Adding up impact: ROI for health, education and social services

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WILDER FOUNDATION

What is Return on Investment (ROI)?

A central evaluation **process, tool, and framework** for measuring and accounting for socio-economic and monetary value created by an organization

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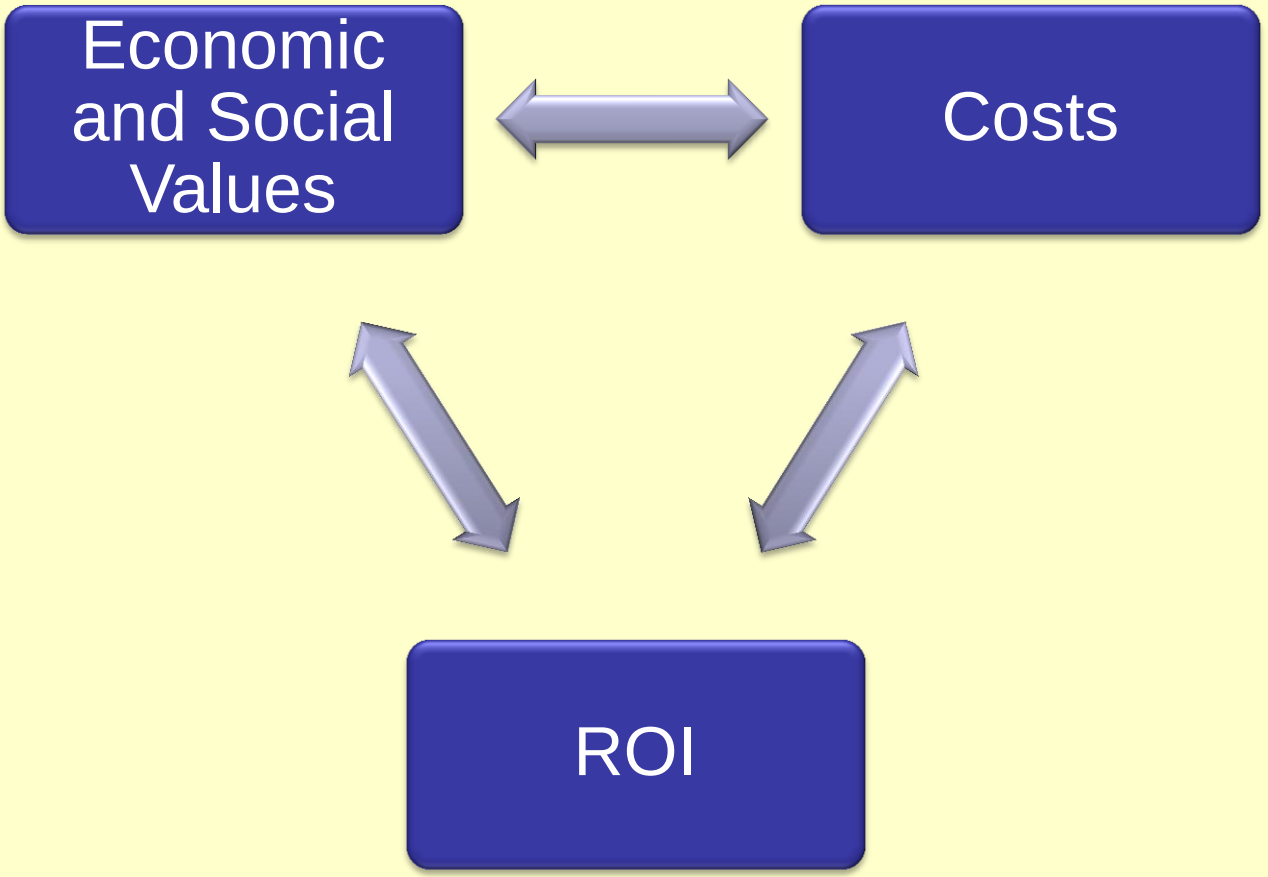
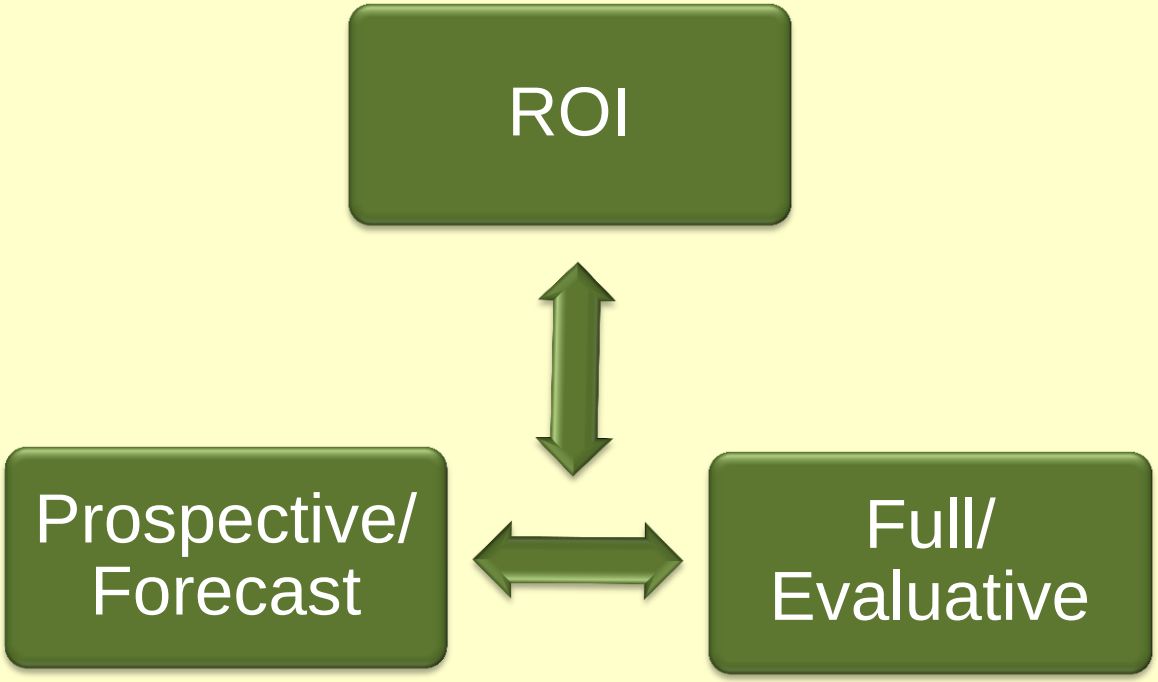


