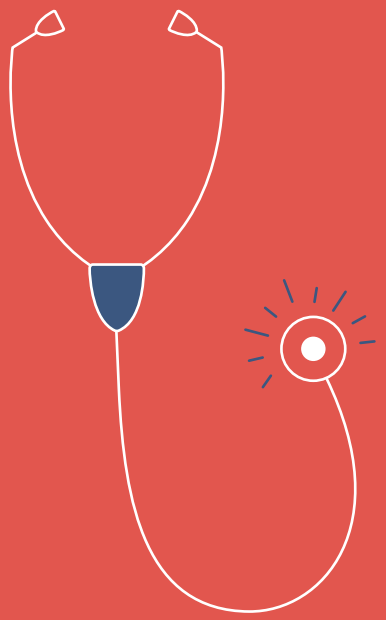
UPSTREAM ALL THE WAY

Why Pioneering Health Institutions are Investing Upstream to Improve Community Health



For generations, hospitals have cared for people who are sick. Today, as we have come to understand the importance of **social determinants** in shaping health outcomes, hospitals are increasingly redefining their business from providing health care to ensuring the health of the communities they serve. Some are stepping outside the walls of their institutions and reducing barriers to accessing care by providing medical services in locations such as school-based clinics. Some are screening for social determinants during patient visits to understand how the availability of housing, transportation, education, healthy foods, and safe places to play create opportunities and/or challenges to better health.

Others are thinking even bigger and investing in their communities to improve health outcomes by financing small businesses, affordable housing, grocery stores, and other environmental drivers of wellness. By doing so, we have found, health systems can benefit not only their communities, but themselves.

The Social Determinants of Health

The social determinants of health are the social, economic, and physical conditions where people live, work, play and age. A well-established body of research illustrates that these factors significantly impact how well and how long people live.

To learn more, visit:
www.cdc.gov/socialdeterminants

Center for Community Investment

LINCOLN INSTITUTE OF LAND POLICY

The Center for Community Investment (CCI) is supporting hospitals and health systems at the leading edge of community investment practice in deepening investment in the social determinants, with an emphasis on affordable housing.

The Community Investment System

Community investment is not a new phenomenon. For decades, the community and economic development sectors have invested in the social determinants by creating and preserving affordable homes and financing homeownership, small businesses, fresh food outlets, and other assets that promote health, as well as social and economic prosperity in places that have experienced a history of disinvestment from decades of structural racism. The community investment field includes community development financial institutions (CDFIs), community development corporations (CDCs), mission-driven investors, banks, community leaders, foundations, developers, and public officials. Each of these stakeholders plays a critical role in the system, assessing community needs and priorities, identifying or creating deals and projects to address them, and shaping the environment in which these investments occur.

To learn more, read our capital absorption framework briefs at: www.centerforcommunityinvestment.org/resources

Working with six leading non-profit hospital systems participating in an initiative called Accelerating Investments for Healthy Communities (AIHC), we have learned a lot about what motivates their investments and supports their success.

Some observers believe that health institutions are solely motivated by economic drivers. According to this argument, health institutions will invest only in projects that meet narrowly defined targets for return on investment (ROI). These observers tend to believe that hospitals are interested only, or primarily, in approaches that target high-need, high-cost populations (e.g. chronically ill homeless people) and prefer to fund services rather than invest in long-term solutions like affordable homes.

However, AIHC participants have shown us that this is not the case.

Participants in AIHC

Health systems selected to participate in AIHC demonstrated substantial commitment to harnessing their assets to invest in affordable housing in their communities. They include:

Bon Secours Mercy Health System
- Baltimore, MD
- Cincinnati, OH

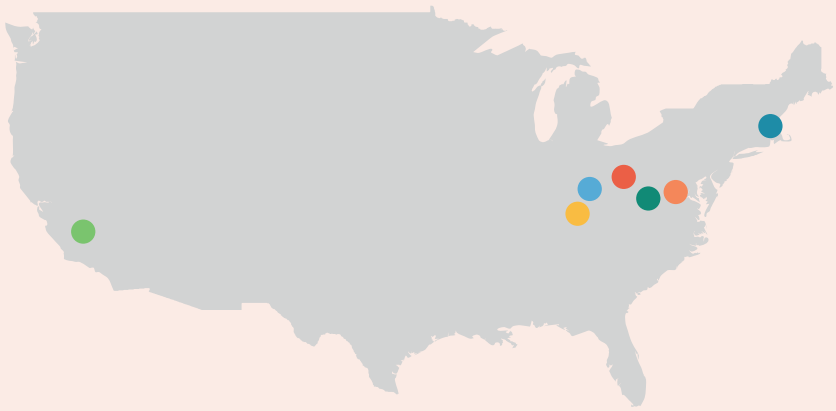
Boston Medical Center
- Boston, MA

Dignity Health
- San Bernardino, CA

Kaiser Permanente
- Prince George's and Montgomery Counties, MD

Nationwide Children's Hospital
- Columbus, OH

UPMC
- Pittsburgh, PA



For more information on AIHC, visit **www.centerforcommunityinvestment.org/aihc** or read the American Hospital Association's Issue Brief *Making the Case for Hospitals to Invest in Housing*.

