FINANCING POPULATION HEALTH

Abridged Version
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Bridging for Health: Improving Community Health Through Innovations in Financing

Bridging for Health, supported by the Robert Wood Johnson Foundation, is hoping to foster connections among multi-sector stakeholders to rebalance and align investments in health in order improve population health outcomes.

Population health recognizes that factors outside of the traditional health care delivery system significantly influence health attainment. While some of these socioeconomic determinants of health are deeply entrenched, innovations in financing to fund non-traditional health-related initiatives can achieve improvements in population health for all. To accomplish this, Bridging for Health focuses on: innovations in financing; collaboration and collective impact; and population health and health equity.

Georgia Health Policy Center

The Georgia Health Policy Center at Georgia State University is the national coordinating center for Bridging for Health. The center works with selected communities that are pursuing innovations in policy, health care delivery, and financing mechanisms that intend to improve outcomes through rebalancing and realigning investments in health. Specifically, GHPC provides sites thought partnership; tailored technical assistance; experiential learning modules in the areas of stewardship, health equity, financing, and strategy; financial support; peer learning opportunities; and access to subject matter experts.

The Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation (RWJF) is the nation’s largest philanthropy dedicated solely to health. Since 1972, the foundation has been supporting research and programs targeting some of America’s most pressing health issues—from substance abuse to improving access to quality health care. RWJF, we are working to build a national Culture of Health. The goal is to help raise the health of everyone in the United States by placing well-being at the center of every aspect of life.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Capture and Reinvest</td>
<td>2</td>
</tr>
<tr>
<td>Blending and Braiding</td>
<td>3</td>
</tr>
<tr>
<td>Community Development Financial Institutions</td>
<td>5</td>
</tr>
<tr>
<td>Hospital Community Benefit</td>
<td>6</td>
</tr>
<tr>
<td>Low-Income Housing Tax Credits</td>
<td>7</td>
</tr>
<tr>
<td>New Markets Tax Credit</td>
<td>8</td>
</tr>
<tr>
<td>Pay For Success</td>
<td>9</td>
</tr>
<tr>
<td>Wellness Trust: A State-Based Prevention Fund Example</td>
<td>10</td>
</tr>
</tbody>
</table>

*This document is a work in progress and will be under development over the next several months as we build a full financing module.*
Introduction: Improving Community Health Through Innovations in Financing

The challenges facing the U.S. health care system can seem daunting. Spending is too high. Outcomes are poor. Many can’t access care and health disparities are common.

The Affordable Care Act (ACA) is a step in transforming the U.S. health system to address these systemic challenges. Elements of the ACA shift the focus from treating illness to promoting prevention to keep people healthy. This focus on prevention also shifts the discussion from the health of an individual to the health of a community or population.

Population health recognizes factors outside of the traditional health care delivery system that influence health attainment including housing, education and literacy, poverty, food availability, and access to greenspace and safe recreational areas. Addressing these socioeconomic determinants of health provides an opportunity for a comprehensive group of stakeholders to come together to address health and health outcomes.

In the pursuit of improved health outcomes and greater health equity, the health care system must also evaluate how to fund these initiatives targeting the upstream drivers of health and wellness. Communities across the nation are developing ambitious plans of how to change their local health system to foster improvements in community health. While multi-sector collaborations that align resources to invest in health are an important step, money is needed to fund these initiatives.

Numerous financing innovations are emerging in both public and private sectors. Foundations are funding initiatives like AHEAD (Alignment for Health Equity and Development) and SCALE (Spreading Community Accelerators Through Leaning and Evaluation). Bridging for Health: Improving Community Health Through Innovations in Financing, supported by the Robert Wood Johnson Foundation, is aiding communities in the pursuit of financing mechanisms that rebalance and align investments in health. Private equity investors are participating in Pay for Success arrangements. Federal and state governments are also stimulating innovation through the Center for Medicare & Medicaid Innovation, which is launching 60-plus initiatives.

