

Accelerating Investments for Healthy Communities: UPMC Health Plan

A CASE STUDY

INTRODUCTION

With the growing understanding that upstream factors like housing and transportation play a critical role in health, UPMC—both a healthcare provider and an insurer—was looking to do more for its patients and members. At the same time, the institution was feeling pressure to do more for Pittsburgh, where it is based.

In response, [UPMC Health Plan](#) began examining ways to preserve and increase the supply of affordable housing in the city. Over the past four years, the health plan invested resources and engaged in strategic efforts to address some of the city's affordable housing challenges. Its efforts have been characterized by collaboration, multilevel partnerships, and a focus on developing the capacity of its partners. That approach has not only enhanced the city's housing supply but also strengthened the effectiveness of its partners.

CONTEXT

Like many cities around the country, Pittsburgh has seen major changes over the past decade. After years of population declines, the city's economy finally began to rebound in the mid-2010s. But the growth has been uneven. There have long been deep pockets of poverty in some neighborhoods, and inequality remained very high even as parts of the city began to flourish.

One of the city's challenges has been a shortage of affordable housing. Federally subsidized housing complexes have been torn down or converted to market-rate developments, and rapid gentrification has resulted in the loss of naturally occurring affordable housing. Housing prices and rents have gone up, the wait time for apartments that accept Section 8 vouchers can be years, and even when provided access to a voucher, the majority of applicants struggle to find a participating landlord or eligible unit. Even before the pandemic, housing advocates were saying that the city faced a shortage of around 20,000 affordable units.



UPMC, a \$24 billion nonprofit headquartered in Pittsburgh, is a healthcare provider, an insurer, and a major academic medical center. Pennsylvania's largest nongovernmental employer, the system has 40 hospitals and 800 doctors' offices and outpatient centers in western and central Pennsylvania, Maryland, New York, and overseas. Its health insurance division, UPMC Health Plan, has 4 million members.

UPMC providers saw the effects of poverty in their patients with lower incomes, and administrators knew that the health plans would save money if their members were healthier. At the same time, the system was facing distinct public pressure to do more for the city, particularly given its rapid growth, large size, and nonprofit tax status.

UPMC's health plan was particularly well-situated to address the social determinants of health. Unlike many health plans with members dispersed across a region, UPMC Health Plan is the largest medical insurer in western Pennsylvania and covers a significant chunk of the local market, with market share exceeding 50 percent in some areas. Its leaders knew that place-based actions would necessarily impact a large portion of the membership.

BUILDING PARTNERSHIPS IN THE NEW WORLD OF COMMUNITY INVESTMENT

The system had been providing community benefit grants to local organizations for many years. But UPMC Health Plan's first real foray into community development occurred in 2017, with a \$20 million investment in [Omicelo](#), a local Black-led, mission-driven real estate investment firm. It also began contributing over \$1 million annually in operating support to seven community development corporations in the city and across western Pennsylvania via the state Department of Community and Economic Development's [Neighborhood Partnership Program](#) (NPP). But at that time, the health plan did not yet have a focused strategy for engaging with the community or investing upstream in a comprehensive, impactful way.

As part of its effort to develop such a strategy, in 2018, UPMC Health Plan joined five other large healthcare institutions in an initiative run by the [Center for Community Investment. Accelerating Investments for Healthy Communities](#) (AIHC) was a three-year project designed to help participating health systems strategically deploy their assets to advance affordable housing by taking a systematic approach, going beyond individual transactions to build pipelines of deals, convening local partners to articulate community shared priorities, and utilizing their skills and relationships to improve the policy context and ecosystem in their targeted geographies.

Selecting a target geography and core team of community partners took some time. When UPMC Health Plan initially joined AIHC, its leaders chose Erie, Pennsylvania, as their focus. After Phase I of the initiative, they decided to shift to the most important geography for the system—Pittsburgh, their headquarters city.

