Addressing the Social Determinants of Health

Investing in Community Health: A Toolkit for Hospitals

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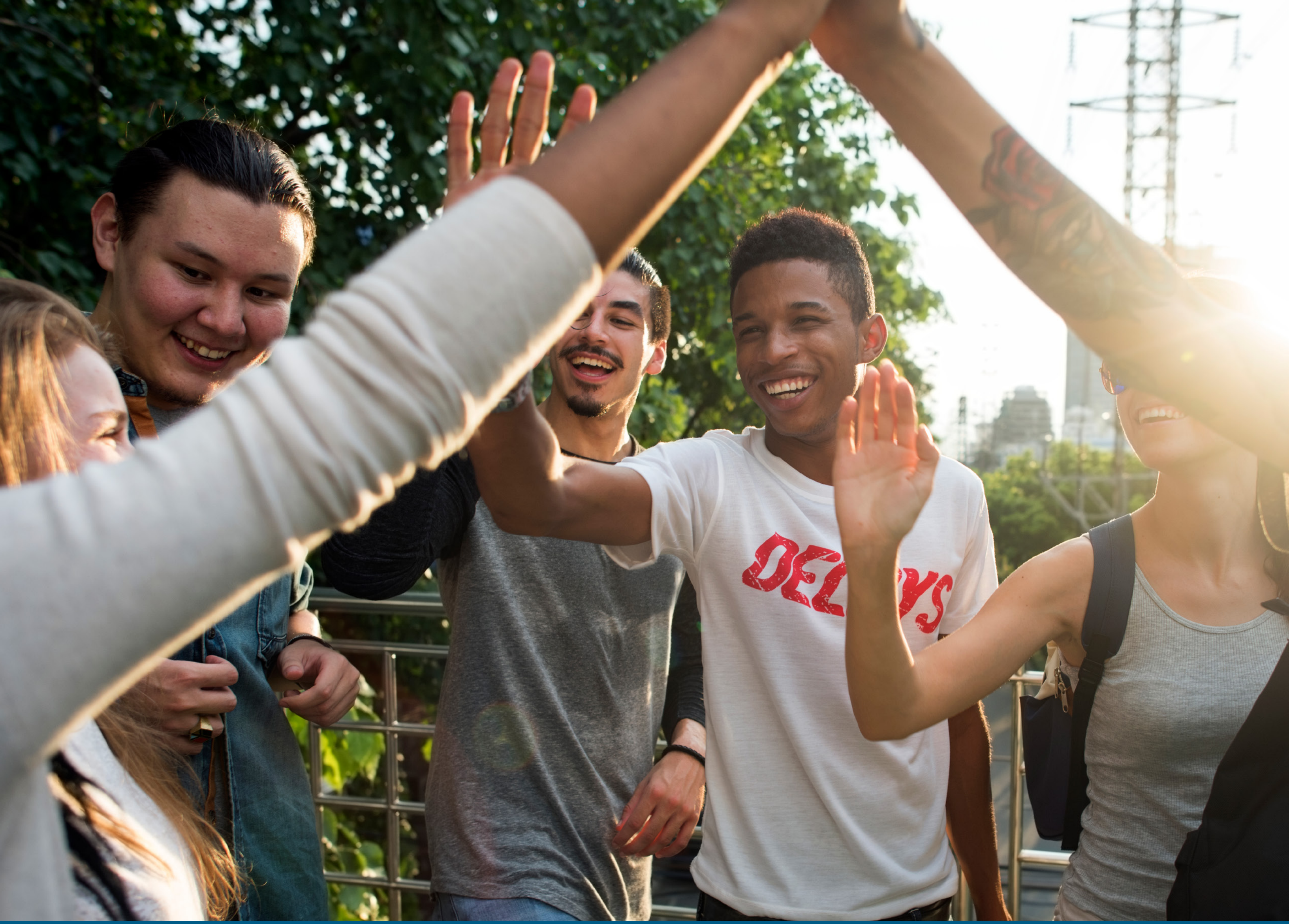


How Health Care Organizations Can Address the Social Determinants of Health

A comprehensive approach to addressing the social determinants of health can integrate financial contributions, procurement, recruitment, and investment to make a greater impact (see Box 4).

Box 4

Spending vs. Investing in Community Health: What's the Difference?

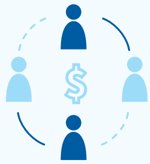
In this context, **spending** is making a financial contribution to a community organization for goods and services without an expectation that the money will be repaid.

