

# Investment Strategy for Community Health

Investing in Community Health:  
A Toolkit for Hospitals



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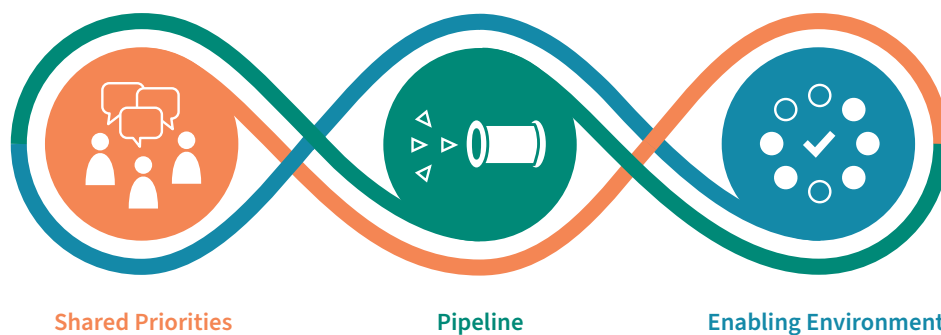
# Developing an Investment Strategy for Community Health

Adding a strategic community investment approach to complement your community health improvement activities and financial contributions can improve health equity and outcomes in your community.

The Center for Community Investment (CCI) has developed a capital absorption framework (see Box 5) that can help hospitals and health care organizations create community investment strategies that maximize impact for the communities, their local community investment systems, and the organizations themselves.

The **capital absorption framework** is based on three functions:

- **Developing Shared Priorities**—Creating a common understanding (within the organization and with stakeholders) about the root causes of poor health outcomes and the best strategies to address them is critical to galvanizing investments at scale and with impact.<sup>7</sup>
- **Identifying a Pipeline**—Identifying investable deals<sup>8</sup> and projects to address shared priorities can focus attention on the right transactions for achieving community health goals.<sup>9</sup>
- **Strengthening the Enabling Environment**—Improving the context in which deals and projects get done can help advance shared priorities and pipelines and make future investment efforts easier.<sup>10</sup>



## Box 5

# Capital Absorption Framework

Transforming all communities into places of opportunity requires changing the policies and practices that affect how money flows into disadvantaged communities. CCI’s **capital absorption framework** is a tool to help communities access the investments that will enable their residents to live, work and learn in healthy homes and neighborhoods. In order to attract the broadest range of resources and be ready for unexpected opportunities, communities must have in place a shared understanding of their goals (**shared priorities**), a set of deals and projects that will help achieve those goals (**pipeline**), and the policies, practices, and relationships that can make those deals and projects happen in ways that advance community interests and protect community assets (**enabling environment**).

<sup>7</sup> See [Defining Shared Priorities](#) (CCI, 2019).

<sup>8</sup> A *deal* is an investment transaction or project that blends many different sources of capital and aims to generate financial and social return.

<sup>9</sup> See [Analyzing, Building, and Executing a Pipeline](#) (CCI, 2019).

<sup>10</sup> See [Strengthening the Enabling Environment](#) (CCI, 2019).

This section outlines questions and steps that can help your organization apply the capital absorption framework to create your investment strategy:

### Develop Shared Priorities



1. What is our organization's current understanding of the social determinants of health in our community?
2. What are the most pressing community health needs?
3. Who are the stakeholders aligned with efforts to improve social determinants of health?

### Identify a Pipeline



4. What are the investment opportunities for our organization?
5. What actions can we take to accelerate and deepen investment?

### Strengthen Enabling Environment



6. What policies, funding flows, skills, and capacities does the community need to be successful?

# What is our organization's current understanding of the social determinants of health?

1

## Assess organizational understanding of social determinants.

Place matters when it comes to the social determinants of health. People who live, work, and play in places with excellent schools, abundant parks, clean air and water, and other conditions necessary for health live longer and healthier lives than their counterparts in nearby communities who lack these conditions. Consequently, organizations concerned with health equity and outcomes need to understand—and act to improve—the conditions in the places they serve.

Organizations like the American Hospital Association, the Institute for Healthcare Improvement, the Public Health Institute, and others are encouraging health care organizations to go beyond population health management—which they define as measures to improve the health of a defined population, such as patients or employees—to consider how they can advance community health and well-being as a whole (some define this as place-based populations).<sup>11</sup> By addressing the social determinants of health in this broader, place-based way, health care organizations can help bring about sustained changes in the underlying drivers of poor health.






It is essential to figure out who in your organization understands the social determinants and how their knowledge can help inform a multi-disciplinary committee or senior leadership seeking to build the case for community investment. The Catholic Health Association's resources on the social determinants may be helpful for educating your hospital community.<sup>12</sup>

Convening internal stakeholders representing multiple departments (e.g., mission, finance, treasury, community health, diversity and inclusion, real estate, government relations) to explore what other hospitals and health systems are doing to address the social determinants and to generate ideas and recommendations to share with senior leaders can help accomplish this goal.

<sup>11</sup> See [Pathways to Population Health: An Invitation to Health Care Change Agents](#) (American Hospital Association, 2018).