Pennsylvania subsequently identified Erie as a Health Equity Zone under its regional health transformation plans, and work did continue in Erie's east side. In 2019, UPMC affiliates supported the Erie Center for Arts and Technology, which purchased the abandoned Wayne School from the Erie School District and completed Erie's first New Markets Tax Credit transaction. A nearly \$12 million capital project, the 80,000-square-foot facility serves as a multiuse community resource facility that houses a Federally Qualified Health Center (FQHC), pharmacy, nursing school, afterschool programs, and workforce training—and serves as an incubator for several Black-led, start-up community organizations.

However, shifting their overall focus to Pittsburgh gave UPMC Health Plan the chance to work out from the center and in a market where they have a greater market share. Their team also shifted as the work evolved. The initial Pittsburgh team they assembled included representatives from organizations with whom the institution had previously worked. As UPMC Health Plan's leaders deepened their understanding of the types of partners who could help them move closer to the communities they were trying to serve and the institutions who could be true partners in implementation, they replaced the team's early members with representatives from other organizations. These included [Neighborhood Allies](#), an umbrella organization of community groups; [Bridgeway Capital](#), a respected regional CDFI; and the head of [ACTION-Housing](#), a large, well-regarded nonprofit developer.

The choice of these particular partners was purposeful. Several members of the new team had preexisting relationships, allowing the group to move nimbly. ACTION-Housing was a well-established nonprofit housing developer with ties throughout the area. And Neighborhood Allies, an umbrella organization, had expanded its capacity in recent years and strengthened its work with nonprofit and start-up minority developers. The group was well-positioned to work as an intermediary between UPMC Health Plan and Pittsburgh's broader community investment field. "We joined around shared goals," said Kevin Progar, project director at UPMC Health Plan.

Bridgeway Capital was also able to act as an intermediary. The CDFI had a strong reputation throughout the region but had not previously been known as a major actor in the affordable housing sector. Utilizing Bridgeway as a partner allowed UPMC Health Plan to leverage the lender's underwriting experience, knowledge of the region, and ability to mobilize additional capital. Meanwhile, the collaboration and funding that the AIHC partnership provided helped Bridgeway deepen its work in the affordable housing space. Working in partnership helped reduce the risk of entering a new arena, ensuring that the new direction would be substantial and sustained and making it worth the learning curve.

SETTING PRIORITIES AND TAKING FIRST STEPS

These partners were critical as UPMC Health Plan's leaders began to consider committing resources to bolster affordable housing in the city. A collaborative approach was central to the work from the beginning. Rather than simply starting from the neighborhood closest to the UPMC campus or creating from scratch the criteria that would determine which communities to target, UPMC Health Plan's representatives worked closely with leaders from Neighborhood Allies, Bridgeway, and ACTION-Housing to identify the city's health "hot spots" that might be the best choices for housing investments. They also made it a priority to include affordable housing in neighborhoods of opportunity, relatively more affluent places that had not previously welcomed such developments.

Gradually, UPMC Health Plan's leaders created a set of criteria and a strategy to address housing issues in Pittsburgh. The criteria called for investment across the spectrum of affordability in the city. As UPMC Health Plan wrote in its promotional materials,

"We layer three distinct funding approaches at individual, neighborhood, and systems levels to pursue three distinct activities across the housing spectrum: address homelessness, combat cost burden, and promote wealth building."

Among the team's members, preservation quickly emerged as one of the most critical issues to address. In late 2020, recognizing the opportunity to create a collaborative platform that would have greater influence on the ecosystem, UPMC Health Plan established the [Preservation Working Group](#). Its original goal was to maintain long-term affordability, especially in buildings that utilized deed restrictions, low-income housing tax credits (LIHTC), or subsidies.

"What's the good of funding two more LIHTC deals of 100 units if we lose 500 units?" Kevin Progar, project director at UPMC Health Plan, pointed out. Acknowledging that many of the residents leaving the city because of affordability issues are Black, he noted, "For us, it was the equity element, and the reality of the economics: that the subsidies never get replaced if a subsidized building goes away."

LENDING WEIGHT AND EXPERTISE...