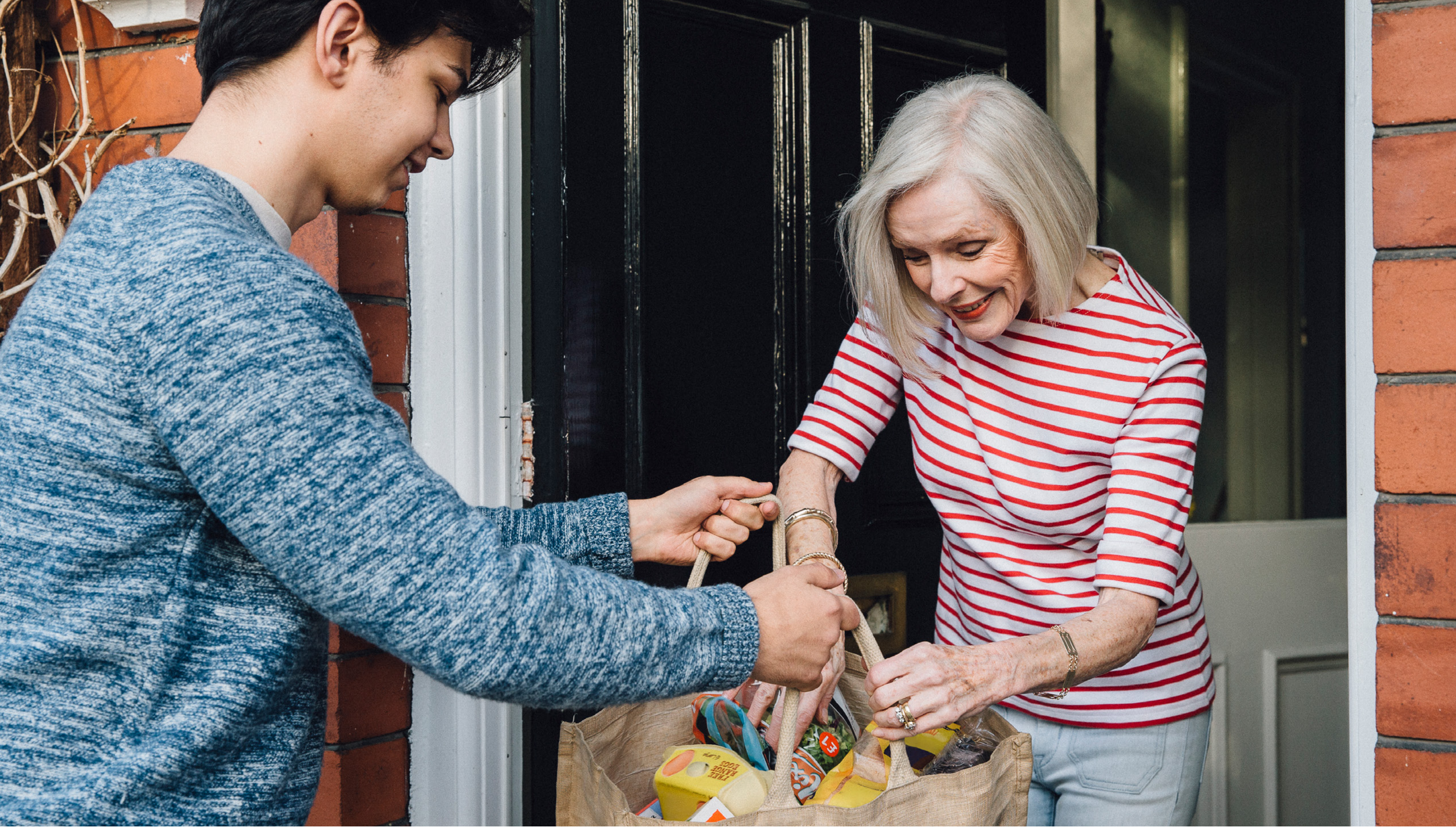
Investment refers to payment for goods and services that will have value over time with the expectation of some form of return. Repayment can come from cashflows produced directly by the investment (e.g., rental properties, toll roads) or from a promise to pay from other sources (e.g., tax revenues).

Investment as a finance term: We often use the term "invest" when we are putting money into something, especially something valuable. We may "invest in the future of our children" by paying for public schools, or a hospital may "invest" in its staff by paying for professional development. But financially speaking, to be considered an investment the funded activity needs to produce a monetary return. For example, the government may invest in student loans to help low-income students afford the cost of post-secondary education. Students are expected to repay those loans, with interest, from their future income, which presumably will be higher because of their degrees.

