contracts.\(^{22}\) Liebman asserts that social impact bonds could provide a means of helping foster youth and youth involved in juvenile justice to successfully transition to adulthood.\(^{23}\) Hawkins et al. contend that social impact bonds could effectively support the widespread use of preventive interventions.\(^{24}\) With this in mind, evidence-based prevention and intervention programs could be initiated to address a wide range of issues pertaining to child welfare over the course of development. One example of a prevention program is SafeCare,\(^{25}\) which is an in-home program for at-risk or maltreating parents that could be implemented in more communities throughout the world.\(^{26}\) Examples of programs that address trauma include the Attachment and Behavioral Catch-Up for children from birth to 24 months, Parent-Child Interaction Therapy for youth from two to 12 years old, and the Safe Harbor program for youth six to 21 years old.\(^{27}\)

Despite their potential, social impact bonds also have some weaknesses. Service providers may be deterred by the risk that the intervention could fail, or they (or their investors) may require large fees to assume the risk. Scaling up social impact bonds can be difficult because what works for one population may not work for another.\(^{28}\) Social impact bonds may also cost more than programs that government delivers directly.\(^{29}\) Another

---


\(^{19}\) Yale School of Medicine, “Program for Families Affected by Substance Use (FBR)” (2017), available at [https://medicine.yale.edu/childstudy/family/fbr.aspx](https://medicine.yale.edu/childstudy/family/fbr.aspx).


\(^{26}\) See additional examples for a range of preventative programs at [https://www.childwelfare.gov/topics/preventing/programs/](https://www.childwelfare.gov/topics/preventing/programs/).


\(^{29}\) Callanan, “From Potential to Action” (2012).
possibility is that service providers may avoid providing services in difficult cases that are less likely to succeed when compensation is tied to measurable success.

**GIVEN THE EVIDENCE, WHY AREN’T SOCIAL IMPACT BONDS MORE WIDESPREAD?**

A few barriers have prevented more widespread use of social impact bonds in funding the child welfare system, including their complexity. Service providers may already struggle to engage in performance-based contracting without the added layers of investors or intermediaries. Additionally, it can be harder to measure real change than other metrics that are easier to quantify but do not necessarily signal improvements in care. According to Stid, it is easier to quantify the resources that go into an intervention (inputs) and the products produced, such as the number of parenting training sessions (outputs), than the actual measurable changes the intervention produces (outcomes).\(^{30}\) Martin’s survey of 614 members of the National Institute of Governmental Purchasing found that only 39.9 percent of new contracts or contract extensions were awarded based on performance outcomes, as opposed to other measures like inputs and outputs.\(^{31}\)

Another factor that may prevent social impact bonds from spreading in the child welfare field is that children in foster care have complex needs and are served by multiple agencies and programs across local, state, and federal government. This is particularly true of the high-needs users of child welfare services, such as children with severe emotional and behavioral problems. Additionally, individuals at each agency may have disparate and conflicting interests that may prevent needed collaboration and lead to competition for credit. Consequently, it may be difficult to track costs and service utilization, which is essential in order to pay off the intermediaries and investors. Finally, the failure of these programs could attract negative media attention.\(^{32}\) The impact of such attention in child welfare may be particularly profound because the general public may be outraged if children are harmed by a program that was perceived as having a profit motive.

**CONCLUSION**

Although there are challenges, social impact bonds can play an important role in advancing child welfare. Science and ethics must play a central role in any such venture, and political will must be built among participating stakeholders to ensure optimal designs at every phase. Because the stakes are so high, social impact bonds should be considered as an option for child welfare only when the most rigorous evaluation approaches are used. In addition, child welfare social impact bonds require robust data systems to capture integrated data from each service provider children encounter, so that we can investigate fully what factors influence desired outcomes, both positively and negatively. Finally, it is imperative that all parties involved in social impact bonds are honest when interventions fail, because children like Lisa, John, and Matthew deserve interventions that work.

---

SUSAN M. SNYDER is an assistant professor in the department of social work at Georgia State University. Dr. Snyder has over a decade of practice experience in the field of child welfare, which informs her commitment to advancing research in the field. Dr. Snyder investigates the sequelae of problem behavior, including substance use and illegal behaviors, among maltreated and system-involved youth.

---


\(^{31}\) Lawrence L. Martin, “Performance-Based Contracting for Services: A Survey of NIGP Members,” (Orlando, FL: GSA Training Conference and Expo 2010), available at [https://208.112.78.139/gsaSchedule2010/training/ppt/PerformanceBasedContractingForNIGP.ppt](https://208.112.78.139/gsaSchedule2010/training/ppt/PerformanceBasedContractingForNIGP.ppt).