<sup>12</sup> The Catholic Health Association's [Social Determinants of Health website](#) provides a wealth of resources.

**TABLE 2:  
EXAMPLES OF SOCIAL, ECONOMIC, AND ENVIRONMENTAL DETERMINANTS OF HEALTH**

 <p><b>Neighborhood and Built Environment</b></p>	<ul style="list-style-type: none"> <li>● Public safety and neighborhood crime levels</li> <li>● Clean water</li> <li>● Air quality</li> <li>● Proximity to parks and greenspace</li> <li>● Climate change effects; quality and safety of sidewalks, bike lanes, and roads</li> </ul>
 <p><b>Economic Stability</b></p>	<ul style="list-style-type: none"> <li>● Unemployment</li> <li>● Job training and workforce development opportunities</li> <li>● Availability of jobs that pay a living wage</li> <li>● Inter-generational wealth</li> <li>● Housing affordability</li> </ul>
 <p><b>Health and Health Care</b></p>	<ul style="list-style-type: none"> <li>● Access to health care services</li> <li>● Quality of health care</li> </ul>
 <p><b>Education</b></p>	<ul style="list-style-type: none"> <li>● Childcare</li> <li>● Quality of schooling and educational opportunities</li> </ul>
 <p><b>Social and Community Context</b></p>	<ul style="list-style-type: none"> <li>● Relationships and social supports</li> <li>● Culture</li> <li>● Racism</li> </ul>



This is also an important opportunity to engage your board and senior executives, who can be critical accelerators and champions for this work. These leaders have the authority and regard to build organizational buy-in, ensure that organizational and operational resources are directed toward community investment goals, make decisions, and leverage relationships and influence to build partnerships and advance community investment. They know the organization’s needs and goals and are aware of the multiple internal and external pressures that individual departments and staff members may not know. Finally, their leadership positions and authority within the organization may make them more willing and able to take risks to achieve greater goals.

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Effective strategies for getting the attention of these leaders include sharing success stories from other health care organizations,<sup>13</sup> integrating community investment into a larger mission imperative (e.g., anchor mission), and inviting local leaders or elected officials to help make the case.<sup>14</sup>

<sup>13</sup> See, for instance, CCI’s paper, [Improving Community Health by Strengthening Community Investment](#) (Robert Wood Johnson Foundation, 2017), and [Embracing an Anchor Mission: Promedica’s all-in strategy](#) (Democracy Collaborative, 2018).

<sup>14</sup> The Catholic Health Association’s [Healing the Multitudes Catholic Health Care’s Commitment to Community Health: A Resource for Boards](#) is a valuable resource for educating your board about the social determinants.

# What are the most pressing community health needs?

2

## Target the places and needs you want to address.

Once your organization understands the importance of the social determinants, you need to examine how they show up in your community. Start with your Community Health Needs Assessment (CHNA). What does it tell you about your community's health needs, their root causes, and where health inequities are showing up most strongly?

To ensure that your CHNA adequately captures community conditions and their root causes, it should ask not only about the incidence of specific diseases, but also about other resident priorities—housing, stress, crime, etc.—that have demonstrable health impacts and could be addressed through investment.

Other resources—often used in formulating the CHNA—may include:

- **Healthy People 2030**—Created by the Office of Disease Promotion and Prevention, Healthy People 2030 tracks leading national health indicators such as life expectancy and death rates by disease.
- **Health-Related Social Needs Screenings**—Some hospitals screen patients for health-related social needs by asking questions about access to food, quality of housing, etc. Data from these screenings can help identify neighborhoods where social and environmental conditions are adversely impacting the health of residents.
- **Assessments by other community partners**—Local and/or state health departments and community-based organizations may also collect data on socio-economic factors, health needs, and community assets that will provide you with a deeper picture of pressing health issues and stakeholders working to address the root causes of those issues.
- **Documents and reports that chronicle historical and ongoing racial inequities in your community**—Generations of discriminatory policies and practices have shaped many of the conditions in communities that are at the root of poor health outcomes. To eliminate health inequities, it is important to understand these past policies, plans, and financing tools and who they leave most at risk of poor health outcomes. Resources to help you with this include Policy Link's National Equity Atlas and the Government Alliance on Race & Equity's Racial Equity Toolkit.<sup>15</sup>

<sup>15</sup> See also Richard Rothstein, *The Color of Law: A Forgotten History of How Our Government Segregated America* (Liveright, 2017)



Besides using documents and data, it will be essential to engage perspectives from the community itself. Reach out to local residents and organizations in neighborhoods adjacent to the hospital, other neighborhoods where patients live, areas with significant health disparities, and your city, town, or region (see Table 3 on page 31 for organizations that may be of use to you). You should also consider areas that have been prioritized for investment, such as opportunity zones<sup>16</sup> and transit corridors.<sup>17</sup>

As you conduct your review, consider:

- What needs are repeatedly surfacing?
- When you look at the data by race, income, or neighborhood, where do these needs show up most prominently?
- What are the root causes of these issues? Which social, environmental, and economic determinants are positively and/or negatively contributing to health needs and outcomes?