How to Use This Resource

By definition innovating involves new methods and ideas. In the case of Bridging for Health, innovations may include implementing a known financing innovation in a new setting, combining financing mechanisms in new ways, or surfacing entirely new financing vehicles. The innovation process covers conceptualization, development, implementation, and sustained use. Innovation also often requires iterative efforts with incremental modifications to address unique local needs or lessons learned from others’ groundbreaking experience. While these financing mechanisms may not serve the needs of all communities, components can be modified or interchanged with other elements to match each locale’s health and political environment.

Communities need to be aware that innovations in financing are not magic bullets. While these innovations are the exciting, headline-grabbing part of the Bridging for Health journey, these funding mechanisms are not enough to single handedly tackle inequities and transform population health. Innovations in financing are only part of the answer. Innovators must also address areas that complement and support novel financing methods. A successful financing mechanism cannot be implemented without the right partners sharing a common vision...without the right stewardship strategy... and without thinking about sustainability. True health system transformation requires partners to have a shift in mindset.
Capture and Reinvest

Overview
The goal of the Triple Aim is to improve care for the individual patient and the health of the population at a lower cost. This focus on cost and quality is at the center of health reform efforts. Health care savings from more efficient care and a healthier overall population can be reinvested in efforts that further improve the health and wellness of the community, which in turn can generate more savings. This loop of continuous and sustainable health improvement sustainable has been called a reinforcing loop (Miller, 2014). Capture and reinvestment parallels the mechanism by which corporations fund their research and development efforts. Businesses take some of the returns from successful products and reinvest to fund development efforts for future products. The same is possible in health care.

How does it work?
By reinvesting a portion of health care cost savings into upstream determinants of health, innovative communities can create a virtuous reinforcing loop, a financially sustainable cycle of health improvement that leads to greater health care savings and further health improvement.

Where do the resources come from?
The initial investment comes from different sources in different models. In some cases an upfront capital investment is necessary and may come from a tax, philanthropic funding, social impact funds, wellness trust, hospital community benefits, or even license plate fees.

However, with emerging performance-based payment models that reimburse based on the quality of care rather than the volume of services provided (like accountable care organizations [ACOs]), health care savings, negotiated with payers, can be shared with providers or can fund prevention-oriented initiatives. These savings may be realized from more efficient, coordinated care that reduces duplicative services and/or reduces the intensity of services required (e.g. home health care versus hospital readmission). Additionally, some capture and reinvest plans are even more ambitious and rely upon cross-sector savings. For instance, investment in preventive youth behavioral health care may yield savings in the criminal justice sector, which can be reinvested to fund expanded behavioral health efforts.

Keywords
Performance-based payment, health care savings, upstream reinvestment

Example: Hennepin Health ACO Reinvests to Cut Preventable Hospital Readmissions
Hennepin Health, a county-based, safety net ACO in Minnesota aims to improve the coordination of physical and behavioral care, in part, through addressing the social and economic dimensions that impact care for an expanded population of Medicaid beneficiaries. The program’s early outcomes show the ACO has been successful in shifting care from hospitals to outpatient settings, with a 9.1% decrease in emergency department visits and a 3.3% increase in outpatient visits from 2012 to 2013. Hennepin Health has reinvested these savings to ensure future improvements by funding nursing staff for respite beds at a homeless shelter and working with local organizations to fund interim housing for people who cannot be discharged from the hospital due to insecure housing.

Resources
Blending and Braiding

Overview
Blending and braiding refer to mechanisms aimed at increasing funding coordination. Generally, they allow funds to be used in more flexible, coordinated, and sustainable ways to encourage cross-sector collaboration, that ultimately, can improve reach or services beyond what any single sector could achieve independently. Blending and braiding of funds can be used to address the socioeconomic determinants of health in vulnerable populations by working across sectors and branches of government to build a system of care. While blending and braiding can be applied to program features, in this context we are exploring blending and braiding of funding to support programs.