We have found that hospitals and health systems are motivated to invest upstream by a variety of factors. Those whose primary motivation is population health, i.e. health outcomes for patients or plan members, may indeed be more likely to emphasize investment in transitional or supportive housing to reduce the health costs of certain individuals. However, there are also institutions that are taking a broader, more community-centered view. While they certainly care about their high utilizers and ROI, these institutions seem to consider benefits beyond short-term economic returns, tap more institutional assets, and invest in the social determinants in ways that benefit the wider community (e.g. investing in a city-wide housing trust fund). **These institutions view upstream investments as ways to advance their mission, enhance their reputation and competitiveness, strengthen community relationships, meet their obligations to the community, and leverage their assets to move strategically towards a future focused more on value than on volume.** When these institutions consider the economic value of their investments, they look not only at the interest rate on a given loan or the savings on patient care, but also the harder-to-measure benefits of reduced employee turnover, greater competitiveness, and institutional standing.

This brief, the first in a series on what we are seeing in AIHC, highlights some of the lessons we are learning about the motivations that drive health institutions to invest upstream in the determinants of health in their communities.

MOTIVATIONS FOR INVESTING UPSTREAM

Hospitals and health systems have harnessed their resources to strengthen the social determinants of health for a variety of reasons. Participants in AIHC have shared that investing in the community serves their mission, strengthens their institutions, and fulfills their obligations, while also deploying their assets in a strategic and financially sensible way.

MISSION

The healthcare industry is in a moment of transition. Although hospitals and health systems all have missions dedicated to improving health, the definition of what this means in practice is changing. Institutions that are adopting a community investment approach tend to have a more expansive view of health and what it takes to produce it than institutions that define their mission primarily as providing clinical services. Given the research on social determinants that points to the importance for health of stable, healthy, and affordable homes in safe neighborhoods, these institutions view community investment as a key tool for advancing their mission; for such institutions, the question is not whether to invest, but how much and where.

Some mission-driven health institutions view housing not only as a way to bolster community health, but also as a basic human right. Through AIHC, we have seen such institutions use their influence to promote city-wide policies that protect tenants; establish funding sources to subsidize housing for people with low incomes and promote homeownership; serve as housing developers and provide gap financing for housing deals, and even consider using their land for affordable housing, grocery stores and other amenities their neighborhoods need. While their patients and employees may or may not directly benefit, they are motivated by the fact that the community at large will be healthier because of their efforts.

INSTITUTIONAL STRENGTH

When we frame community investment only in terms of its benefit to the community, we lose the opportunity to show how it can also directly benefit hospital systems themselves. As we have learned through AIHC, hospitals find it in their interest to invest upstream for the following reasons:

Reputation: Hospitals and health systems seek to be recognized as innovators and field leaders. As awareness grows of the central role that social determinants play in community health outcomes, hospitals that move assets upstream have an opportunity to demonstrate boldness and attract attention from foundations, donors, and government agencies. In addition, investing in the community can help health systems enhance their standing with their neighbors.

Competitiveness: Hospital and health system employees want to live, work, and play in healthy communities. Investing in the production and preservation of affordable homes in surrounding neighborhoods can help attract and retain both staff and patients. In addition, some government payers and other sources of important contracts for health systems have begun to ask about the role that health systems are playing in their communities in requests for proposals. Investing upstream demonstrates a system's commitment to the community and can help win competitive bids.

Regulatory compliance: Because of their tax-exempt status, non-profit hospitals have a legal obligation to serve their communities. This obligation, called community benefit, can be satisfied in numerous ways. In some cases, state regulators may require hospitals to invest a set amount in community benefit as a condition of receiving approval for mergers or Determination of Need approvals for new facilities. By choosing to meet these requirements through investment, health systems can leverage their resources to attract capital from other sources, such as banks and financial institutions, to the projects they are financing.

Relationships: Health systems depend on the public sector for a variety of important approvals, from new facilities to zoning variances to service expansions and mergers. Investing in projects that are prioritized by elected officials and the community is an excellent way for hospitals to build strong relationships and goodwill. A history of behaving as a responsible civic actor builds credibility and political capital, which can help health systems win the support they need when decisions affecting them are on the line.

Strategy: Although the shift from volume to value in payment and reimbursement models is still nascent, some institutions are choosing to "skate where the puck is going." They want to be at the cutting edge of innovation for health care reform, and investments in affordable housing and other upstream determinants can help health institutions gain experience in what it takes to deliver better community health outcomes while also deploying capital in ways that generate financial returns and the potential for savings.