Types of ROI to consider



Who's interested in ROI analysis and why?

- Value-driven and outcome-oriented organizations
- Program administrators
- Funders (foundations, government, etc.)
- Pragmatic public policymakers

Continuum of ROI strength

Research
No data

Research
Self-reported
data

Research
3rd party-sourced data
(plus Admin. Data)

1. Prospective/Forecast (low strength)

Predicts how much value will be created if the activities meet their intended outcomes

- Uses minimal or no data
- Relies on conservative and reasonable assumptions

Example: A well-run youth intervention program can yield $4.89 benefit for every dollar of program cost.

2. Full ROI/Evaluative (medium strength)

Conducted retrospectively and based on actual outcomes that have already taken place

- Uses self-reported data of programs and participants.
- The data is mostly from surveys or other instruments.

Example: Program employs persons with disabilities. Generates a return of $3 for every dollar invested.

3. Full ROI/Evaluative (high strength)

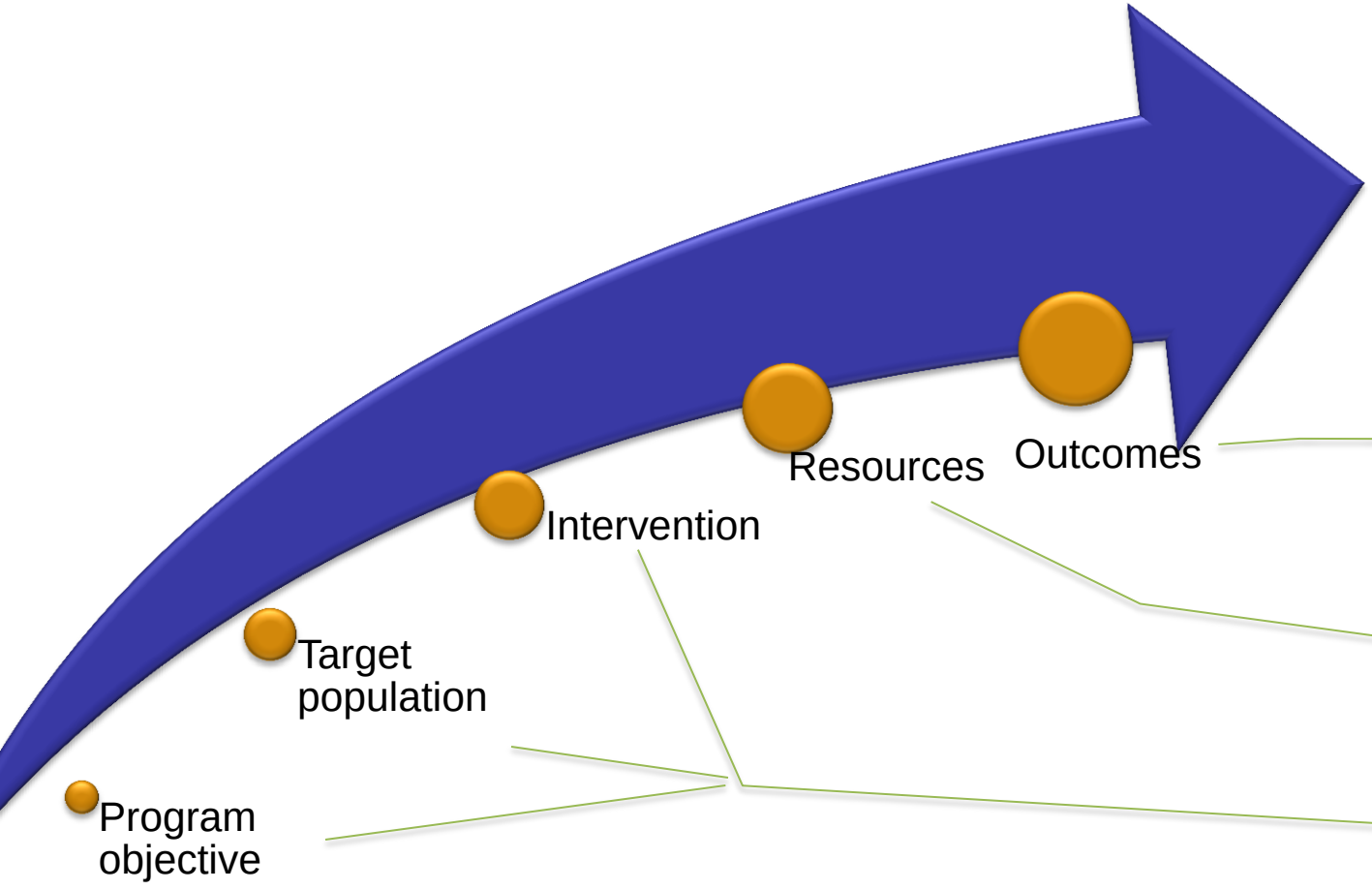
Conducted retrospectively and based on actual outcomes that have already taken place

- Uses data from established agencies' Database e.g., DEED/DHS
- Administrative + programming data

Example: Program promoting parenting skills and economic stability for families and children. Prospectively returns $6 and a full ROI return of $3.40 for every dollar invested (in one year of operation).

Jose Diaz, Wilder Research

Return on Investment: The Big Picture



ROI

Economic Benefits

Direct Costs

Alternative

Return on Investment: Main challenges

Investment

?

Program

?

Outcomes

?

Economic Value

Example: ROI for early childhood programs

Targeted population	Intervention	Inputs	Outcomes	Net economic Benefits
Children 2-5 years-old Children 2-5 years-old at-risk Children 2-5 years-old In-poverty	Half-day programs Full-day programs	Teachers Facilities Materials Volunteers Professional services	Increased academic achievement Increased future income Reduced criminal activity Reduced special education needs Increased available work hours for parents Increased social and cognitive skills of children Reduced teacher turnover	Increased future income Increased tax revenues (children and parents) Reduced cost to criminal justice system Reduced cost to victims of crimes Reduced special education expenditures Reduced teacher turnover expenditure Reduced cost of grade repetition Reduced cost of special education

STEP 1: Measuring the outcomes of your program…seriously!