How does it work?
Blending refers to two or more sources of funding combined into a single pool. Once combined, the identity of the original sources is no longer identifiable. Blending is appealing because of its flexibility over categorical funding approaches and its reductions in administrative burdens since reporting occurs just for the single collective source. However, funders, especially government agencies, are not always willing to contribute to blended funding pools because they forfeit control over how their funds are spent and lose the ability to track impact for accountability purposes.

Braiding, like blending, aligns multiple funding sources for a common purpose or program, however the funds can still be tracked and accounted for separately. Implementing braiding of funds requires significant administrative coordination due to different assessment of services, data collection, and reporting requirements for each collaborating agency.

Where do the resources come from?
Blending and braiding can be used for new funding streams or in some cases improve coordination of existing streams, depending on funders’ stipulations. Sources of funding for blending are plentiful when working towards a multi-sector approach to target the social determinants of health, such as stable housing, safe and prosperous neighborhoods and communities, access to healthy food, physical and mental health care, income support, and transportation. Resources can be applied from sectors outside of health care, including federal programs (block or other grants from agencies like U. S. Department of Housing and Urban Development and the U.S. Department of Transportation), local funds (e.g., hospital community benefit), and private capital (e.g., community development financial institutions or foundations).

In contrast, braiding is a funding and resource allocation strategy that generally relies upon existing categorical funding streams and aligns them to support common initiatives.
Keywords
Cross-sector collaboration, pooled funding

Example: Blending - The Philanthropic Collaborative for a Healthy Georgia
Over the last decade, the Philanthropic Collaborative for a Healthy Georgia brought together more than 20 private, community, and corporate foundations to respond to some of the state's health-related challenges, including school health, rural health, childhood obesity, and health care safety net for metro Atlanta's uninsured. The foundations pursue opportunities to collectively fund jointly identified strategic initiatives. These collectively funded initiatives often involve cross-sector collaboration with state agencies to further align resources and scale the potential scope of impact, beyond what would be achievable by a local foundation.

The collaborative's first initiative focused on development of school health programs in Georgia public schools serving low-income children without access to health services. Grant proposals were jointly reviewed and evaluated by a committee composed of an equal number of foundation and Georgia Department of Community Health representatives. The total investment in the initiative reached $2.5 million (from 20 participating foundations, the Georgia Department of Community Health, and local matching grants) and provided 13 grants to local schools and nonprofit organizations for the provision of health screenings, clinic services, education and training, and counseling.

Example: Braiding - Lowe's Pittston Braided Funding Strategy
Lowe's was planning for the opening of its new regional distribution center in Pittston, Pennsylvania, the company sought to partner with community groups that support people with disabilities to assist with recruiting qualified applicants with disabilities. The model used by Lowe's outreach initiative at the Pittston distribution center relies on its community partners to find and recruit qualified job candidates and for follow-along supports, which are critical to its ongoing success.

Arc of Luzerne County, Pennsylvania, an advocacy organization for people with intellectual and developmental disabilities, serves as the coordinating partner, while Step by Step and Keystone Community Resources provide direct support services (outreach, screening, and job coaching) as contractors for the Pennsylvania Office of Vocational Rehabilitation and the county Mental Health and Mental Retardation Board. The three community organizations braided funds intended for general operations, vocational rehabilitation, and special education. As of October 2010, Lowe's had hired 48 people with disabilities at the Pittston distribution center through the company's outreach initiative.

Resources
Community Development Financial Institution

Overview
A community development financial institution (CDFI) is a financial institution that provides credit and financial services to underserved markets and populations. CDFIs emerged in response to the fact that many urban neighborhoods and rural areas, particularly those with high rates of poverty and unemployment, are underserved by traditional financial institutions. Broadly, a CDFI is defined as a financial institution that:

- Has a primary mission of community development
- Is a financing entity
- Remains accountable to its community
- Serves a target market
- Provides development services
- Is a non-governmental entity

How does it work?
CDFIs provide loans to individuals, small- to mid-sized businesses, microenterprises and nonprofit organizations. CDFIs are certified by the Community Development Financial Institutions Fund (CDFI Fund) at the U.S. Department of the Treasury.