Investment is thus only an option when a potential user of capital can demonstrate how the provider of capital will get their money back over time. If no source of repayment exists, then the item represents spending, which requires a financial contribution, rather than an investment. The table below provides examples to clarify this distinction.

(Box 4 continued)

SOCIAL DETERMINANTS	
 **INCOME / JOBS**	 **HOUSING**
FINANCIAL CONTRIBUTION OPPORTUNITY	
• Pay for community coordinators to connect residents to job opportunities and other supports	• Subsidize rent payments for individuals and families in areas with high housing costs. This can be done directly (perhaps for employees) or through financial contributions to a community group.
INVESTMENT OPPORTUNITY	
• Finance a small business incubator or shared commercial kitchen where start-ups pay rent • Create a loan fund to provide low-cost expansion capital to neighborhood small businesses	• Provide a below-market loan to a developer to build new units of affordable housing. • Lend money to a fund that finances acquisition and rehab/preservation of affordable homes
POTENTIAL RETURN/IMPACT OF INVESTMENT	
• Return of capital + modest financial return • Wealth-building opportunities for people with lower incomes	• Return of capital + modest financial return • Potential for some capital appreciation or tax benefit, depending upon investment structure • Improvement in housing stability, quality, and affordability for your target population



To better understand the differences in what these efforts accomplish, let's consider how a health care organization, Faith Hospital, might address different aspects of hunger and food insecurity in its community. To begin, Faith might make community benefit financial contributions to:

- a foodbank to improve the availability of healthy food or a school to provide a weekend food backpack program for children receiving free lunch.
- a food collaborative for specific activities that increase access to healthy food.

However, while these programs meet important immediate needs of community residents, they do not **change conditions in the community** that influence health outcomes in a sustained manner. Faith Hospital can maximize the long-term impact of its financial contributions by focusing them on the root causes of hunger and food insecurity. For example, they could make additional financial contributions to:

- an anti-hunger advocacy organization to work on changing local policies to promote food access, such as requiring schools to adopt the federal Community Eligibility Provision (CEP), which allows high poverty schools to serve breakfast and lunch at no cost to all students without collecting household applications.
- support a workforce development program that will help address the income inequities at the root of hunger and food insecurity.

Faith can also use anchor strategies that **leverage its operations**, such as purchasing and hiring, to improve the local economy, which in turn can help with food insecurity. For instance, they might:

- establish goals for hiring local workers and contractors.
- prioritize buying locally through their procurement strategies.

Faith Hospital can maximize the impact of these strategies by ensuring that they:

- target populations that have been largely excluded, such as women- and minority-owned businesses.
- partner with community-based organizations to create diverse hiring pipelines and opportunities for upward mobility that support residents from the surrounding community.

Recruitment and procurement can make a significant social, economic, and environmental impact in a health care organization's community.

If Faith wants to have an even bigger impact on social determinants, they can **leverage their assets to make investments**. In order to thrive, all communities need access to good jobs and schools, affordable homes, safe places to gather and play, healthy food options, and opportunities to shape the decisions that affect them. Many communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, lack the capacity to produce the level and type of investment needed to improve these conditions.

Let's consider how Faith might use investment to address different aspects of hunger and food insecurity. Table 1 outlines some of the financial instruments they might use and how other health organizations have used them.

TABLE 1: UNDERSTANDING FINANCIAL INSTRUMENTS, RISK, AND RETURN

LOANS (i.e. debt)	
RISK / RETURN: Loans may be structured as senior debt (higher priority for repayment, less financial risk) or subordinated debt (lower priority for repayment, more financial risk, more potential for impact). Loans may also pay a market interest rate (higher return) or a lower, subsidized rate (lower return, more potential for impact).	**EXAMPLE:** The Boston Medical Center, a large safety-net hospital, has committed a $600,000 zero-percent loan to support the development of a 60-unit affordable housing development in Roxbury, a historically under-resourced and disinvested Boston neighborhood. The loan will be paid back over 20 years.
EQUITY (e.g., real estate investment trust or venture capital)	
RISK / RETURN: Investor takes an ownership stake so both gains and losses are shared with the investor. Risk is typically higher than debt, and returns are uncertain (can be high or low).	**EXAMPLE:** The health plan UPMC for You made an equity investment of $20 million of its reserves in Omicelo, a minority-owned real estate fund that invests in gentrifying neighborhoods to allow current residents to remain in their increasingly valuable homes.
GUARANTEES	
RISK / RETURN: Investor promises to pay if other sources of repayment fail to materialize. Risk varies with deal structure. Guarantor may be paid a small fee or forego return.	**EXAMPLE:** Leveraging its balance sheet, Nationwide Children's Hospital provided a $1.5 million guarantee to create a loan loss reserve for the South Side Renaissance Fund to help assure investors with less tolerance for risk that their investments would be paid back.[4]
CASH DEPOSITS IN CREDIT UNIONS OR MISSION-DRIVEN BANKS	
RISK / RETURN: Through the Certificate Deposit Account Registry System (CDARS), cash deposits can be federally insured and essentially risk free. Deposits may pay market or below-market rates, depending upon desired impact in the community.[5]	**EXAMPLE:** More than $500,000 of CommonSpirit's (formerly Dignity Health) community investment allocation is invested in community credit unions. These deposits help these organizations support local homeownership and small business development goals.[6]

