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Rethinking Disability: Donors launch an experiment that could spark seminal social reform

This chapter offers a slightly different perspective from those that precede it. It details the founding and setup of a donor collaborative we incubated here at The Philanthropy Roundtable. While it is early in its implementation, the project's development offers some lessons for funders aiming to tackle similarly large issues.

Our system for handling veterans with disabilities hasn't been properly modernized in a century. It is based on antiquated medical notions, and it enshrines completely outdated technological, legal, and social understandings of what people with disabilities are capable of. The current system, which was created soon after the World Wars, tallies up the number and severity of medical ailments logged for a servicemember, then condenses that into a single number that represents that person's disability rating. (This is often increased in subsequent years via appeals, which are unlimited.) Lifelong cash payments, plus eligibility for other benefits like lifelong health insurance for family members, then flow directly from that. The higher the rating, the higher the checks.

The nation now spends more on disability payments for veterans than it does on all of their physical and mental health care, or the rich G.I. Bill benefits to support their further education, or the entirety of its programs to help any veteran buy a house. In 2016, the V.A. mailed out disability-compensation checks totaling more than \$68 billion. That's *three and a half times* as much (after adjusting for inflation) as we spent as recently as 2000. In that same short period, the percentage of U.S. veterans who are categorized as disabled has more than *doubled*. And the number of veterans claiming the very highest levels of disability (rated 70-100 percent) more than *tripled*. About half of all war-on-terror veterans are now applying for lifelong disability benefits.

These funds do not help people recover. They are not for physical therapy, or counseling, or devices to assist them at work, or training that will allow them to shift to a new occupation where their disability isn't an obstacle. This cash just says "Sit down. No need to get better. We don't imagine you being independent, or supporting yourself." These non-rehabilitative cash payments send the implicit message that the recipient is unfixable—delivered with no expectation or encouragement that he or she, no matter how young, will heal and become self-reliant. That's why veterans on disability compensation (studies show) respond to treatment and recover at much lower rates than people not receiving checks. Rather than getting better, the much more common pattern for veterans on disability is to steadily *climb up* to higher and higher ratings, less and less social and occupational activity, and more isolation and unhappiness.

Veterans with higher disability ratings are much more likely to drop out of the workforce—not because of functional limitations, but because

of the economic incentives these checks impose. Then they end up in a precarious position: disability benefits are enough to dissuade many recipients from getting healing therapy and building a career, but they aren't enough to support a family in the long run.

This is a badly broken system. It is begging for a creative reimagining.

From problem to plan

In 2012, The Philanthropy Roundtable launched a program advising donors interested in veterans' causes. Karl Zinsmeister, who previously led veterans' policy at the White House and dealt intimately with the veterans' disability system while overseeing the Dole-Shalala Commission, provided guidance to the program and hired me (the author of this book) to run it. He also introduced me to a former member of his policy staff—Daniel Gade, an Iraq-war combat veteran and amputee who had



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gone on to earn a Ph.D. in social policy, and a position teaching at West Point. The three of us wondered whether private philanthropy could play a constructive role by funding a careful pilot program to demonstrate that there are better ways to treat veterans with disabilities. Together, we formulated a plan that would provide charitable funding to design and run a voluntary test of new supports, one that wouldn't require participants to give up their current benefits. It would invest in veterans with disabilities on the front end of their transition, support them in pursuing improved health and steady work, and reward them for success.

We presented our idea at a meeting of philanthropists in late 2013 and received strong interest. The Anschutz Foundation, Milbank Foundation, and Daniels Fund quickly stepped up to provide the initial funding to develop the idea. Carl Helstrom, director of the Milbank Foundation, describes his reaction: "We are a small foundation, and always asking how we can be most helpful with our limited funds. This was a classic pilot-project scenario

where you need someone to jump in first, show other donors that you think it's promising and valuable, and give the creators enough resources so they can demonstrate whether their idea really works. It was a calculated risk, but it was one we thought worth taking, and very congruent with our mission of helping Americans overcome disabilities.”

That kicked off a process of developing the idea into a focused business plan. We studied examples of other disability systems around the world that had been modernized in recent years. We took inspiration from U.S. programs that reward work, like the Earned Income Tax Credit. We drew lessons from the rising tide of philanthropic programs that are now helping economic strugglers hold jobs. We met with former V.A. secretaries, policy experts, and high-ranking military personnel for advice. We sought input from leading scholars like David Autor at MIT, Mark Duggan at Stanford, Rich McNally at Harvard, Sally Satel at AEI, and Chris Frueh at the Baylor College of Medicine.

Most important, we took their ideas to individuals in the process of transitioning out of military service and veterans with disabilities. Gade led the work running surveys and focus groups to better understand what these men and women feared, aspired to, and needed most to make successful jumps into civilian success. This research found deep dissatisfaction with the current disability system for vets, and a powerful hunger for alternatives.