The Preservation Working Group started with UPMC Health Plan and its key partners, but it expanded to include other significant stakeholders like [City of Bridges Community Land Trust](#) and the new nonprofit [Rising Tide Partners](#), [the Heinz Endowments](#), [Pittsburgh's Urban Redevelopment Authority](#), [Allegheny County Economic Development](#), [Western Pennsylvania Regional Data Center](#), [CREATE Lab](#), and [the Pennsylvania Housing Finance Agency](#). The group's aims have gradually expanded to include identifying affordable housing in Pittsburgh that might be at risk, advocating for policies and programs that could bolster preservation, and acting as a leader in efforts to maintain affordable properties around the region.

The group took a number of important steps. It played a key role in inventorying and establishing a database of the city's affordable housing units. It also began monitoring the progress of the city's pipeline of affordable housing deals and developed criteria to prioritize deals to focus on.

Over time, the working group's members began engaging in local and state advocacy to increase funding for housing programs and strengthen the existing affordable housing ecosystem. For example, members began pushing to increase funding for housing programs by removing a cap from the housing fund created by real estate transfer taxes in the state, and they met with the Pennsylvania Housing Finance Agency (PHFA) to discuss the issue.

In 2021, when American Rescue Plan Act (ARPA) funding became available, the group successfully advocated for \$5 million each from the city's and county's ARPA allocations, resulting in \$10 million to protect existing affordable housing in Pittsburgh and neighboring municipalities. It has also recommended that the state use a portion of its ARPA funds for a one-time \$100 million investment in a state affordable housing fund, as well as for a \$50 million investment in the state's Developer Opportunity Fund and another \$50 million grant to Pennsylvania's CDFIs. In 2022, many members of the group are engaged in an effort to increase the availability of funds for the [Pennsylvania Housing Affordability and Rehabilitation Enhancement Fund](#) (also known as the state housing trust fund), which is administered by PHFA and delivers tens of millions of dollars each year to communities in every county to expand low-income housing, prevent homelessness, and promote homeownership.

Group members and observers say that UPMC Health Plan's presence in the group has been critical. The system took the effort seriously, lending its expertise, weight, and lobbyists to help the group shape its message and connect with key contacts in Harrisburg and elsewhere.

...AND FUNDING

At the same time as the working group was assessing the policy and regulatory landscape, UPMC Health Plan and its partners were moving ahead with addressing the local affordable housing environment. In September 2020, the health plan made a commitment to invest \$15 million from insurance reserves in affordable housing in Pittsburgh. "We felt it was enough to be impactful, and we hope this capital can play a role in leveraging support for 1,000 units," said Progar.

The first \$3 million of that amount went to the health plan's CDFI partner, Bridgeway Capital. In 2021, UPMC Health Plan and some of its allies proposed the development of an affordable housing loan fund that would be housed at Bridgeway. The goal was to create a source of funding that could fill gaps and offer creative financing solutions. In particular, the fund was designed to be flexible enough to help preserve existing units before they were converted to market rate. "How do we develop a fund to start a conversation and get mission-motivated buyers interested in long-term affordability? That was our motivation," said Progar.

The loan fund started at \$7.95 million. Along with its \$3 million low-interest loan, UPMC Health Plan's presence helped spur a \$1.5 million loan from the Kresge Foundation and \$325,000 from a pool of funding connected to the AIHC initiative.

Bridgeway's first loan through the Affordable Housing Loan Fund went to support ACTION-Housing's renovation of three buildings at Pittsburgh Theological Seminary into the Stanton-Highland Apartment complex, which will be affordable to households earning between 20 and 80 percent of Pittsburgh's AMI. That project includes homes for people with disabilities as well as units for young adults who are aging out of foster care.

Since then, the fund has been actively supporting affordable housing in Pittsburgh. By the end of May 2022, it had committed loans that helped create 278 units for households with low and very low incomes. In total, including developments in process, the fund has contributed to a pipeline of over \$100 million in projects representing over 450 rental units, 70 percent of which offer affordability: 233 at below 50 percent AMI, 45 at 50–80 percent AMI, and 55 workforce units up to 120 percent AMI. All met the criteria the team identified during AIHC. In the high-opportunity neighborhood of Squirrel Hill, for instance, a \$3 million loan to ACTION-Housing will help create 43 new LIHTC apartments, demonstrating the importance of not just choosing places to work, but targeting investments to meet the needs of people in those places.