➤ As a result of completing Step 2, you should have enough information to begin to determine a priority sector for investment (e.g., education, housing, jobs) and a target geography. You may have one priority or a few. For example, Boston Medical Center is investing \$6.5 million to support initiatives aimed specifically at addressing homelessness and housing insecurity in Boston. In Toledo, the ProMedica Ebeid Neighborhood Promise is focusing on four priority determinants of health: healthcare access, housing, education, and jobs.

<sup>16</sup> See [Opportunity Zones](#) (US Economic Development Administration).

<sup>17</sup> See [Transit Corridors and TOD](#) (Center for Transit-Oriented Development, 2011).

## Who are the stakeholders aligned with efforts to improve social determinants of health?

3

### Map the local stakeholders who share the priority you have identified.

Your community likely has individuals and organizations already working to drive investment to disadvantaged neighborhoods and regions, who can help you identify investment opportunities.<sup>18</sup> For example, developers of affordable housing may be producing or preserving homes for people with low incomes. Organizations that support small businesses may be helping enterprises owned by people of color expand to create jobs and boost incomes. Community development financial organizations (CDFIs) may be providing credit in markets underserved by banks. Community development corporations (CDCs) and other neighborhood-based organizations may be organizing resident voices to express their preferences about investments in their areas. Community foundations may be providing grants to strengthen the capacity of these organizations. Table 3 describes these stakeholders.

**TABLE 3:**  
**COMMUNITY INVESTMENT STAKEHOLDERS CAN HELP SHAPE INVESTMENT DECISIONS**

COMMUNITY INVESTMENT STAKEHOLDER	POTENTIAL CONTRIBUTION	IMPACT ON INVESTMENT DECISIONS
<p>INTENDED BENEFICIARIES (E.G., RESIDENTS, PATIENTS, LOWER-INCOME WORKERS, AND THEIR REPRESENTATIVES)</p>	<p>Individuals who are most directly affected by community benefit activities should have input into decisions because they best know their own needs.</p>	<p>Their participation ensures that investments are responsive to the community's needs, aspirations, and priorities.</p>
<p>COMMUNITY DEVELOPMENT CORPORATIONS (CDCS)</p>	<p>CDCs are based in low-income neighborhoods and help to create and implement community development projects ranging from affordable housing to job training.</p>	<p>CDCs can share what they see as community priorities and identify where additional resources might help produce the biggest impact.</p>

<sup>18</sup> For strategies to identify and connect with potential community partners, see [A Playbook for Fostering Hospital-Community Partnerships to Build a Culture of Health](#) (American Hospital Association, 2017).

TABLE 3 (continued)

<b>COMMUNITY INVESTMENT STAKEHOLDER</b>	<b>POTENTIAL CONTRIBUTION</b>	<b>IMPACT ON INVESTMENT DECISIONS</b>
<b>AFFORDABLE HOUSING DEVELOPERS</b>	<p>Non-profit developers, as well as some mission-oriented for-profit developers, specialize in creating homes that are affordable to people with low and moderate incomes. Some specialize in single family homes, others in multi-family rental properties.</p>	<p>Developers may have immediate opportunities to invest in projects at various stages of planning, predevelopment, construction, or lease-up. They also may have a perspective on unmet community needs, trends, and opportunities.</p>
<b>LOCAL FAITH COMMUNITIES</b>	<p>Many churches, synagogues, temples, and mosques are committed to addressing poverty and inequity in their communities. They have knowledge of their communities and a range of assets, which they may already be deploying to support their communities.</p>	<p>Faith communities that are already working on these issues can help identify community needs. They may also be interested in partnering directly in investments, for instance by donating land holdings for housing.</p>
<b>LOCAL BANKS</b>	<p>The community development departments of local banks may be lending or purchasing tax credits to support community investment deals. The federal Community Reinvestment Act requires commercial banks to help meet the needs of borrowers in all segments of their communities, especially low- and moderate-income neighborhoods.</p>	<p>Local banks can leverage their knowledge of existing deals and key players in the community to surface potential investment opportunities.</p>

TABLE 3 (continued)

COMMUNITY INVESTMENT STAKEHOLDER	POTENTIAL CONTRIBUTION	IMPACT ON INVESTMENT DECISIONS
<p><b>LOCAL GOVERNMENT OFFICIALS, CITY AGENCIES, AND QUASI-PUBLIC AUTHORITIES</b></p>	<p>Municipal leaders can outline a clear vision for investment, engage a wide range of stakeholders, collect data to make the case for and evaluate investment, streamline government processes to accelerate investment, and help channel private sector investment to important public purposes. City agencies and authorities also control access to funding streams from federal and state sources, municipal bonds, and taxes.</p>	<p>Elected officials often set forth a vision for the change they hope to see and direct municipal departments to establish programs and initiatives to address priority issues. They can highlight opportunities for hospitals and health systems to co-invest and maximize the reach of their resources.</p>
<p><b>FOUNDATIONS</b></p>	<p>Foundations, including health conversion foundations, can serve as direct investors, grantmakers, advocates, and conveners to help drive capital to important community health needs.</p>	<p>As funders and conveners, foundations often have insight into what local non-profits are doing to address pressing community needs, including gaps where additional investment is needed.</p>
<p><b>COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS) AND DEVELOPMENT FINANCE AGENCIES (DFAS)</b></p>	<p>CDFIs are specialized intermediaries that can blend financing from multiple sources together with hospital resources to structure deals that meet the risk/return needs of government, financial investors, foundations, and other stakeholders. In some communities, DFAs (like port authorities or economic development agencies) may have some activities oriented to achieving equity and redressing disparities.</p>	<p>CDFIs and some DFAs can help you learn about current investment approaches in the community and provide ideas to accelerate progress.</p>