The three of us designed a program that would test the effectiveness of different combinations of supports side by side. There would be flexible funds for training or equipment that would position individuals to garner attractive jobs. There would be wage bonuses to reward early transitions to work. There would be intensive mentoring, peer support, and high expectations.

The goal of all this would be crystal clear to participants—independence. Indeed, we chose that as the name of the initiative: The Independence Project. By the fall of 2014 we had a detailed 60-page business proposal, including a plan for tracking outcomes and a basic budget. The Anschutz Foundation became the pioneer funder with a \$1 million grant that transformed the effort from fresh idea to actual undertaking. The Milbank Foundation re-upped its commitment, and the Wilf Family Foundations signed on too.

Big funding to hone the project

After earning a fortune making bold, research-intensive investments in energy, investor John Arnold and his wife Laura set up a foundation to

take on some of the nation's most complex and overlooked technical problems, with a special emphasis on producing data that proves the viability of new solutions. The foremost push of the foundation is for "evidence-based policymaking." Josh McGee, a trained economist, runs much of the foundation's work in this area. For many donors, evaluation is an afterthought, but the Arnold Foundation considers it a core function. It hopes that this will eventually become a routine part of all philanthropy and public policy aimed at influencing social behavior.

McGee explains the value of such investments:

I liken it to the field of medicine, which was in the dark ages not so long ago. In George Washington's day we thought bloodletting was an appropriate treatment for a whole host of ailments, because nothing was actually tested out methodically. Eventually we started using the scientific method to compare one course of action to another—whether various treatments made an improvement or not. That transformed medicine. But we were never that rigorous when it came to testing human behavior. In social services and government policy, we're still in the guesswork phase.

In 2014, Arnold Foundation president Denis Calabrese learned about the Independence Project and asked McGee to take a look. At first inspection, he says, "it fit our interest in evidence-based policies, and testing new ideas to figure out better ways of solving hard social problems." But the Arnold Foundation is an extremely picky grantor. "We ask, 'Is this an intervention with a solid probability of success? Is it new, or has this subject already been explored?' We care a lot about the evidence any project will produce, and whether the charitable intervention includes hard tests of its own effectiveness," notes McGee.

He asked for exact details of the various tools the Independence Project would use with participants. Is there any prior precedent for the flexible training funds you're proposing? Where has career coaching worked in the past to help people get jobs? No one had ever tried any of these supports with American veterans, so analogies from other fields had to be explored: Field tests with dislocated workers, welfare families, civilians with disabilities, veterans in other countries, and so forth.

The Arnold Foundation agreed that veterans are a worthy population to assist. It also believed that any lessons about better ways of doing dis-

ability compensation among veterans would have valuable implications for the larger population of Americans stuck on disability. It wanted in. But it wanted a strong evaluation process so no opponent could shrug off results as an “anomaly,” or “not reproducible.”

After several rounds of rigorous refinement, the Arnold Foundation board approved the plan. And in the summer of 2015, they committed \$4.1 million of support. The Independence Project was no longer pie in the sky.

A wide range of donors find common cause

Doing the experiment at this depth and quality was going to require more than \$10 million. With a rich design now in hand, we approached other funders. A dozen eventually signed on.

All had their own motivations and particular interests—which strengthened the project. The Anschutz Foundation, the first major donor to commit, wanted to see veterans thrive over the long run. Fellow Coloradans at the Daniels Fund, whose patron had been formed by military service before he went into business, followed a key motto of Bill Daniels: “Value people for what they can do, not for what they can’t.” The Morgridge Family Foundation invested as part of its founder’s commitment to promoting self-sufficiency. The Lynde and Harry Bradley Foundation saw triple potential in the project: a chance to help patriotic veterans, to improve government effectiveness, and to avoid a fiscal drain of billions of taxpayer dollars. The Weinberg Foundation found many of its cherished interests embedded in the project: disability issues, workforce development, and veterans. And the Kovner Foundation made the project the core of its new venture into supporting veterans.

Asked about her motivation to join, Kovner Foundation co-chair Suzie Kovner says, “I believe that work is what contributes to one’s self-esteem, sense of community and capabilities. If some veterans, who are among our bravest and most capable citizens, are being encouraged to languish on disability benefits, I wondered if there wasn’t a better way to get them incentivized, to get them back into the workforce, and enable them to live more fulfilling lives.”