Select a program of your choice to use as working example

List all outcomes generated by the program

These are the impacts of program activities on the target population

Also consider:
Are there un-intended impacts of the program on other populations or groups?

How are we going to measure these outcomes?

Examples: intake forms, follow up surveys, administrative data

How can we know if the outcomes are really associated with the program?

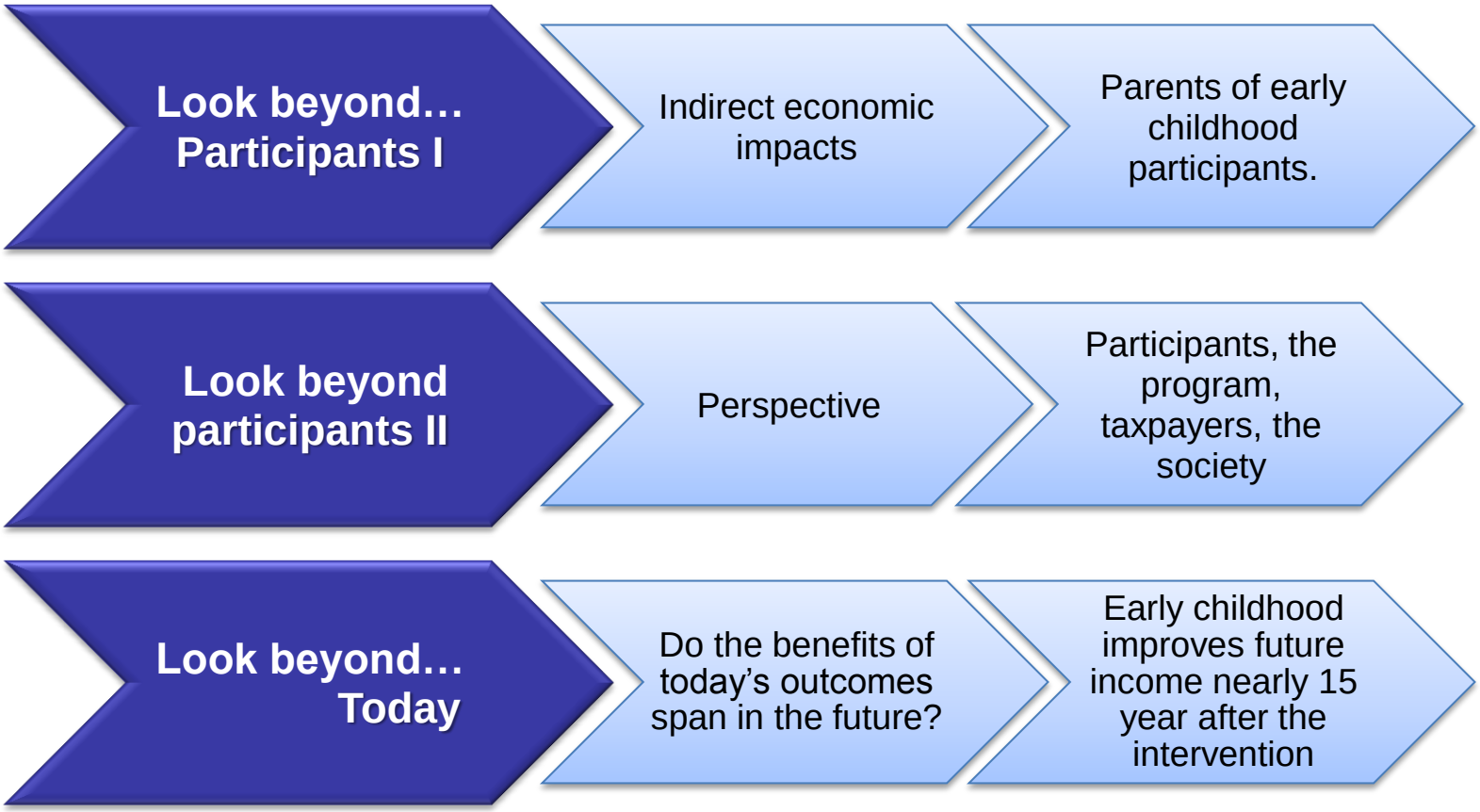
This requires more than descriptive information of the outcomes ☹

