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Social Impact Bonds in the US Context

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Abstract : In the United States, significant socioeconomic and racial inequalities exist in many population-based indicators of health and social welfare. Although a number of effective prevention programs and interventions are available, local and state governments often do not pursue prevention in the face of budgetary constraints and more acute problems. There is growing interest in and excitement about Pay for Success" (PFS) strategies, also referred to as social impact bonds, as an approach to financing and implementing promising prevention programs and services that help the public sector either save money or achieve greater value for an investment. The PFS finance model implements evidence-based interventions using capital from investors who only receive a return on their investment from the government if agreed-upon, measurable outcomes are achieved. This paper discusses the current landscape regarding social impact bonds in the U.S., and their potential and challenges in addressing serious health and social problems. The paper presents an analysis of a number of social science issues that are fundamental to the potential for social impact bonds to successfully address social inequalities in health and social welfare. This includes: a) the economics of the intervention and a potential public payout; b) organizational and management issues in intervention implementation; c) evaluation research design and methods; d) legal/regulatory issues in public payouts to investors; e) ethical issues in the design of social impact bond deals and their evaluation; and f) political issues. Despite significant challenges in the U.S. context, there is great potential for social impact bonds as a type of social impact investing to encourage private investments in evidence-based interventions that address important public health and social problems in underserved populations and provide a return on investment.

Keywords : pay for success, public/private partnerships, social impact bonds, social impact investing
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