Where do the resources come from?
CDFIs get their loan capital from national and community banks, socially-motivated individuals, religious institutions, foundations, and corporations. These organizations and individuals lend money to CDFIs at a below-market rate of interest for periods of time ranging from one year to 10 years. CDFIs make regular payments of interest for the use of this money. At the end of the loan term, the capital is either returned or the term can be extended and renewed.

In exchange for their investments in CDFIs, banks receive positive Community Reinvestment (CRA) consideration under the investment or lending test at the time of their bank examination.

Keywords
Community development, Community Reinvestment Act, affordable housing, community development corporation, economically distressed, target markets

Example: The Atlanta Neighborhood Development Partnership (ANDP) Loan Fund
The Atlanta Neighborhood Development Partnership (ANDP) is a private, non-profit organization created to promote, create, and preserve affordable housing through direct development, lending, policy research and advocacy. The ANDP Loan Fund is a certified CDFI, established in 1998 to increase economic opportunity and provide access to capital for community development. Since its inception, the ANDP Loan Fund has supported the creation and preservation of more than 4,500 units of housing.

Resources
Hospital Community Benefit: Addressing Local Health Needs

Overview
Community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. Community benefit is also the basis of the tax-exempt status of not-for-profit [501(c)(3)] hospitals.

How does it work?
The Affordable Care Act (ACA) established “additional requirements for charitable hospitals” under § 501(r) of the Internal Revenue Code. This requires every tax-exempt hospital to:
- Conduct a community health needs assessment at least every three years and develop an implementation strategy to address the needs identified by the assessment
- Adopt and publicize a written financial assistance policy
- Limit charges, billing, and debt collection practices directed to individuals who qualify for financial assistance

All federally tax-exempt hospital organizations are required to report financial data to the IRS on Schedule H of Form 990. Hospitals that do not comply with the new requirements are subject to annual excise taxes of $50,000 per year while out of compliance.

Where do the resources come from?
Resources used for community benefit programs or activities are contributed from tax exempt hospitals. While there is no federal requirement to contribute a set percentage of hospital revenues to community benefit activities, a 2015 study by Bakken and Kindig found that 7.5% of hospital revenues were spent on such activities in 2012.

Keywords
Community benefit, public, federal, IRS

Example: The Atlanta Regional Collaborative for Health Improvement
The Atlanta Regional Health Collaborative (ARCHI) is an interdisciplinary, coalition working to improve the region's health through a collaborative approach to community health assessments and improvement strategies. The partnership includes hospital, public health, regional planning, academic, non-profit and philanthropic organizations, and experts who share a commitment to ensuring local investments in health are crafted in a way that improves health in Metro Atlanta. ARCHI is focusing investments in seven areas including encouraging healthy behaviors, family pathways, coordinated care, and innovating sustainable financing mechanisms.

Resources
- Atlanta Regional Collaborative for Health Improvement www.archicollaborative.org
Low-Income Housing Tax Credits

Overview
Low-income housing tax credits (LIHTC) are a dollar-for-dollar tax credit for private investments in affordable housing created under the Tax Reform Act of 1986. The incentives (also known as Section 42 credits) account for the majority (nearly 90 percent) of all affordable rental housing created in the United States today.