Step 1

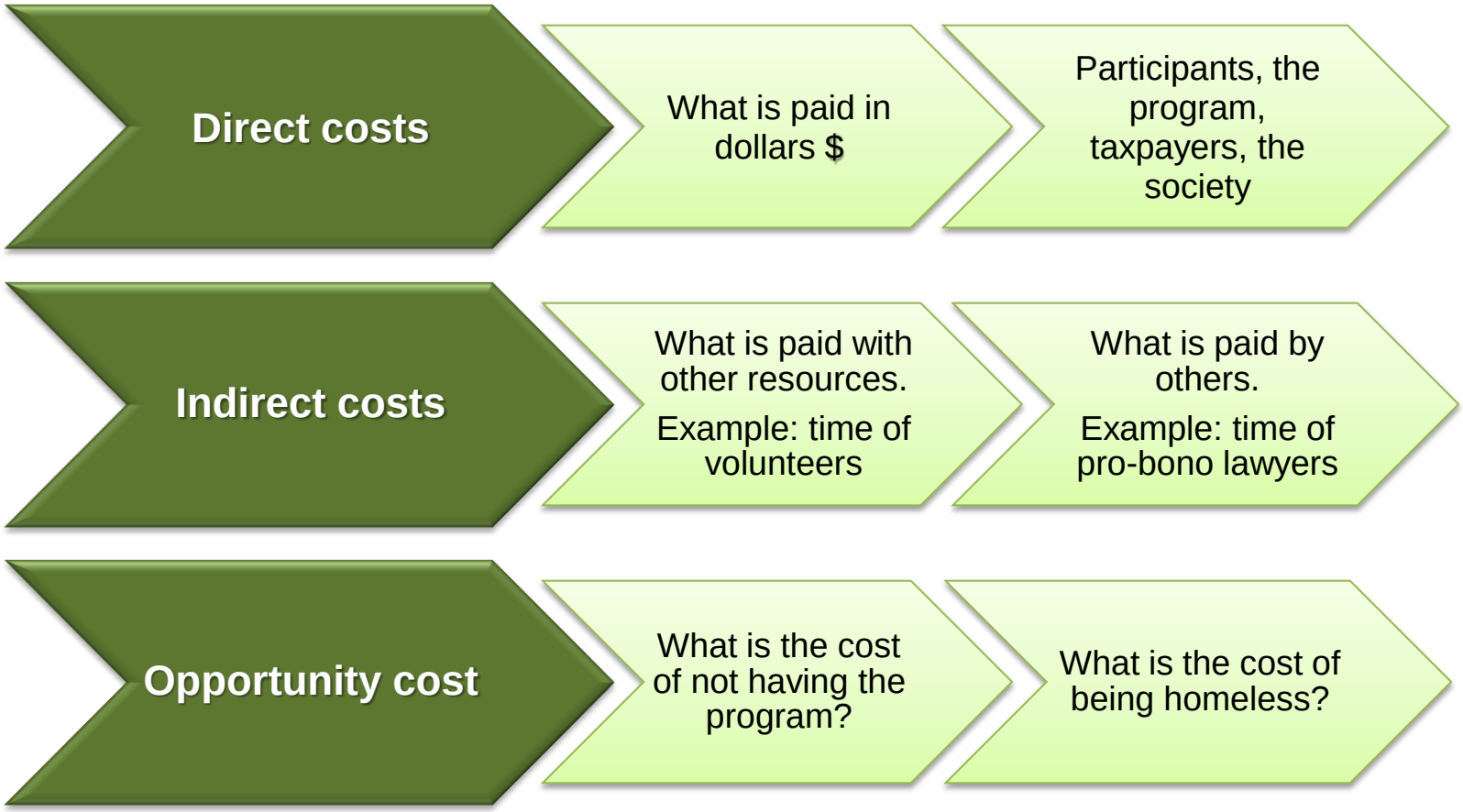
Step 2

Outcomes		Economic benefits		Perspective			
Definition	**Data**	**Definition**	**Data**	**Participants**	**Taxpayers**	**Program**	**Society**
Outcome 1 :				☐	☐	☐	☐
Outcome 2:				☐	☐	☐	☐
Outcome 3:				☐	☐	☐	☐
Outcome 4:				☐	☐	☐	☐
Outcome 5:				☐	☐	☐	☐
Outcome 6:				☐	☐	☐	☐

STEP 2: What are the economic consequences of the outcomes of the program?