4 For more on Nationwide Children's investments, see Healthy Neighborhoods Healthy Families.

5 See Certificate of Deposit Account Registry Service.

6 See Dignity Health Case Study (Democracy Collaborative).

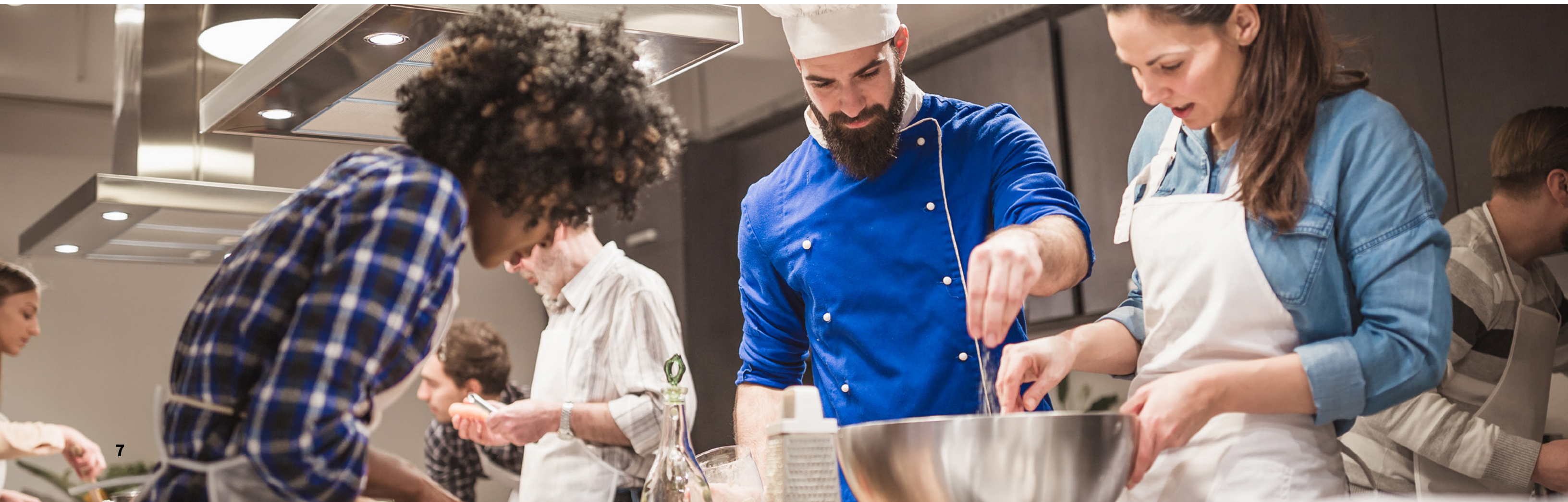
The first way Faith Hospital can support investments that address hunger and food insecurity is by **using financial contributions to lay the groundwork for investment**. For instance, Faith Hospital could make financial contributions to:

- support a market demand analysis to make the case for locating a new grocery store in a food desert.
- pay for start-up funds for a food cooperative to bring fresh produce to a low-income area.

Faith Hospital might also **invest directly** by:

- providing a below-market rate loan to finance the construction of a grocery store and in doing so generate a return (from interest and repayment of principal) that can then be recycled to support future projects.
- leasing surplus buildings to a business incubator at a subsidized rent to allow food entrepreneurs to test new concepts and create jobs for community residents.
- providing a guarantee so a small local caterer to whom they have awarded a contract can obtain a line of working capital from a bank on better terms.

Significant capital is needed to improve the social, economic, and environmental conditions in the most stressed communities. Keep in mind that investable opportunities provide both long-term solutions and a return, which gives you more money to use on behalf of your community. The next section explains how you, like Faith Hospital, can develop a strategy for investment that maximizes the impact your funds can have.



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The Center for Community Investment at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive.

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