

## **A conversation with the Pew Charitable Trusts' Government Performance Project on November 14, 2013**

### **Participants**

#### Pew Charitable Trusts:

- Michael Caudell-Feagan — Vice President, Government Performance
- Allan Coukell — Senior Director, Drugs and Medical Devices
- Michael Ettlinger — Senior Director, Fiscal and Economic Policy (no longer with Pew)
- Jennifer Laudano — Director, Communications (no longer with Pew)
- Sally O'Brien — Senior Vice President, Philanthropic Partnerships
- Travis Plunkett — Senior Director, Family Economic Security
- David Pope — Senior Associate, Government Relations (no longer with Pew)
- Alexis Schuler — Senior Director, State Policy Campaigns
- Nicole Surber — Senior Director, Philanthropic Partnerships
- Susan Urahn — Executive Vice President, Government Performance

#### GiveWell and Good Ventures:

- Cari Tuna — Co-Founder, Good Ventures
- Holden Karnofsky — Co-Founder, GiveWell

**Note:** These notes were compiled by GiveWell and give an overview of the major points made by representatives of the Pew Charitable Trusts.

### **Summary**

GiveWell and Good Ventures spoke to representatives of the Pew Charitable Trusts about their work on drugs and medical devices, family economic stability, state pensions, and public safety, as well as how they run projects and explore causes.

### **Drugs and medical devices**

In 2009, The Pew Charitable Trusts began working on policy to make financial relationships between physicians and the drug and medical device industries increasingly transparent (building on grant-funded work Pew had initiated two years earlier). Pew subsequently developed additional initiatives related to drug and device safety and innovation. Since 2009, Pew has helped pass five major pieces of federal legislation.

In general, Pew helps policymakers identify and implement nonpartisan, pragmatic, data-driven solutions to the nation's toughest challenges. Antibiotic resistance is one of those challenges.

## **Antibiotic resistance**

Pew works on improving incentives for pharmaceutical companies to produce new antibiotics. Pew advocated for the Generating Antibiotic Incentives Now (GAIN) Act, passed in 2012. The GAIN Act guarantees an additional five years of exclusivity to a pharmaceutical company that brings to market an antibiotic to treat serious or life-threatening infections, during which other companies cannot make generic versions of the drug. Pharmaceutical companies, biotech companies, and venture capitalists supported the law and have told Pew that the GAIN Act encourages them to invest in antibiotics. Public health and patient groups also supported the law.

Pew is now advocating for legislation that would enable the FDA to approve certain antibacterial drugs for use in limited populations who currently have few or no good treatment options. Such a pathway would help address the most serious unmet medical needs and would allow pharmaceutical companies to spend less time and money on drug trials.

Pew also works on improving stewardship of existing antibiotics to slow the development of resistance.

Pew would like to find a philanthropic partner on antibiotic resistance.

## **Cost of pharmaceuticals**

Drugs account for 12 to 18 percent of health care costs, and specialty drugs account for nearly all the growth in drug spending, which is rising much faster than health care costs overall. These are medicines that cost from several thousand dollars to several hundred thousand dollars per year for each patient. Today, fewer than 2 percent of patients receive these products, yet these drugs already account for 15 percent of total drug budgets. They are projected to make up more than half of drug expenditures by 2020 and perhaps earlier. However, policies used successfully to control the costs of traditional drugs are not well suited to specialty drugs or need to be adapted. Managing the escalating costs of these products will require policy change in two main areas. First, the U.S. Food and Drug Administration (FDA) will have to allow the development of generic versions of biologic drugs, in a way that ensures the drugs are safe and effective. Second, public programs, including Medicare and Medicaid, will need to adopt reimbursement policies that limit cost growth while ensuring that patients receive the care they need. Policy makers are increasingly aware of the need for new approaches to manage specialty drug costs.

## **Family economic stability**

About 40% of all wealth held by US families was lost in the recession from 2007-2010. Many families had significant debt before the recession and were left even worse off afterwards. Due to fiscal constraints, the federal and state governments are unlikely to increase spending to assist families, so families must create their own financial safety nets.

Many groups work on family economic security. When Pew entered this area, it conducted 75-100 interviews with experts in order to identify approaches that were tractable and underfunded. Tractable angles are not necessarily unambitious, because Pew may be able to see a reasonable path to a large policy change. Within family economic security, Pew chose to focus on retirement security, as well as short-term and emergency savings.