STEP 3: There is no such a thing as free lunch … How much does it cost to generate the outcomes?



Monetary resources used to produce outcomes		Non-monetary resources used to produce outcome		Perspective			
Definition	**Data**	**Definition**	**Data**	**Participants**	**Taxpayers**	**Program**	**Society**
				☐	☐	☐	☐
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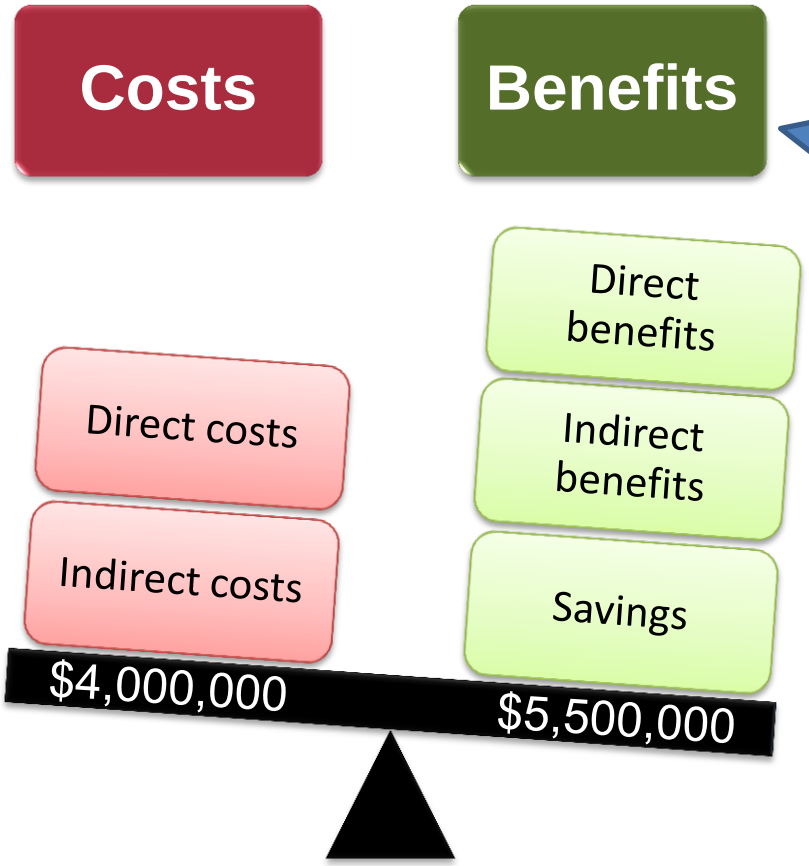
STEP 4: Comparing Benefits and Costs



Keep it in perspective:

Participants
Program
Taxpayers
Society

Benefit-Cost Ratio: $5,500,00/$4,000,000 =

1.38 dollars for every dollar invested in the program

TABLE 1: VALUATION OF REDUCED SUBSTANCE ABUSE AMONG SUPPORTIVE HOUSING PARTICIPANTS

This outcome include chemical dependence related outcomes such as use of marijuana, cost to victims & society etc.						
Estimation methodology						
Outcome measurement						
Calculation	Estimated number of participants in supportive housing in MN.	×	Proportion of addicts	×	{ Number of yearly treatments per homeless person} – { Number of yearly treatments per person in supportive housing }	= Reduction in number of substance abuse treatments
Data source	Data from a sample of program participants	Sources of data for the impact parameters: Program's own impact study & secondary data from comparable impact studies.				
Economic valuation: Chemical dependence						
Calculation	Reduction in number of substance abuse treatments	×	Cost of per person of treating *substance abuse* per visit	=	Costs of *substance abuse* avoided/saved due to participation in Supportive Housing Programs in MN.	
Data source		DHS – Chemical Dependence Division; Criminal Justice Department and Hospitals and housing programs, and other public agencies.				