One of the most pervasive trends in social service delivery at present is the “results-based accountability” movement, whereby service providers are increasingly required to provide concrete evidence that their programs generate the desired outcomes. Providers must justify which programs they implement, which design elements to incorporate into their programs, and who will participate. Social science research provides some information about how these program-design features influence outcomes. Although much remains to be learned, the literature on social services aims to address which interventions and treatments affect outcomes and by how much, which groups of individuals respond best to treatment, and, to a lesser extent, which designs elicit the greatest changes in outcomes.

Cost is another primary driver of decisions regarding program design and implementation. Budgets are limited—how many resources are available to expend on accomplishing the goals? Moreover, rather than simply providing a bound for expenditures, cost considerations influence the entire range of decisionmaking. For example, in deciding which program to implement, a policymaker might choose a program that has three-quarters the success rate of the program with the most successful impact, because the former program costs one-third as much as the latter. Similarly, cost considerations figure prominently into program-design decisions, population targeting strategies, and other fundamental parameters.

Research has offered substantially less guidance on cost-related issues than on outcome-related issues. Evaluations of social service programs rarely include information on the total budget for a par-
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ticular intervention, let alone details on the cost of various components of the program. Furthermore, policymakers have few opportunities to learn about the typical expenses involved in delivering various types of programs. Not surprisingly, service providers have not received the same scrutiny of their cost performance as they have of their outcome performance. This document takes a step toward filling the gap in information available to decisionmakers about the cost considerations that can inform their decisionmaking. While not as extensive as the outcomes literature, a useful body of research on costs and benefits of programs exists, and we present this information with an eye toward helping policymakers incorporate it into their work. Our objective here is to offer assistance to decisionmakers and program implementers considering an assessment of costs and outcomes. We do not offer a specific, step-by-step manual, but we discuss the kinds of issues that must be taken into account and why. We do so in enough detail that readers can decide if cost and outcome analysis is the right course for them and how to knowledgeably interact with an expert cost-outcome analyst.

In doing so, we focus in particular on the issues as they pertain to a class of social service delivery programs that has received a great deal of attention in recent years: early childhood intervention programs. These programs, while varying widely in their design, typically aim to improve child health and development by providing socioeconomically disadvantaged children and their families with various services and social supports during part or all of the period of early childhood (see Karoly et al., 1998, for a review).

In addition to exploring these issues for early intervention programs more generally, we also demonstrate the application of the concepts to a specific example, the Starting Early Starting Smart (SESS) program. SESS is a public-private partnership designed to test the effectiveness of integrating behavioral health services with primary care and early childhood service settings for children from birth to age seven. The program is an initiative of the Office on Early Childhood, Substance Abuse and Mental Health Services Administration (SAMSHA) and the Casey Family Programs, along with several other federal sponsors.

Knowledge about the relationship between costs and outcomes is not only useful for individuals who direct specific programs, but it is
also important for developing policy approaches at a more general level. One of the arguments for some types of social services is that they function as an investment: spending money now to prevent poor outcomes reaps returns in the form of reduced expenditures to redress poor outcomes in the future. Obtaining better information about program costs and examining the monetary value of program benefits inform the allocation of resources toward prevention services versus remedial services. Hence, in this report we discuss issues related to valuing the benefits (which may include the avoidance of future costs) produced by intervention programs, in addition to issues related to accounting for program costs.

Early childhood intervention programs are one class of social services that may be particularly amenable to this type of “investment analysis.” This is primarily because early childhood is viewed as a critical period for physical, cognitive, social, and behavioral development, and inputs in this period may yield payoffs over the rest of a person’s life. In addition to the unique role early childhood plays in the life course, children obviously have more years ahead of them than older members of society. This implies that an intervention in early childhood that can evince sustained positive changes will necessarily reap benefits for a longer period than will treatments given later in the life course.

The next chapter provides a general framework for analysis that addresses both costs and outcomes. It includes a brief primer on various types of cost and outcome analysis: cost-benefit, cost-effectiveness, and related methods. The third chapter discusses issues in cost and outcome analysis specific to early childhood intervention programs, while the fourth chapter reviews the literature on cost and outcome analysis for early childhood intervention programs. Chapter Five applies the concepts described in the earlier chapters to the Starting Early Starting Smart program, with specific recommendations regarding the evaluation design and implementation of cost and outcome analysis. The final chapter summarizes the main findings and presents conclusions.