### **Retirement security**

Americans save mainly through employer savings plans such as 401(k)s; only 5% of Americans save outside of employer plans. However, only 68% of large employers, 50% of mid-sized employers, and less than 30% of small employers offer retirement plans. There is a lack of information about why many employers do not offer retirement plans, because the last high-quality survey of businesses on this topic was carried out about ten years ago. Some reasons for not offering a plan could be that it is too costly or too complex, or that it exposes employers to liability. These are amenable to policy solutions. There are other possible reasons why employers might not offer savings plans; for example, their income and profits could be highly variable, or employees might not demand the plans. These are less amenable to policy solutions.

Another issue with retirement plans is that fees tend to consume a large portion of employee savings. The federal government recently instituted new fee disclosures for 401(k)s, but not for IRAs. Pew plans to research whether the disclosures are leading to lower fees for 401(k)s and whether similar disclosures would be likely to lead to lower fees for IRAs.

California and Oregon are studying creating retirement savings plans that fit within the existing system and are easy and inexpensive for employers to set up.

### **Emergency and short-term savings**

Many non-profits and academics work on helping low- and middle- income Americans save for emergencies and for the short term. However, a large proportion of these groups focus on developing and evaluating interventions that are specific to a particular population, place, and organization. Fewer groups work on broad policy initiatives.

South Africa and the UK incentivize saving by entering savers into a lottery. A few U.S. states also have prize-linked savings programs. Michigan holds monthly drawings as well as a yearly drawing for a larger prize.

There are a few high-quality studies showing that small amounts of savings can help people avoid material deprivation. Pew is working to broaden this evidence base.

## **State pensions**

### *Early research and designing the project*

When Pew began to work on state pension systems, it researched and wrote a report, “The Widening Gap: The Great Recession’s Impact on State Pension and Retiree Health Care Costs” to show that states' pension liabilities were growing much faster than the funds put aside to pay for them.

As Pew was working on the report, state lawmakers acknowledged the problem and asked Pew to help them solve it, prompting them to add state-based technical assistance and advocacy to its research work.

In designing its work on pension reform, Pew reached out to unions, state officials, and think tanks across the political spectrum. This helped to build a constructive dialogue and help Pew better understand the views and goals of others working in this field.

In 2012, Pew worked with an outside firm for about six months to rank twelve states with fiscally challenged pensions systems on the following questions:

- Is there a clearly understood need in the state for policy change pertaining to pensions?
- How likely is policy change to occur?
- Is there a clear role for Pew to play in promoting policy change in the state?

This independent comparison between states allowed Pew to evaluate the potential need and interest in policy change across states, using consistent criteria and without being too influenced by case studies of particular states.

After the survey, the state pensions team took about 2-4 months to identify achievable goals and deliverables. The team proposed to the Pew board that it would aim for comprehensive pension reform in two to four states, defined as the state putting into place a reasonable plan to:

- fully fund its pension program
- avoid unfunded pension liabilities in the future
- ensure that the state could recruit and retain the workers it wanted and avoid creating perverse incentives in employment.

The team also planned to work in a more preliminary fashion towards pension reform in six to eight states in which lawmakers had begun to discuss reform, and to help lawmakers start discussing reform in six to eight other states.

Pew now collaborates with the Laura and John Arnold Foundation (LJAF) on the project.

### *Technical assistance in states*

When Pew provided technical assistance in states, it encouraged lawmakers to think of solutions to pension challenges, rather than trying to assign blame for causing the challenges. Rather than promoting one particular solution across all of the states, Pew helped policymakers in each state ask better questions as they devised their reforms.

Kentucky was the first state in which Pew worked on pension reform. Lawmakers there had already approved a bipartisan task force on pension reform. In a previous project on public safety, Pew had worked with a similar bipartisan task force and developed strong relationships with Kentucky lawmakers.

When Pew began working with Kentucky, the state's pensions were 30% funded. Under the state's status quo plan, Kentucky would have had to begin liquidating assets within 5-7 years in order to pay out pensions. Pew worked with the task force to help them understand the scope and scale of the issue they were facing, giving them a menu of options to consider. Since actuaries are very expensive, most states cannot produce multiple different analyses of the same issue. Pew offered Kentucky the services of its actuary to undertake further analysis. For example, one idea that was offered to address the increasing cost of the state's pension contribution was raising the retirement age but in fact, because Kentucky's pensions were so back-loaded, raising the retirement age would actually have increased costs. Similarly, there was a focus on people who were gaming the system, so-called spiking and double-dipping. Pew showed that while those might be valid governance issues, they were not significant cost drivers.

The bipartisan task force held a series of public meetings that included testimony and suggestions from a range of Kentucky stakeholders representing public employees, taxpayers, business groups, and local governments and developed a plan to pay down past debts and create a more sustainable pension plan for new employees.