How does it work?
LIHTCs provide funding for the development costs of low-income housing by allowing an investor to take a federal tax credit equal to a percentage of the cost incurred for development of the low-income units in a rental housing project. To qualify for the LIHTC, a developer will propose a project to a state agency, seek and win a competitive allocation of tax credits, complete the project, certify its cost, and rent the project to low-income tenants. The amount of the credit will be based on:

- Number of credits awarded to the project during the competitive bid
- Tax credit rate announced by the Internal Revenue Service
- Actual cost of the project
- Percentage of the project's units rented to low-income tenants

Where do the resources come from?
LIHTC program gives State and local LIHTC allocating agencies the equivalent of nearly $8 billion nationally in annual budget authority to issue tax credits for the acquisition, rehabilitation, or new construction of rental housing targeted to low-income households. The program is administered at the state level by housing finance agencies. Each state is allocated a fixed number of credits based on its population. The state housing agency has wide discretion in determining credit awards through each state's Qualified Allocation Plan (QAP). Each state's priorities can be addressed in its QAP towards achieving specific housing goals. Investors only get to claim and keep the tax credits if their units are built, leased, and maintained as affordable housing throughout a 15-year compliance period. A portion of each state's credits must be "set aside" for projects sponsored by non-profit organizations.

Keywords
Affordable housing, tax credit

Example: A Health Impact Assessment of Georgia’s 2015 QAP for LIHTC Allocation
By employing a comprehensive perspective, investment in affordable housing can foster improvements in health status, especially for the most vulnerable members of society. In Georgia, a health impact assessment identified how the state's allocation of low-income housing tax credits could be strengthened to support health-promoting affordable housing development. By employing a robust perspective, the state's investment in affordable housing tax credits can directly help up to 200 individuals per year live longer, healthier lives, the assessment found. Specifically, the health impact assessment identified opportunities for the LIHTC allocation process to impact health outcomes through alterations to scoring criteria related to known socioeconomic determinants of health, including: connecting development to healthy communities, encouraging access to educational opportunity, promoting healthy design and operation.

Resources
- National Council of State Housing Agencies. Housing Credit. https://www.ncsha.org/advocacy-issues/housing-credit
New Markets Tax Credit Program

Overview
The New Markets Tax Credit (NMTC) program increases investment in struggling communities. The program provides a modest tax incentive to private investors willing to invest in low-income and distressed communities.

How does it work?
The NMTC program provides private investors with a federal tax credit for investments in businesses or economic development projects located in distressed communities. Approximately 75 percent of NMTC investments have been in communities experiencing severe economic distress, including unemployment rates more than 1.5 times the national average, a poverty rate of 30 percent or more, or a median income at or below 60 percent of the area median, according to the New Markets Tax Credit Coalition.

The U.S. Department of the Treasury says that the NMTC program has been successful in incentivizing local community development and economic growth. The treasury says that the NMTC program creates $8 of private investment for every $1 of federal funding. In total, this investment has financed more than 4,800 businesses and created 164 million square feet of manufacturing, office, and retail space. It is estimated that since 2003, the NMTC program aided in creating or retaining 197,585 jobs.

Where do the resources come from?
Originally, the NMTC program was authorized in the Community Renewal Tax Relief Act of 2000, as part of bi-partisan efforts to stimulate investment and economic growth in low-income urban neighborhoods and rural communities. NMTC Program applicants must be certified as community development entities (CDEs) by the Community Development Financial Institution (CDFI) Fund. CDEs function as community development financing intermediaries. The CDFI Fund allocates tax credit authority to CDEs through a competitive application process. In turn, private capital flows from an investor through CDEs to a qualified business located in a low-income community. CDEs use their authority to offer tax credits to attract equity investments by private investors. CDEs use this capital to make loans and investments to businesses operating in low-income communities with better rates and terms than the market. For investing in CDEs, investors claim a tax credit worth 39 percent of their original CDE equity stake, which is realized over a seven-year period.