MAKING THE CASE

We have found that just as there are multiple motivations for health institutions to invest upstream, there often are multiple motivations within the same institution. These multiple motivations can be harnessed to generate greater enthusiasm and energy for community investment, increasing the scale and potential of these investments to have an impact on community health. AIHC teams have included staff from different departments within health institutions. The following section summarizes what we have seen motivates these different stakeholders, as well as the contributions they can make to advancing community investment when they are engaged.

Community benefit staff: Often the first health system people to consider upstream interventions, community benefit staff understand the need for their institutions to comply with regulatory obligations. They tend to manage grant budgets and the process of completing periodic Community Health Needs Assessments, which are required under the Affordable Care Act. They often have existing relationships with community organizations.

Community or population health directors: Some health systems have defined a position, usually held by a physician, with responsibility for health outcomes for the community as a whole, or for patients and plan members. Although these staff members tend not to be schooled in the details of community investment, they understand the importance of the social determinants of health and they are motivated to seek interventions that improve outcomes and enhance wellness. Their voice in influencing policy and practice, both inside the institution and with policymakers, tends to carry great weight. We have found great interest among this group in data that demonstrates linkages between community investment and community health.

Health plan executives: Many health systems have taken on capitated risk for certain populations through managed care arrangements. The executives with responsibility for these plans tend to be motivated by finding ways to improve health outcomes for this defined population while reducing costs of care. Avoiding emergency room visits, repeat hospitalizations, and the need for nursing home care tend to be strong motivators for this group. They are interested in building organizational muscle around social determinants of health and tend to have access to substantial resources like plan reserves for investment.

Finance/investment/treasury staff: Financial stakeholders tend to be motivated by the opportunity to reduce or avoid costs, generate returns from investments without undue risk, and leverage spending with resources that come from outside the hospital system. Financial executives are familiar with capital stacks and other ways to bring together investors with different risk/return expectations. We have found that finance department executives tend to get excited about the potential to improve health through using hospital balance sheets to make guarantees or investments rather than simply spending on social determinants.

Government/community relations staff: This group tends to have its finger on the pulse of the institution's external reputation, and is motivated by the opportunity to build or strengthen important relationships and political capital with key actors such as elected officials, policymakers, and civic leaders. They may have the keenest sense of the priorities that are near and dear to these actors, and they can offer good advice on how health institutions can influence policies and practices that set the stage of investments in affordable housing and other social determinants.

Real estate/facilities executives: This group tends to understand the long-term plans of the health system for facilities and campus expansions and appreciate how upstream investment can facilitate important approvals and zoning variances. These executives are also in a position to make decisions about land use and disposition, and contribute their expertise to community planning for affordable housing development.

Hospital foundation leaders: As the executives responsible for raising funds, these individuals are motivated by the ways upstream investments can advance the hospital's reputation with potential donors. We have seen hospital foundations broaden their charters so that they can attract dollars to invest in improving social determinants.

Deepening and Accelerating Upstream Investments

Once a health system has decided to invest in the social determinants of health, what should it do? Here are a few next steps that have emerged from our work with participants in AIHC. We will explore them more deeply in a future issue brief.

1. **Engage a Cross-Disciplinary Team:** Harness the perspectives of leaders from multiple hospital departments.

2. **Assess the Existing Community Investment Ecosystem:** Work with community stakeholders to clarify local priorities for investment, build a pipeline of investable projects that if realized could address community priorities, and advance policy and system changes.

3. **Don't Limit Thinking to Grants:** Grants from community benefit budgets alone are insufficient to produce the scale of transformation required to address the social determinants. Investment capital, land, and buildings are other assets that can be harnessed to support healthier environments for all.

4. **Forge Partnerships:** Collaboration between health institutions and other community investment stakeholders (e.g. city agencies, banks, CDFIs, etc.) can help health institutions to deploy capital in ways that unlock investment by other private, public, and philanthropic stakeholders.

CONCLUSION

Community investment by hospitals and health systems has the potential both to improve community health and strengthen the health institutions themselves. Understanding that economic drivers are far from the only motivations for community investment, and recognizing the value such investment can bring in terms of service to mission, enhanced competitiveness and reputation, political capital, and strategic positioning can help hospitals and health systems elevate community investment as a cornerstone of the health system's approach. Having health institutions as full partners in the community investment system has the potential to transform lives and neighborhoods in ways that will meaningfully improve community health.

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. We believe that as communities develop better coordinated, more strategic approaches to organizing demand for capital, they will begin to see meaningful social, environmental, and economic improvements.

We provide ideas, training, technical assistance, and coaching to community leaders to help them bring about equitable and sustainable development. We also work to strengthen the ability of communities to attract new investments and to ensure that this capital serves the public good. Our work is supported by the Robert Wood Johnson Foundation, The Kresge Foundation, the John D. and Catherine T. MacArthur Foundation, The California Endowment, and The Annie E. Casey Foundation.

www.centerforcommunityinvestment.org