In the fall of 2013, Pew held a major conference on state pension reform for labor leaders, state policymakers, and pension fund administrators. Pew designed the conference to impart useful information to those groups and foster constructive conversations.

### **Public Safety Performance Project**

At the start of the project in 2006, the most compelling argument for the project was public safety return on investment – the opportunity for states to take advantage of the research to reduce reoffending and prison costs at the same time. More than two years later, the start of the national economic downturn began to place fiscal constraints on states, creating a window of opportunity for criminal justice reform that had not existed 10 years earlier, when the federal government helped fund the construction of state prisons. Seven years into the effort, PSPP has now collected data showing the positive effects of reform on public

safety, and states are motivated to undertake reform to improve public safety as well as to cut costs.

PSPP has 32 employees, making it the largest team within the Government Performance program, which has a total of about 250 employees.

One way in which PSPP has stimulated interest in reform is to hold small, focused conferences to engage local stakeholders and policymakers. Starting a dialogue at such conferences is often a first step towards reform, even if the conference participants are not yet fully ready for policy change.

With increased funding, PSPP could expand to more states and could likely achieve meaningful reform in those states.

Pew has had difficulty finding philanthropic partners for PSPP. Few funders work on public safety. Most that do are not well aligned with Pew's approach.

PSPP stands out amongst Pew's projects both because evaluations show it has a very large impact and because it could be easily scaled up with more funding. Other projects might score well on one of those two criteria, but PSPP is one of several that stands out on the combination of the two.

## **Running projects**

Strategic planning for projects involves the project director, policy experts in fields related to the project, planning and evaluation staff, government relations staff, communications staff, and leaders of state campaigns. Sometimes higher-level staff will join strategic-planning meetings. If the project involves collaboration with other funders, philanthropic partnership group staff may join as well. Pew may also add someone to the team with specific connections and knowledge of targeted jurisdictions, constituencies or stakeholders.

Strategic planning meetings are held to set strategy at the beginning of the project and to modify plans once the project is underway. For example, the state public sector retirement systems team has held monthly meetings to evaluate strategies and tactics and revise as warranted for the coming month or for longer planning periods.

Once a team has formed initial views on how to move forward with a project, it often brings in other staff to approach the issue from a different angle and ask a new set of questions for another round of analysis.

The planning and evaluation unit works across projects to develop strategies to achieve measurable progress towards overarching goals. The unit develops annual scorecards on the progress of each project to share with the board. The unit also does a formal evaluation at the end of a project, and may do evaluations in the middle of the project to help the

project team achieve its goals and to measure performance. The mid-project evaluations often help the project team to look at their work from a new angle and consider different strategies. At all stages, the planning and evaluation team asks key questions, including: Are we meeting our goals? Would the policy changes that we have observed have happened even without Pew's involvement?

Lead communications staff members have at least eight years of experience in media relations and strategic communications. These staff members work with project directors on a daily basis. Pew has crosscutting teams that work on advertisement design, advertisement purchasing, op-eds, graphics, publications, and digital content strategy.

## **Tools to achieve policy change**

### *Research*

Pew funds peer-reviewed research to answer policy questions. When Pew sees that important research results have been published but are being ignored, Pew translates the academic research into information and recommendations accessible to policymakers. Some of Pew's best-known research products are its reports covering each of the 50 states and the District of Columbia. These reports provide information for national and state lawmakers and media. Most other organizations do not have the resources to put together such reports. Pew also collects information about public opinion through focus groups, polling, and longitudinal studies.

In general, Pew will not start a new initiative unless there is some sort of pre-existing evidence base. While it typically won't fund the first randomized controlled trial of a certain approach, Pew does aim to build the evidence base as it works in an area.

### *Coalition building*

When working on an issue at the state level, Pew has found it to be very helpful to recommend and assist a bipartisan task force involving multiple branches of government. Pew often finds that participants in these task forces will comment that they rarely sit down together to evaluate available evidence and work out disagreements. It seems to be easier for an outside group to help convene such a task force than for officials to arrange to meet on their own. The task forces provide a chance for lawmakers to look at data, listen to experts, and make policies based on data in a structured and more deliberate and comprehensive manner.

Pew aims to broker compromises between diverse stakeholders in order to pass legislation that is pragmatic, even if not a cure-all. Consumer groups and other interest groups sometimes frame the debate, then Pew helps to bring these groups together.

