ReThink Health®
A RIPPEL INITIATIVE

A Typology of Potential Financing Structures for Population Health

What does it take to access these structures?
Which structures have the greatest potential, and in what circumstances?

	Financing Stream	Description	Examples/Mechanisms	Who Decides on Availability and Conditions for Funds	Decision-Making Process	Primary Influences on Supply	Why Important	Key Challenges
Seed Funding	Grants	Arrangements that provide one-time or short-term funding for specific initiatives	Centers for Medicare & Medicaid Services (CMS) Innovation grants (Medicaid Incentives for the Prevention of Chronic Diseases Model); foundation grants; hospital community benefit grants; prizes or competitions (Aspire Challenge)	Foundations*; government agencies; corporations; hospitals	Grantors' internal grant-making policies and practices	Legal requirements for foundations and community benefits; appropriations for government; corporate policy	Can spur innovation by providing funds for investments considered too risky for other funders; can leverage other funds	Short-term; grant terms not always consistent with grantees' core work
Debt and Working Capital	Bonds and Loans	Investors fund specific initiatives with expectation that investment will be repaid over a specified period at a specified rate of return or interest rate	Program-related and mission-related investments (PRIs/MRIs) made by private foundations (Community Memorial Foundation, Rockefeller Foundation); municipal bonds (Better Denver mini bonds and green/climate bonds; community-development financial institution loans (Community Loan Fund; Equity With a Twist)	Institutions making the loans—typically foundations, nonprofit organizations, or government agencies	Institutional investment protocols and/or negotiated contract terms	Investors' appetite; ability to measure return on investment (ROI) and/or underwrite risk; government debt policies	Provides capital for initiatives in which revenue streams accrue over many years; focus on outcomes and ROI helps create case for investing at scale	There must be a source to repay funds; measurement and evaluative requirements may be complex and costly
	Pay-for-Success Contracts	Investors fund specific initiatives with expectations that the initiative will meet performance specifications, upon which repayment is contingent	Social impact bonds (i.e., Goldman Sachs' Chicago early education program); performance contracts (i.e., Strong Families Fund); human capital bonds (Pay for Performance Act MN)	Sponsoring agencies (i.e., the nonprofit or government agencies willing to front the capital and/or take risk)	Negotiated contracts	Typically dependent on ability to measure actual ROI; requires an entity willing to take financial risk	Promotes and demonstrates the value of population health interventions; source of financing when there's reluctance or inability to invest through a direct appropriation	Complex, expert transactions that can be time-consuming and costly to arrange; measurement and evaluative requirements may be complex and costly
Sustainable Financing	Health Care Payment Model	Payments by health care payers or providers/hospitals for certain interventions that specify who gets paid, for what, and payment conditions and terms	Medicare Diabetes Prevention Program (DPP); Million Hearts®; Accountable Care Organizations (ACOs); chronic care management (CCM)	CMS; state Medicaid agencies; payers; providers; hospitals	CMS and/or state Medicaid rules; contractual payment terms	CMS requirements; state Medicaid rules; providers' and payers' business models/interests	Payment structures influence shifts in health and cost outcomes; may also create opportunity for reinvestment back into population health	Implementation can require substantial investment; payers/providers may not participate to avoid risk and/or they prefer fee-for-service model; hard to get incentives right given health system complexity
	Reinvestment	Using savings from health care or other government services (and/or excess revenues) as a source for upstream and downstream investments	Delivery System Reform Incentive Payment Program (NY); Hennepin Health ACO (MN); PacificSource coordinated care organizations (OR); Wraparound Milwaukee (MN); justice system reinvestment	Payers; providers; purchasers	Contract negotiation; board decision-making; federal requirements	Provider and payer business models/interests; state Medicaid rules; CMS pilot program terms	Health care savings are potentially a significant source of sustainable funding	In savings models, "savings" are projected savings, not cash savings (i.e., costs rise less than otherwise); measurement can be difficult; reaching agreement on distribution of savings

continued on following page

ReThink Health
A RIPPEL INITIATIVE

A Typology of Potential Financing Structures for Population Health [CONTINUED]

	Financing Stream	Description	Examples/Mechanisms	Who Decides on Availability and Conditions for Funds	Decision-Making Process	Primary Influences on Supply	Why Important	Key Challenges
Sustainable Financing	**Anchor Institutions**	Institutions make resource allocation decisions across the enterprise that prioritize the health and well-being of the community	Mayo Clinic (Rochester, MN); Henry Ford Health System, Detroit Medical Center, and Wayne State University (Detroit); Bon Secours Health System (Baltimore); Kaiser Permanente	Individual institutions	Boards of directors/ CEOs and internal resource decisions	Existence of large institutions; institutional goals and/or mission	Large institutions (i.e., hospitals & universities, which account for $1 trillion of $15 trillion U.S. economy) can significantly impact social determinants of health (SDOH)	Institutions must determine that serving as an anchor fulfills their mission and/or there's a business case
	Public Revenues (taxes, tax credits, fees)	Funds are raised through taxes, assessments, public fees or tax credits	Sugar taxes (Berkeley, CA and Philadelphia); proposed tax on guns and ammunition (Seattle); dedicated public health property tax (Bernalillo County, NM); employer wellness tax credit (MA); community development tax credit (NH)	Elected officials; voters	Legislative; referenda	Attitudes toward taxes	Taxes are a broad-based source of revenue matching the nature of many population health investments where the impacts are spread across multiple beneficiaries and/or common good (such as clean air)	Unpopularity of taxes
	Public Appropriations	Funds are (re)allocated according to impact on health and health costs	Public health (Public Health Emergency Response Accountability Act); lead poisoning prevention programs; tobacco prevention programs	Public officials	Legislative appropriations and internal management decisions	Many of largest appropriations (i.e., Medicaid, K-12 education) vary based on numbers served; budget protocols that treat sectors as siloes; interest of public officials and public opinion	Given enormous impact of SDOH, aligns public investment across sectors and away from treating problems to preventing them to produce health in most cost-effective means possible	Understanding impact of alternative investments and opportunity costs; buy-in from siloed agencies can be difficult
	Mandates	No funds are (necessarily) made available; but a requirement is put in place that funding or a service/ good be provided	Community benefits; Community Reinvestment Act; Americans with Disabilities Act	Subjects of mandate pursuant to specifications of mandate	Legislative	Specifications of mandate; compliance of implementers	Requires spending to meet specified goals without imposing a one-size-fits-all financing scheme	Unfunded or under-funded mandates are financially difficult to implement
	Private Market	Private companies and/or nonprofits produce and sell goods and services	Venture capital and start-ups**; corporate investing (Healthy Neighborhoods Equity Fund, Omada Health); corporate wellness programs (Zappos)	Capital markets; boards of directors/ CEOs	Internal investment criteria and/or conditions set by capital markets, including public share-holding	Supply and demand; health care reimbursement policies; potential for profit	Spurs innovation; access to large sums of capital	Private market's potential for serving low-income people is unclear; profit motive may create excess demand for services (i.e., pharmaceutical advertising)

*Foundation grants typically are not long term and thus not considered sustainable; however, foundations occasionally will make long-term commitments to specific institutions.
**More strictly, venture capital is a form of working capital.

Version 1 - 1042017