Keywords
Community development

Example: Shops at Park Village in Washington, D.C.
Ward 8 is Washington D.C.’s poorest ward and for years residents lacked access to a grocery store, restaurants, and stores. In 2007, the Local Initiatives Support Corporation (LISC) provided $18.5 million in NMTC financing for the Shops at Park Village project, 111,293 square foot commercial development. The development is anchored by Giant Supermarket, the only full-service supermarket in the ward and the first to open in the neighborhood in 20 years. The grocery store includes a pharmacy, while the rest of the development also includes the ward’s first full-service restaurant, a library branch, and two banks. The development is key to the plan to integrate retail, housing, recreation, education, and youth services in the underserved. The project created 172 permanent jobs in the community.

Resources
- U.S. Department of the Treasury. “New Markets Tax Credit Program.”
Pay For Success: Social Impact Bonds

Overview
Pay for Success is a financial arrangement that provides a market-based approach to pay for evidence-based interventions that reduce health care costs by improving social, environmental, and economic conditions.

How does it work?
The Pay for Success model relies on an investor that is willing to fund a nonmedical intervention up front and to bear the risk that the intervention may fail to prevent disease. Should the intervention succeed, the investor is repaid in full by a predetermined payer (such as a public agency) plus an additional return as a reward for taking on the risk.

The key players in a pay for success model are:
- A government agency that defines the outcome
- An external agency that promises to deliver that outcome
- A beneficiary population who receives services
- Investors who fund the needed services up front
- Service providers who perform the interventions

Keywords
Public/private partnership, equity investor, pay for success

Example: Utah Early Childhood Education Pay for Success
In August 2013, America’s first “Pay for Success” transaction for early childhood education was established in Utah. Two years later, the results from the first cohort of children to receive high-quality preschool financed through the PFS transaction show that both the preschool intervention, and the PFS financing mechanism itself, have been successful, based on a review by an independent evaluator. Fewer children used special education services and remedial services by attending the social impact bond-financed Preschool Program, saving money for school districts and government entities. These results trigger an investor payment, the first investor payment for any social impact bond in the U.S. market. Total savings calculated in Year 1 for Cohort 1 are $281,550, based on a state resource special education add-on of $2,607 per child. Investors will receive a payment equal to 95 percent of these savings.

Resources
- Nonprofit Finance Fund. Initial Results for Utah High Quality Preschool Program Show Success http://www.payforsuccess.org/resources/initial-results-utah-high-quality-preschool-program-show-success

Wellness Trust: A State-Based Prevention Fund Example

Overview
A wellness trust is a funding pool raised and set aside specifically to support prevention and wellness interventions that improve health outcomes of targeted populations.

Where do the resources come from?
Funds can come from many sources, but one option is to levy a small tax on insurers and hospitals. This strategy addresses insurers’ concern that their investment might improve the health of others beyond the pool of its insured members. Other options include pooling private foundation resources or redirecting existing government funding.

Keywords
Trust, prevention, pooled funding

Example: The Massachusetts Prevention and Wellness Trust
The Massachusetts Prevention and Wellness Trust Fund is the first state-based prevention fund. It is funded through a one-time assessment on acute hospitals and payers, which raised $57 million. The Department of Public Health oversees the fund in consultation with a 17-member legislative mandated advisory board. Under state law (Chapter 224 of the Acts of 2012), the funds must be allocated for grantee programs (75%); worksite wellness initiatives (10%); and administration (15%).

To date, the Trust has funded nine collaborative initiatives; each initiative includes clinical sites, community-based organizations, and municipalities as partners. The average size of awards are $250,000 for first year capacity-building grants and $1.1 million to $2.5 million/year for implementation grants (years 2 to 4). Each award focuses on a population between 30,000 and 120,000 people. The priority conditions are hypertension, elder falls prevention, childhood asthma, and tobacco use, of which the grantee must address at least two. Optional conditions include substance abuse, obesity, oral health, and diabetes.

The impact of the interventions will rely on the ability of initiatives to link across data sets; high enough utilization rates of evidence-based interventions to yield measurable effects when populations are compared; and sufficient time for behavioral changes to affect clinical outcomes and cost reductions.

Resources
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