### *Messaging from diverse stakeholders*

Pew has found that bringing new stakeholders and new perspectives into a debate can get

around a political impasse. When Pew entered the dialogue on fuel economy standards, the debate was between environmentalists and the auto industry. To push for more stringent fuel economy standards, Pew encouraged retired military personnel to talk about the national security benefits and formed a coalition of CEOs to discuss the business implications.

Pew takes a strategic approach to earned media. Pew may decline media appearances if it feels that other groups would be more appropriate as the public face of an issue. Often, coalitions that Pew has helped form are better messengers than Pew itself.

### *E-advocacy*

Pew's e-advocacy department sends emails, runs online petitions, and organizes people to comment on legislation and rules. For example, Pew contacted people who are interested in fish conservation for its campaigns on that issue. Pew can also analyze what kinds of messages generate the best responses and who responds most often. Over time, Pew can narrow an email list to the most responsive recipients.

A Pew online petition encouraging the White House to issue rules to implement (act on) a food safety law championed by Pew and passed by Congress resulted in hundreds of thousands of signatures directed to President Obama. E-advocacy has also been the mechanism to provide citizens a way to urge government action to produce policies to reform consumer financial (e.g. pay day lending, credit cards, and pre-paid cards) policies.

Pew uses many other tools in its federal and state campaigns, including:

- Pew staff who can lobby and firms with valuable relationships and skills
- media consultants
- advertisements on the radio and in print
- strategic planning, political analyses, and landscaping of issues

Pew's most valuable tool is strategically deciding which tools to use in a given situation. Pew first identifies who has the power to make a policy change and then considers how to influence that person or group. For example, the e-advocacy department knows that the U.S. Office of Management and Budget and the Office of Information and Regulatory Affairs do not respond to polling results. As a result, they work to create alliances with business groups or collect opinion from the relevant part of the business community to help persuade those executive offices that play a central role in policies and funding of programs Pew is involved with. When Pew wants these agencies to change their policies, it forms coalitions of business groups to persuade them.

## **Exploring causes and selecting projects**

A small team within the Government Performance program investigates emerging political issues to find niches where Pew can achieve policy change. The team interviews experts in the field under investigation. Pew might contract out some interviews, especially those



about political feasibility of policy change, but Pew has found that contractors typically do not produce the best results if they carry out the entire interview process. Contractors' role is usually to fill in the gaps in information that Pew analyzes itself. In addition, a major benefit of conducting interviews is building connections with interviewees.

When selecting a project to work on, Pew looks for an important problem that has a politically tractable solution. It also tries to identify windows of opportunity for policy change. Pew has found that to influence policy, it has to get involved in an issue before policy change becomes inevitable. Once President Obama took office, it became clear that his administration would make a major attempt at healthcare reform. Pew would have had to have become involved in healthcare reform at least a few years beforehand to build its expertise and strategically influence the reforms.

To decide which projects to fund, Pew compares potential projects on criteria such as size of potential impact, and the expected return on investment. Although all projects are evaluated on quantitative metrics, the outcomes measured are different between each project, so prioritizing projects requires judgment calls about which outcomes are more important. Pew looks for policy areas that are big enough to matter but small enough to change.

Pew staff recently prepared a report for the board examining six aspects of water policy. After deprioritizing some areas due to lack of political tractability, Pew focused its exploration to three areas:

- eliminating perverse incentives, caused by federal flood insurance, to develop coastal areas that are threatened by storm surge.
- developing critical water infrastructure.
- the high energy cost of transporting water (e.g., research in California indicates that transporting water may account for 25% to 30% of the state's total energy use).

## **Causes Pew has explored but is not currently involved in**

### *Mental health*

Pew spent 3-4 months looking for opportunities to push for better mental health policies. It found that after patients were deinstitutionalized in the 1960s and later, community mental health organizations did not receive enough funding to treat the patients who had been released from psychiatric hospitals.

Currently, the corrections system is often the main institutional point of contact for mentally ill people, but it does not have the funding or expertise to provide them with care. About 10% of the mentally ill population is severely ill and may be prone to violence. Pew considered whether providing police with data to help them identify the severely ill could help police focus on responding to that population. This might help police be as effective as possible with minimal intrusion into mentally ill people's lives. However, even if police knew which people were severely ill, options for care are limited. For that reason, funding

better data for police might not have a major impact.

Pew concluded that the mental health system is so underfunded that it is hard to think of tractable interventions that are likely to have a big impact. Fiscal constraints currently make it very hard to obtain additional funding for mental health, so Pew decided to table its investigation of mental health issues. As the Affordable Care Act rolls out, mental health care will be funded differently, and it may be possible to achieve meaningful policy change in the states.

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