### Some questions to get you started:

- What organizations (e.g., community development corporations, nonprofit housing developers, economic development organizations) are creating investments that address your priority?
- Are there any existing efforts underway that your health care organization could join?
- Who could you collaborate with?

## What are the investment opportunities for our organization?

4

### Identify investable opportunities for action.

Identifying investable opportunities requires an understanding of:

1. Your organization's priorities for investment
2. The amount and type of resources your organization has available to invest
3. The investment opportunities in your community

#### → What are our organization's priorities for investment?

Many departments can help shape a health care organization's investment priorities. An inclusive process builds organizational buy-in and ensures that your community investment plan aligns with both community needs and organizational resources, which in turn increases the likelihood of meaningful impact. Table 4 identifies potential internal partners.



**TABLE 4: MANY DEPARTMENTS CAN INFLUENCE INVESTMENT DECISIONS**

DEPARTMENT	POTENTIAL CONTRIBUTION	IMPACT ON INVESTMENT DECISIONS
MISSION	Understanding of the organization’s history and traditions	They can explain to executive and board leaders how investment activities help fulfill the organization’s mission and tradition of meeting the needs of their communities.
COMMUNITY HEALTH AND/OR COMMUNITY BENEFIT	Knowledge and data about community needs; relationships with community-based organizations	Their deep understanding of community needs and assets can help the organization understand pressing health needs, identify opportunities to intervene, and prioritize investments.
POPULATION HEALTH (MAY ALSO INCLUDE MANAGED CARE PLANS)	Strong business incentive to address these issues; often leading value-based clinical care and research initiatives	Their data can help make the case for allocating resources and undertaking new initiatives to address the social determinants.
FINANCE/ INVESTMENT	Access to financial assets, such as investment portfolios, cash reserves, pensions, and endowments, as part of an impact investment strategy that seeks both financial and social returns; understanding of how to assess potential financial risks and returns	Their knowledge of the organization’s financial situation and assets can inform decisions about the amount and type of capital available and help shape investments in improving the social determinants.
FACILITIES/REAL ESTATE	Land and buildings owned by the health care organization, knowledge of the real estate market	They can identify underutilized property that might be used to meet community needs such as affordable housing.
FOUNDATION	Donor relations; connections to other foundations; program-related investments from the endowment; grants	They can help you attract donors who might co-invest alongside your organization.
STRATEGIC PLANNING AND INNOVATION	Understanding of the organization’s plans for growth, competitive positioning, and future lines of business	They can identify geographic markets, population segments, or approaches that are of particular interest to the organization and spot trends that may influence investment decisions.

TABLE 4 (continued)

DEPARTMENT	POTENTIAL CONTRIBUTION	IMPACT ON INVESTMENT DECISIONS
GOVERNMENT RELATIONS	Political capital and relationships; understanding of the priorities of local elected officials	They can advocate for policies that foster investments in community health, such as incentives for the preservation and development of affordable housing or mitigation of flooding. Also, investing in projects prioritized by elected officials and the community can help build strong relationships and goodwill and leverage public sector resources and expertise to increase the scale of activities.
EMERGENCY DEPARTMENT	Firsthand experience of the higher incidence of chronic disease and increased utilization of health care services among patients who live in poor social, economic, and environmental conditions	They can identify “hot spots” where investment could remediate unhealthy community conditions. They can also monitor the effect of investment in reducing the need for emergency services.
HEALTH PLANS	Plan reserves, investment assets, and data; incentive to avoid unnecessary health spending and improve health outcomes	They can invest their plan assets and reserves as permitted by regulators and leverage their data to make the case for greater community investment and to inform the evaluation of efforts.
HUMAN RESOURCES	Data, ability to engage employees to provide input	Driven by an economic incentive to improve employee health and satisfaction and reduce employee turnover, they can provide information about the geographic distribution and incomes of employees, which in turn can help decision makers direct investments to neighborhoods where employees are located and coordinate outreach.

**Engaging these departments can help you better understand your organization’s motivations, as well as the assets it can mobilize and the decision processes you will need to navigate.**

### → **What factors are driving your organization to invest?**

Beyond improving health, hospitals and health systems are motivated to invest by a desire to improve community relationships, reputation, and competitiveness while deploying assets in ways that protect principal and generate at least some return on investment. Some health care organizations engage in population health management, focusing narrowly on reducing costs and improving health outcomes for their patients or plan members, while others see the community as a whole as their concern.<sup>19</sup> Understanding your organization's motivations for investing will help you determine how to approach the many choices that investing in the community presents.