Aside from its work with the Affordable Housing Loan Fund, UPMC Health Plan made a few other direct investments that also aligned closely with the criteria and priorities it had developed with its partners. For example, in an effort to increase the acceptance of Section 8 vouchers around the city, Pittsburgh's Urban Redevelopment Authority (URA) established the [Small Landlord Fund](#) to finance the rehabilitation of local properties in exchange for recipient landlords agreeing to accept tenants who use the vouchers or five-year deed restrictions for households earning less than 80 percent AMI. Determining that this was an effort worth supporting, the health plan committed \$150,000 to the fund and facilitated the investment of another \$150,000 from the AIHC-affiliated funding pool, both at 0 percent interest. By the end of 2021, this fund had financed the rehab of four properties with a total of 10 units and was being restructured to better meet borrowers' needs.

UPMC Health Plan made a few other direct investments utilizing value-based purchasing contracts with community-based organizations and service delivery innovation that are outlined in the state Medicaid managed care contract. Examples include a \$360,000 contribution to support ACTION-Housing's emergency rental assistance and housing stabilization center, \$1 million to the nonprofit [Rebuilding Together Pittsburgh](#) for a home stabilization pilot program, and \$450,000 to Rising Tide Partners to renovate apartments and develop a wellness program. In 2022, the Health Plan renewed over \$1 million via the state's NPP to continue providing operating support to seven neighborhood CDCs and nonprofit housing developers. The hospital system also provided a virtually no-cost land lease valued at \$2 million to a local organization creating a 51-unit low-income housing development for LGBTQ seniors, as well as \$6.5 million in in-kind clinical, medical, and social services for [Second Avenue Commons](#), a state-of-the-art low-barrier shelter in downtown Pittsburgh

LEAVING PARTNERS WELL-PLACED FOR THE FUTURE

Although AIHC ended in 2021, UPMC Health Plan remains committed to furthering affordable housing preservation and development in Pittsburgh—and is determined to continue to do so in a collaborative manner. “For our leadership, that continues to be one of the central considerations: how do we do this in a way that’s cooperative, not out in front but really supporting local institutions like Bridgeway and our NPP partners,” said Progar. One key element that has made this possible has been UPMC Health Plan's commitment to having full-time staff dedicated to managing this work, which includes building and maintaining those relationships as well as the planning, finance, and advocacy that result in housing units.

That approach has already benefited and strengthened its partners and the local housing ecosystem. Bridgeway Capital holds a significant portfolio of loans to small business, nonprofit, commercial real estate, and healthy food access efforts initiated by people of color and is now a notable player in the region's affordable housing sphere. Bridgeway's solid relationship with UPMC Health Plan will serve both organizations as they continue their work in the future. And its connection to the health plan led to investments from national-level funders like the Kresge Foundation—creating a track record that will help it raise funds in the future. Among other activities, the lender was empowered to apply for roughly \$2.5 million in funding from the federal Capital Magnet Fund, which would have been unlikely without the experience it gained working with UPMC Health Plan and the other partners. The award is still pending.

The Preservation Working Group will also continue its efforts. The group is now housed at Neighborhood Allies, whose leader is confident it will continue to grow in size and influence. Thanks to UPMC Health Plan's resources, leverage, and attention, the group is well positioned to continue to address the need for more affordable housing in Pittsburgh.

Other Resources

- [Accelerating Investments for Healthy Communities: Nationwide Children's Hospital Case Study](#)
- [Improving Community Health by Strengthening Community Investment: Roles for Hospitals and Health Institutions](#)
- [Investing in Community Health: A Toolkit for Hospitals](#)
- [Resource Guide for Health Systems Investing Upstream](#)
- [Videos: Insights into Successful Health Institution Community Investment](#)
- [Why Pioneering Health Institutions are Investing Upstream to Improve Community Health](#)

Thank you to all the UPMC Health Plan staff and partners who contributed to this exciting work and helped with this case study.

About the Center for Community Investment

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. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and the California Endowment.

For more resources, visit centerforcommunityinvestment.org/resources.

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