For the Independence Project’s largest donor—the Diana Davis Spencer Foundation—the project aligned with several crucial priorities in public policy and national values. The foundation understood the difficult position facing those on public benefits—“people feel like

they can't work beyond a certain amount or they'll lose benefits," said foundation CEO Abby Moffatt. The Independence Project "changes the paradigm, incentivizing them and giving them a feeling that they can achieve. By doing this program, they find meaningful work, they don't have to stay on the merry-go-round of public benefits." And when people are more engaged in work, "they're happier in their family unit, they become much more active citizens, they serve their communities," said Moffatt. The Independence Project's approach reflects the values that attracted these vets in the first place: "When they were in the military, they felt deep down that they had purpose, and their attitude was about service." Foundation chairman Diana Davis Spencer put it succinctly: "In a nutshell, it's promoting self-reliance." And all the donors cherished high hopes that the lessons of the Independence Project could be broadly applicable to all individuals, and help civilians with disabilities thrive as well.

Building an all-star team

The Philanthropy Roundtable developed and incubated the Independence Project. But the Roundtable is not an operating philanthropy. A great charitable service provider was needed to implement the program. Top researchers would be required to handle the evaluation.

The first option considered was to launch an entirely new nonprofit. But that would require legal incorporation, staffing, and startup energy. Most importantly, a new organization would lack deep trial-and-error experience at delivering high-quality services. Rather than reinvent the wheel, we went looking for the very best nonprofits working with people with disabilities and with veterans. We had several criteria:

- *Mission alignment.* The organization needed to share the underlying philosophy of the project that veterans should be invested in, not given incentives to sit on the sidelines.
- *Experience at delivering similar services.* Some components of the Independence Project had never been applied to vets, but others were drawn from the best practices of existing nonprofits. The Independence Project hoped to find a partner already very experienced and successful in connecting veterans to jobs.
- *Capacity for growth.* Any organization taking on the initiative would need to be able to manage a large budget, staff, and complex programs at a high level of quality, without getting overwhelmed.

- *Infrastructure for collecting data.* Understanding how participants are doing, and later being able to prove what factors allow veterans with disabilities to thrive, are crucial to this project's ultimate success. So the executing partner had to be savvy and capable at collecting data.

Dozens of potential organizations were assessed. We relied heavily on guidance from funders (like Dan Goldenberg at the Call of Duty Endowment) who were already supporting organizations in the running. After months of searching, Hire Heroes USA proved to be an ideal partner for the job. A strong theme of self-reliance underlies all of the organization's programming. Several elements of the Independence Project, like intensive job coaching, are already part of its standard procedures. The organization has superb leadership, and a proven ability to recruit and train good staff. Hire Heroes USA was



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also already a sophisticated collector and user of data, as it methodically studies the impact of its own programs and how they can be improved. Finally, the group had demonstrated many times that it knew how to open new ventures and expand programming without sacrificing quality. HHUSA brought on a director who would be responsible for executing the program—Ross Dickman, who was just leaving the Army after 12 years as a combat veteran, helicopter pilot, and trainer of cadets at West Point.

HHUSA and the program's new director brought their on-the-ground experience in service delivery to bear, turning the paper plan into a concrete program. They incorporated their already-successful practices into the Independence Project, developed procedures for new components, and hired and trained an execution team.

We searched simultaneously for external evaluators who could carry out rigorous tests of the program and provide an independent assessment of its impact. Many experts were excited by the Independence Project; several said its use of incentives and aid and testing was unlike any effort they had seen. "This is probably something that could only be funded by private philanthropy," says Frueh.

Finding the right evaluator was tricky—top-rated private firms charge exorbitant fees, while individual academics rarely have the resources required by this ambitious experiment. It was also a challenge to balance getting the program operating quickly and efficiently with the pace and procedure of academic evaluation. So the Independence Project first launched a smaller pilot version of the program so that procedures can be tested and adjusted before heavy investments are made in gold-standard evaluation.

Governance of an unusual donor collaborative

With a dozen donors involved in the Independence Project, each with different giving priorities and levels of funding, we had to give considerable thought to a governing structure that could fairly oversee the project as it developed over a multi-year period, and make course corrections if needed. We wanted to make sure that all donors to this pioneering project would remain informed, without demanding too much of our oversight.

Instead of having many separate relationships between the 12 funders and the program operators and researchers, most grants were pooled in a special fund opened at the Communities Foundation of Texas. Contributions are safely parked there for distribution as pre-agreed milestones are reached by the project.

As incubator of the project, The Philanthropy Roundtable took responsibility for releasing payments and reporting progress back to all donors. This allows the grantees to focus tightly on running a successful project. To keep donor intent at the fore, a small oversight committee with special expertise was created to release grants and make any course corrections. As member Suzie Kovner explains, “the oversight committee keeps me closer to the project and allows me to understand the unexpected challenges of conducting such an ambitious study. Luckily this means we can adapt and change as we learn what we are doing right and what we might need to improve.”

First put into operation in early 2017, the Independence Project is still in its infancy. But it serves as a model for major donor collaborations that marshal charitable funds, philanthropic expertise, and nonprofit management to address America’s biggest and most complex social problems. Donors to causes of all sorts will want to study this ambitious and entrepreneurial effort closely for new lessons on the expanding capacities of American philanthropy.