### → **How much and what type of resources are available to invest?**

Health care organizations can tap a variety of assets to facilitate investment in social determinants. What types of assets might be available in your organization?

- **Financial:** There are two types of financial resources: 1) those that can unlock investment capital by laying the groundwork for investment but do not need to generate a financial return (e.g., community benefit dollars, hospital foundation contributions, or current gifts) and 2) those that need to be invested in ways that protect principal and generate at least some return (e.g., pensions and insurance reserves).
- **Land:** Donating or leasing excess land at below-market rates can reduce costs, thereby making investment projects feasible.
- **Balance sheet:** Using the strength of the organization's balance sheet to provide guarantees (see Table 1) can help affordable housing developers, funds, or individual projects access and/or reduce their cost of capital.

It is possible to develop a compelling strategy using any one or a combination of the resources above. Many organizations start with one type of asset and then put others on the table as they sense community needs and develop relationships. Thinking about resources in a multi-year context can be very helpful: reaching ambitious community investment goals is not an effort that can be accomplished with a single project or investment.

It is also important not to overlook two additional categories of resources that can be exceedingly valuable in formulating and executing a community investment strategy that maximizes impact:

- **Expertise:** As noted in the table above, different departments within the hospital have development, communications, marketing, fund-raising, and deal structuring expertise that can be tapped to support investment activities. Putting this expertise to work alongside community partners magnifies the value that health care organizations can bring to the table when they invest.

<sup>19</sup> For more information on motivations driving investment, see [Upstream All the Way: Why Pioneering Health Organizations are Investing Upstream to Improve Community Health](#).



- **Influence and relationships:** Hospitals can use their influence and relationships to express support for needed investment projects and in doing so draw the support of public officials and help attract investment from others. They can also support the adoption of policies that promote investments in community health. For example, by advocating for affordable housing trust funds, tenant protections, and support for public transit, hospitals and health systems can lend their voices on issues that powerfully affect health outcomes and their community members.

To formulate and execute a community investment strategy, you must also understand the organization’s decision-making process. Which departments control what assets? Who decides how to deploy them? Where in the organization are investment decisions made? What is their tolerance for risk and requirement for return? Who has the authority—and desire—to coordinate cross-department partnerships and make final decisions?

### → **Where are the investment opportunities in our community?**

Community investment stakeholders can help you figure out what deals and projects are already in the community’s pipeline (see Box 6). By working with the community investment stakeholders described in Table 3, you can get a better sense of the possibilities for investment. You can use that information to determine where your organization’s capital is most needed and what opportunities best fit your tolerance for risk and desire for return.

As you work to assemble the pipeline, it is helpful to gather five key data points on deals and projects:

- 1. Type:** What is the opportunity? What social determinant will it address?  
Who will benefit?
- 2. Scope:** How big is the project? For instance, if it is housing, how many units?  
If it is commercial space, how many square feet will be developed?
- 3. Location:** Where is the opportunity located?
- 4. Stage:** Community investment deals can take a relatively long time and deals in progress will be at different stages (i.e. concept, in development, under construction). Is the project still just an idea, or is it two weeks away from completion? Which investments are moving? How might you become involved in those deals and projects? Which investments are stuck? How might you use your assets to get those projects unstuck?
- 5. Participants:** Who is involved in this opportunity? What is their role and experience?



As a result of completing Step 4, you should have the information you need to begin to determine where you will invest.

## Pipeline

A pipeline is a set of deals and projects that can help address the most pressing social determinant that the community has identified as its shared priority. The process of identifying a pipeline enables a health care organization to see what deals and activities that they may want to support are already underway, as well as to see where there are gaps they may wish to fill by helping to create additional investment opportunities. Working on a pipeline of deals or projects—as opposed to working on one at a time—can help health care organizations maximize their impact on community health and understand the policies and patterns that could be changed to achieve better results at greater scale. For more information, please see CCI’s brief, *Analyzing, Building, and Executing a Pipeline*.

### What actions can we take to accelerate and deepen investment?

#### 5 Identify how your organization will respond.

Now that you’ve identified your community’s need(s), established your organization’s priority, and examined the local investment pipeline, it’s time to determine how you will act.

##### → Articulate goals for investment

Successful investment starts with clarity about where resources are going and what their impact will be. To start, define your general goal for addressing your priority, which should include the beneficiaries of the investment(s) and its intended outcome(s).

**Example Goal Statement:** *By 2025, working closely with community members, we will begin to invest in production and preservation of affordable housing in the two neighborhoods closest to our hospital.*

##### → Set targets for impact

Resources follow coherence. Setting specific targets (e.g., number of businesses financed, number of homes built) for the change you hope to see will help you clarify choices and assess progress toward your result. Identify a target that represents a meaningful portion of the overall need and consider what would it really take to make a difference. What would it look like if you were wildly successful?

