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

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Evaluation workshop
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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.
What is Return on Investment (ROI)?

- Economic and Social Values
- Costs
- ROI
Types of ROI to consider

ROI

Prospective/Forecast

Full/Evaluative

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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

Prospective/
Forecast

Research
No data

Research
Self-reported
data

Research
Full ROI/
Evaluative

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).
Adding up impact

Evaluation Workshop Part II

Jose Diaz, Wilder Research
Return on Investment: Main challenges

Investment

Program

Outcomes

Economic Value

Data
Example: ROI for early childhood programs

**Targeted population**
- Children 2-5 years-old
- Children 2-5 years-old at-risk
- Children 2-5 years-old In-poverty

**Intervention**
- Half-day programs
- Full-day programs

**Inputs**
- Teachers
- Facilities
- Materials
- Volunteers
- Professional services

**Outcomes**
- 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

**Net economic Benefits**
- Increased future income
- Increased tax revenues (children and parents)
- Reduced cost to criminal justice system
- Reduced cost to victims of crimes
- Reduced cost to 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 😊
<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Economic benefits</th>
<th>Perspective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Definition</td>
<td>Data</td>
<td>Definition</td>
</tr>
<tr>
<td>Outcome 1</td>
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<td>Outcome 2:</td>
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<td>Outcome 6:</td>
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STEP 2: What are the economic consequences of the outcomes of the program?

- **Look beyond… Participants I**
  - Indirect economic impacts
  - Parents of early childhood participants.

- **Look beyond participants II**
  - Perspective
  - Participants, the program, taxpayers, the society

- **Look beyond… Today**
  - Do the benefits of today’s outcomes span in the future?
  - Early childhood improves future income nearly 15 year after the intervention
STEP 3: There is no such a thing as free lunch … How much does it cost to generate the outcomes?

- **Direct costs**
  - What is paid in dollars $
  - Participants, the program, taxpayers, the society

- **Indirect costs**
  - What is paid with other resources.
  - Example: time of volunteers
  - What is paid by others.
  - Example: time of pro-bono lawyers

- **Opportunity cost**
  - What is the cost of not having the program?
  - What is the cost of being homeless?
<table>
<thead>
<tr>
<th>Monetary resources used to produce outcomes</th>
<th>Non-monetary resources used to produce outcome</th>
<th>Perspective</th>
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</thead>
<tbody>
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STEP 4: Comparing Benefits and Costs

Costs
- Direct costs: $4,000,000
- Indirect costs

Benefits
- Direct benefits
- Indirect benefits
- Savings
- Benefit-Cost Ratio: $5,500,000 / $4,000,000 = 1.38 dollars for every dollar invested in the program

Keep it in perspective:
- Participants
- Program
- Taxpayers
- Society
## 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

<table>
<thead>
<tr>
<th>Calculation</th>
<th>Outcome measurement</th>
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<tbody>
<tr>
<td>Estimated number of participants in supportive housing in MN. ( \times ) Proportion of addicts ( \times ) { Number of yearly treatments per homeless person } − { Number of yearly treatments per person in supportive housing } = Reduction in number of substance abuse treatments</td>
<td></td>
</tr>
</tbody>
</table>

### Data source

- **Data source**
  - Data from a sample of program participants

### Economic valuation: Chemical dependence

<table>
<thead>
<tr>
<th>Calculation</th>
<th>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.</th>
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</thead>
<tbody>
<tr>
<td><strong>Data source</strong></td>
<td>DHS – Chemical Dependence Division; Criminal Justice Department and Hospitals and housing programs, and other public agencies.</td>
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