



Michigan Social Impact Bond Request for Information Response

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Public Consulting Group (PCG) is a management consulting firm that primarily serves public sector education, health, human services, and other state, county, and municipal government clients. Established in 1986 with headquarters in Boston, the firm has extensive experience in all 50 states, clients in six Canadian provinces, and a growing practice in the European Union. PCG has more than 1,100 professionals in 44 offices in the U.S., Canada, and Europe who are dedicated to delivering leading consulting approaches and technologies to public sector clients and stakeholders. We have a long history of successful engagements in Michigan at both the state and local levels.

Because PCG has dedicated itself almost exclusively to the public sector for 27 years, the firm has a deep understanding of the legal and regulatory requirements and fiscal constraints that often dictate a public agency's ability to meet the needs of the populations it serves. We see the Pay for Success model as an exciting option for governments, investors, and providers alike, and we believe our firm is well-suited to the role of intermediary, a role sometimes carved out for non-profit organizations. Our familiarity with government and strength in project management and performance measurement would be an asset to a Pay for Success enterprise in Michigan.

Through our work for the Michigan Department of Human Services and for the Emergency Manager's Office in the City of Detroit, PCG has become familiar with a large number of providers and philanthropic funders that would make for successful Social Impact Bond projects. With so many of Detroit's core social supports struggling to meet demand, PCG sees a need and opportunity to promote the success of high-risk high school-age youth in the Detroit metro area.

The goals of PCG's envisioned project are clearly defined: keep high-risk youth enrolled in high school and prevent teen pregnancy. These outcomes make sense for a Pay for Success project because they are relatively straightforward to measure, they are preventative rather than reactive in nature, and they have been shown to help break the cycle of poverty, thereby reducing future costs to both local and state-level public support systems.¹ Data is readily available to describe the target population's current outcome rates, past trends, and future expectations. Michigan could expect to identify measurable

¹ Please see <http://www.spotlightonpoverty.org/news.aspx?id=d7489aaa-8d79-4382-a6a6-fcecbcaa4ada> for an overview discussion of the link between reducing high school drop outs and reducing poverty.



savings to public benefits programs such as TANF and WIC, as well as savings to the public health system.

PCG has identified a promising provider working in this space in the Detroit metro area as well as several funders that are well-positioned to participate in a Social Impact Bond structure. The provider under consideration has an established track record of measuring the target outcomes amongst their service population, they have capacity to serve the participants at the scale called for in Michigan's RFI, and their intervention is scalable if shown to be successful. Likewise, the funders identified have a long history of commitment to Detroit's high-risk youth. Some of them already support the provider organization as part of their philanthropic portfolios. PCG would expect the forthcoming RFP to define the role of intermediary as the broker of performance expectations and contracted arrangements amongst the parties and also with the Governor's Office.

PCG currently serves as the independent validator for the evaluators of a Pay for Success project in another state, and we appreciate the importance of rigorous evaluation design and execution for such projects to be successful. As part of the proposal development in response to the future RFP, we would expect and recommend that Michigan's Social Impact Bond projects would involve an independent evaluator. PCG has the capacity to provide technical assistance to that evaluator so that they could meet the requirements of a Social Impact Bond evaluation, including a precisely defined study population, comparison groups, and enrollment procedures to allow for a clean analysis of the intervention. PCG would also anticipate working with the evaluator to establish and maintain communication channels with the provider and set the expected format of reports in conjunction with the investor and the Governor's Office.

For further information about the details of the envisioned project, please contact Heather Green at (617) 717-1293 or hgreen@pcgus.com.