**Example Target:** *Invest in preservation or production of 500 homes affordable to tenants with incomes at 60% of Adjusted Median Income or below, and support strategies that protect residents from displacement.*

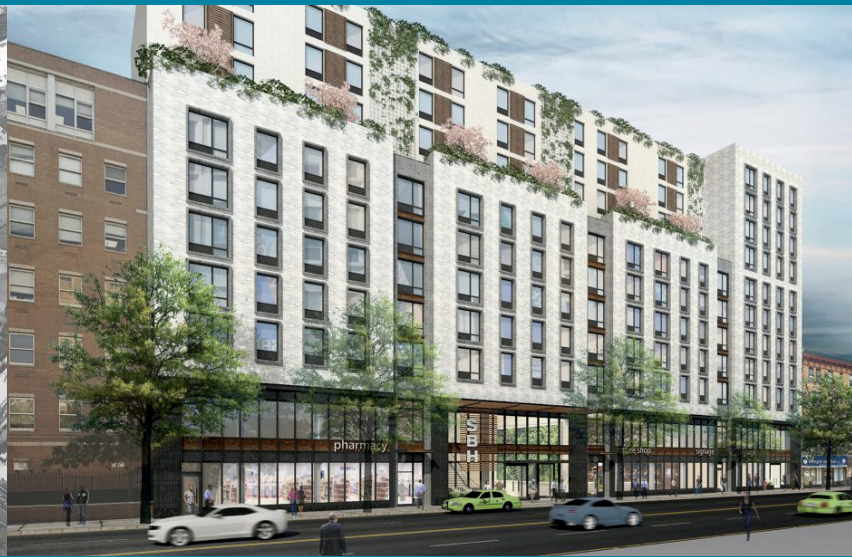
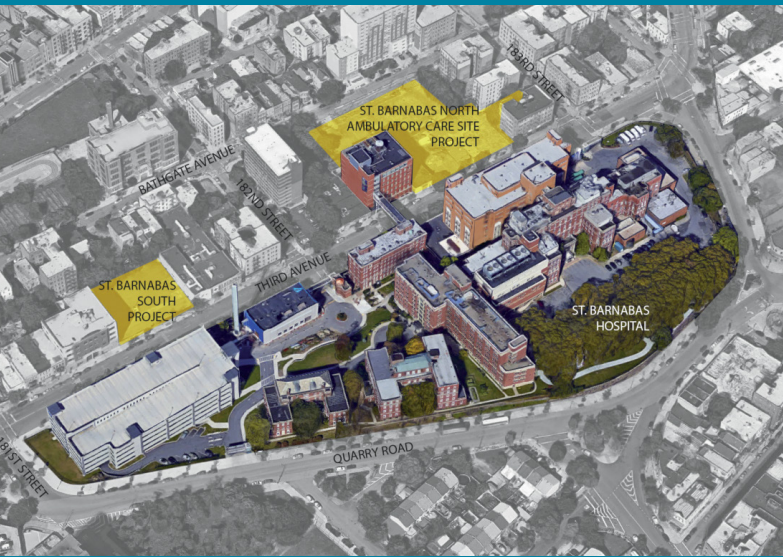
**A NOTE ON OUTCOMES:** Investing upstream in the determinants of community health is a relatively new intervention for hospitals and health systems. There is a vast body of research on the effects of social determinants on health, and there is no question that investment has an effect on a community’s social determinants. However, aside from a very few organizations,<sup>20</sup> community investment by hospitals has not yet reached the scale or longevity where it is possible to measure direct effects on individual or population health. For purposes of organizational accountability, it may be helpful to consider defining success in terms of your targets (above) and organizational motivations (see Step 4).

➔ **Develop criteria for decision-making**

Make sure you include relevant departments and personnel as you identify the criteria your organization will use to prioritize investment opportunities and make decisions on which investments to pursue. Consider two types of criteria:

<p><b>THRESHOLD CRITERIA</b></p> <p>“Must have’s” without which you will not invest.</p>	<ul style="list-style-type: none"> <li>● Targeted social determinant</li> <li>● Target geography</li> <li>● Target population</li> <li>● Experience and reputation of the project developer</li> <li>● Level of risk related to return of capital</li> <li>● Expected return</li> <li>● Time required to execute and deploy investment</li> </ul>
<p><b>PRIORITIZATION CRITERIA</b></p> <p>Additional considerations that make the investment opportunity more significant for your organization</p>	<ul style="list-style-type: none"> <li>● Contribution to addressing root causes of social determinants</li> <li>● Scale of impact</li> <li>● Significance to one or more key stakeholders (e.g., community group, mayor)</li> <li>● Relevance to community’s priorities (this can signal your organization’s commitment to the community’s concerns)</li> <li>● Unique need for your participation (e.g., if not for the hospital’s investment then this deal or project would not advance)</li> <li>● Degree of readiness</li> </ul>

20 For the impact of community investment on health outcomes, see [A Community Development Program and Reduction in High-Cost Health Care Use \(Pediatrics, July 2020\)](#).



## CASE STUDY

# Promising Practice: Multiple approaches are needed to address community needs.

St. Barnabas Hospital (SBH) is dedicated to improving individual and community health in the Bronx. For many years, they have partnered with residents and local community organizations to find solutions to the many challenges poor communities of color face, focusing on addressing health, nutrition, and education inequities. More recently, they have expanded that support with funding received through New York State's Delivery System Reform Incentive Payment program. As the lead organization, they created Bronx Partners for Healthy Communities, a Performing Provider System, and have funded 232 community and healthcare organizations to deploy resources to counter increased housing costs and living costs that would negatively impact the community SBH has served for so many years.

In 2014 SBH decided to complement their existing financial contributions with a community investment approach to address affordable housing needs in their community. They partnered with a mission-driven developer to build 314 units of affordable housing on two parcels of land they owned. Ninety units were reserved for previously homeless individuals and families, and 50% of the units were reserved for current residents of the Bronx. The development is also connected to a Wellness Center that will offer preventative clinical programs as well as expanded urgent care, holistic services, a gym, teaching kitchens, rooftop vegetable gardens, a greenhouse, and a flexible community meeting space.

## Capital Stacks

One way to leverage your assets in partnership with others is to participate in a capital stack. In community investment, different types of investors often come together in a capital stack, which is made up of layers (like a layer cake), each of which has a unique set of financial terms, based on the investors' tolerance for risk and parameters for desired return. Financial investors such as banks are at the top. They take the least risk, get repaid first, and expect the highest rate of return. In the middle of the stack might be investors, such as foundations, that are repaid after the banks and accept lower return to achieve social benefits. Financial contributions might come at the bottom, where they can serve as loss reserves to absorb risk or reduce the overall cost of capital to borrowers. Hospitals may participate at any layer of the capital stack, depending upon the source of funds from the organization, with endowment or investment assets placed at the top of the stack and more flexible funds lower down, where they can help to attract investment from others.



### → **Collaborate with partners**

To be most effective, hospitals and health systems should aim to work collaboratively with other community investment stakeholders, e.g., community groups, foundations, CDFIs, developers, banks, and other investors. These partners not only can identify opportunities, but also can bring valuable perspectives, additional capital, and the relationships to help complex projects advance (see Table 3).


Participation by a health care organization in a deal or project can signal to other stakeholders that the deal is important. You may want to consider how your resources and investment decisions can unlock investment by others (e.g., other health systems, other anchor institutions, foundations, large local employers, banks, and/or high net worth individuals and families) (see Box 7). By participating in funds or other structures that pool multiple investors together, you can help to create the infrastructure to move forward a set of deals that change conditions more broadly over time.

### → **Use your criteria to screen opportunities and make decisions**

To make a final decision on where to invest, you will need to align the investment opportunities you identified in Step 4 with the goals and criteria you have established thus far in Step 5. Selecting investments that meet the criteria requires a blend of expertise and experience. A financial perspective is necessary for underwriting a deal, i.e. ensuring that the expectations for return are reasonable and that the risks are understood, tolerable, and mitigated to the extent possible. These financial parameters are assessed during a structured process of “due diligence” that tests key assumptions. The skills to conduct the due diligence review may be available in-house, but many consultants in the community investment field can also assist in this process. Local banks and CDFIs are often good sources of referrals; many CDFIs themselves have been through a ratings process that considers both their financial strength and their history of achieving impact.<sup>21</sup>

Ensuring that investments will meet impact goals requires a mix of community engagement, political understanding, and relationship-building. Bringing the skills of multiple departments to bear can help, as described in Table 4, as can soliciting the perspectives of partners.

Consider whether you want to engage with a specific project or a specific partner. It may not be strategic to scatter your resources too widely, but you also want to make sure that your investment has the impact you seek, which will likely require more than a single project.

 As a result of completing Step 5, you should be clear on the investment actions you will take and the partners who can help you take them.

<sup>21</sup> A ratings service called [Aeris](#) makes this information available.

## An Enabling Environment Example

Through conversations with external stakeholders, a local hospital learns that a Right of First Refusal policy could help preserve affordable rental housing by granting tenant associations and/or local government agencies an exclusive period within which to make an offer on government-subsidized properties whose affordability is expiring or naturally occurring affordable housing that is being sold. If the hospital uses its influence and relationships to support implementation of this policy, it can help make it a priority for local elected officials and in doing so generate more housing preservation projects in the community's pipeline.

### **What policies, funding flows, skills, and capacities does the community need to be successful?**

6

#### Assess the enabling environment that impacts the progress of deals and projects in your community.

The local context in which community investment takes place can help or hinder progress towards addressing your identified social determinant. We refer to this context as the enabling environment, and it includes things like policies and regulations, available funding, skills and capacities of local actors, and relationships (for more information, see CCI's brief, *Strengthening the Enabling Environment*). Advancing pipelines often requires changing the enabling environment to ensure that it fosters, rather than inhibits, investment.

Getting a full picture of the enabling environment calls for answering questions like:

- How is data on the social determinants collected and shared?
- Who are the key stakeholders creating and investing in deals and projects that improve the social determinants of health?
- How is community voice driving decision-making?
- What mandates, policies, and practices shape the flow of investment capital to our community?
- Where are resources such as Low-Income Housing Tax Credits and Community Development Block Grants going, and how are they affecting health outcomes?

Understanding the deals and projects in the pipeline can be a window into how the local community investment system is functioning. Local community investment stakeholders (see Table 3) can help analyze the pipeline to surface important enabling environment priorities and the actions you can take to create a more supportive context.

Questions to ask in this analysis include:

- How much progress is being made compared to the scale of the problem?
- How long do things take and where do things get stuck?
- Who is—and is not—involved?
- What sources of funding are being tapped—and which are not?
- What relationships exist—or would help if they did?
- Where do we have gaps in capacity, skills, or resources?


The answers to the questions above will reveal important information about opportunities for:

- Advocacy and policy change to support greater investment.
- Engaging stakeholders who have been overlooked or excluded.
- New roles your hospital can play.

### → **When should we act?**

Far too often, leaders wait to act until they feel they have assembled the perfect data, uncovered the perfect opportunity, or formulated the ideal strategy. But the issues facing our communities are too urgent to wait.

Work with your internal and external stakeholders to consider what you have learned about needs, priorities, and opportunities, and resolve to take action. To learn how the process works, you can begin with smaller deals or work with a partner that has a proven track record. Investing in community health is a journey, and every step will open additional possibilities, partnerships, and insights that contribute to impact. Build into your practice regular opportunities to reflect on what you are learning and adjust your strategy accordingly.

 As a result of completing Step 6, you will have surfaced opportunities to pair your investments with actions that create more efficient, effective, robust community investment systems that can address the root causes of poor health at scale.<sup>22</sup>

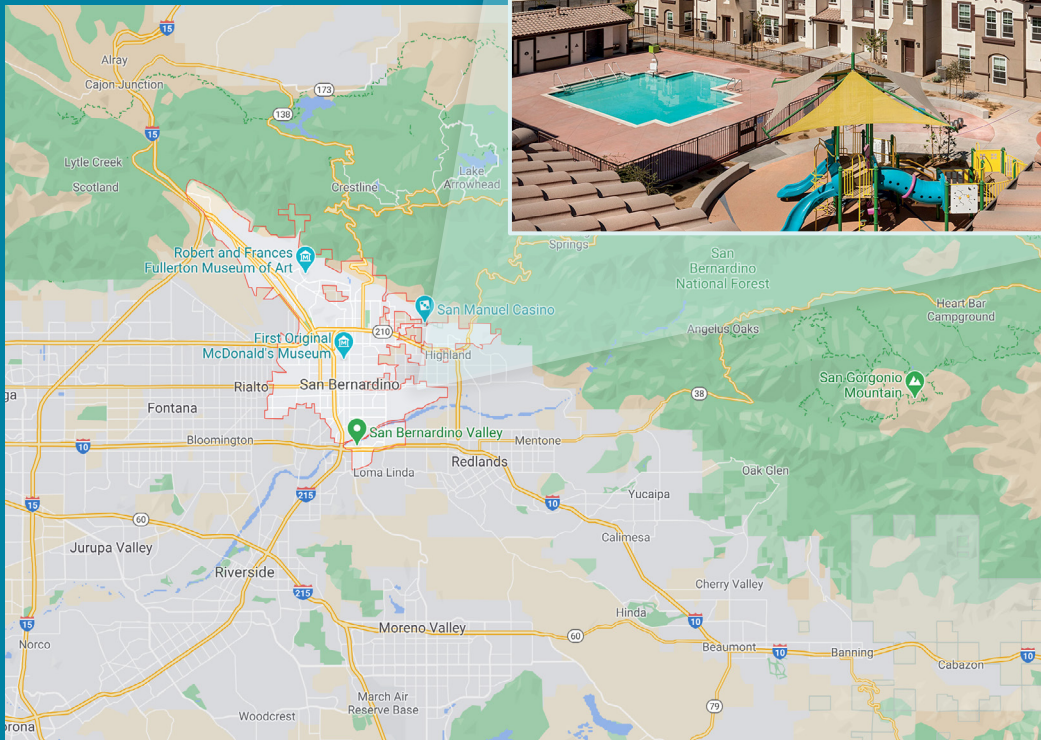
<sup>22</sup> For more on advocacy strategies for addressing the enabling environment, see *The Health and Housing Starter Kit* (ChangeLab Solutions, 2018).



## CASE STUDY

# Promising Practice: Leverage Investment

Hospital actions can be magnified when deployed in ways that unlock investment by others. In the City of San Bernardino, Dignity Health (now CommonSpirit) used their influence to convene stakeholders—including municipal leaders, philanthropy, banks, CDFIs, developers, and community-based organizations—to think about how to deepen and accelerate investments in the social determinants, with an emphasis on housing. They also invested \$1.2 million in a local affordable housing development, Arrowhead Grove. The California Strategic Growth Council (SGC) was one of the stakeholders invited to the convening. Impressed by the local collaboration and commitment, the SGC awarded San Bernardino \$20 million for Arrowhead Grove.





## Conclusion

A health care organization's commitment to community health improvement can be a portal to deploying different types of assets to advance their mission and strategy and open up new opportunities for addressing the root causes of poor health. A significant amount of spending and investment can ensure that a disinvested community has the capital it needs to thrive. Together with community partners, hospitals have an important role to play in mobilizing that capital. Therefore, health care leaders should consider investment strategies alongside traditional community health improvement programs and financial contributions. The result will be healthier environments and healthier populations.

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