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Association™**

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*Advancing Health in America*

# **Financing Community Health: Unlocking Investments to Address the Social Determinants of Health**

Tuesday, October 15, 2019

# Agenda

- Introductions & Overview
- Center for Community Investment and Kaiser Permanente
- Audience Q&A

# Save the Date – June 2020!



Association for  
**Community Health  
Improvement™**

## **2020 NATIONAL CONFERENCE**

**June 15 - 17, 2020**

**Hilton Cleveland  
Downtown  
Cleveland, Ohio**



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# Today's Speakers



**Robin Hacke**  
*Executive Director*  
Center for Community  
Investment



**John Vu**  
*Vice President of Strategy,  
Community Benefit,  
Research, and Health Policy*  
Kaiser Permanente

# Poll: Audience

What role most closely resembles your own?

- a) Community Benefit
- b) Population Health
- c) Community Health
- d) Community and Government Relations
- e) Clinician
- f) Philanthropy
- g) Academic/Researcher/Evaluation
- h) Public Agency Staff
- i) Consultant
- j) Nonprofit Partner
- k) Other

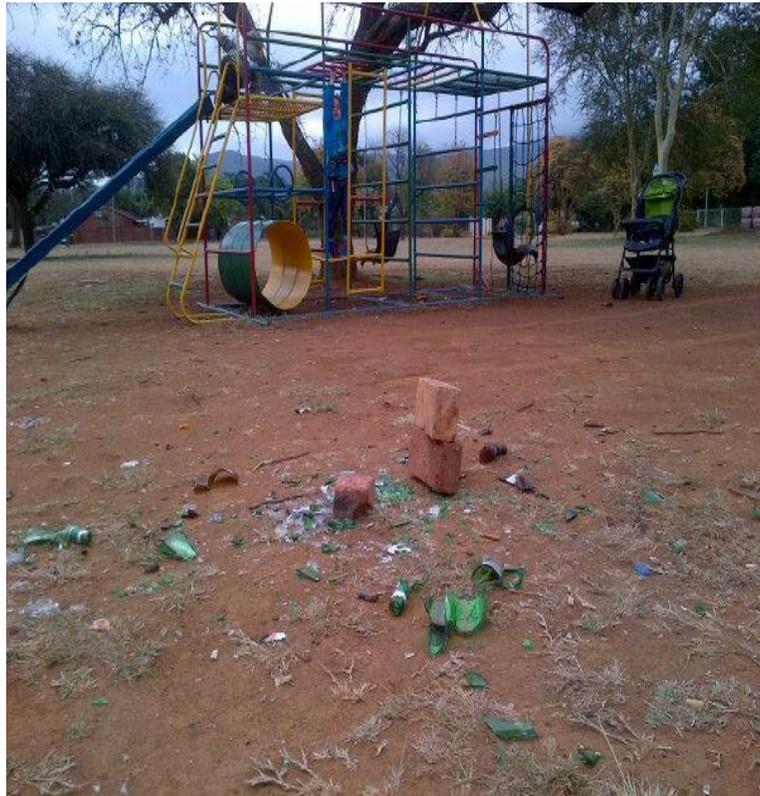
# We Invite Your Questions

To submit a question, please type your question on the left-hand side of your presentation screen.

# **Harnessing Community Investment to Improve Community Health**

# Place Matters for Health Equity

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Source: Google Images

# Why Investing Upstream Matters

- Communities need access to good jobs, affordable homes, safe places to gather and play, healthy food options, and opportunities to shape the decisions that affect them
- Decades of structural racism and disinvestment have resulted in places of concentrated poverty and significant health inequity
- **The well-being of our communities is tied to how we invest in them**
- Investments in the conventional financing system take the path of least resistance and seek to maximize return
- Community investment transactions are **double bottom line investments**: they improve social, economic, and environmental conditions in disadvantaged communities, while producing some economic return for investors



# Assets Hospitals and Health Systems Can Leverage

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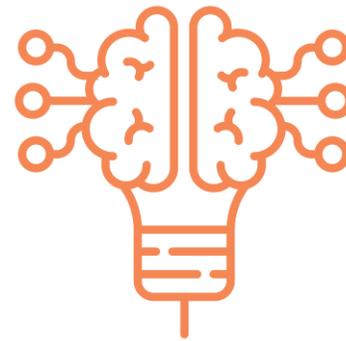
Hospitals and health systems have an array of assets that can be harnessed to create healthier communities through community investment, including:



**Financial  
Resources**



**Land**



**Expertise**



**Relationships**

# Motivations for Investing Upstream

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- **Mission:** Growing recognition that good health depends on many factors besides access to healthcare is leading health systems to intervene in improving the conditions experienced by their patients, plan members, and neighbors. Institutions that invest in their communities tend to define their mission as ensuring health rather than simply providing clinical services.
- **Financial Return on Investment:** Investing in production and preservation of affordable homes can generate economic returns both directly, through interest payments, and indirectly, by reducing unnecessary hospitalizations and lowering the cost of care.
- **Relationships:** Health systems depend on the public sector for 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 helps build strong relationships and goodwill.
- **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 gain experience and be at the cutting edge of innovation for health care reform.
- **Competitiveness:** Investing in neighborhoods near hospital facilities can help attract and retain both staff and patients. In addition, RFPs from some government payers and others have begun to ask about the role that health systems are playing in their communities.
- **Reputation:** Hospitals and health systems seek to be recognized as innovators and field leaders.
- **Regulatory Compliance:** Because of their tax-exempt status, non-profit hospitals have a legal obligation to serve their communities.

# Financing Tools to Leverage Community Investment

# A Note on Finance

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- **Clarifying some terms**

- **Spending:** Payment for goods and services without the expectation that the money will be repaid
- **Investment:** Payment for goods and services that will have value over time, with the expectation of some form of monetary return
- **“Poetic” vs. “Financial” use of the word investment**

- **Why learn about finance?**

- Finance is too consequential to be left to the experts
- Understanding enough to ask the right questions is the way to get greater impact per grant or subsidy dollar
- “An educated consumer is our best customer”

# Using Investment to Achieve Social Ends

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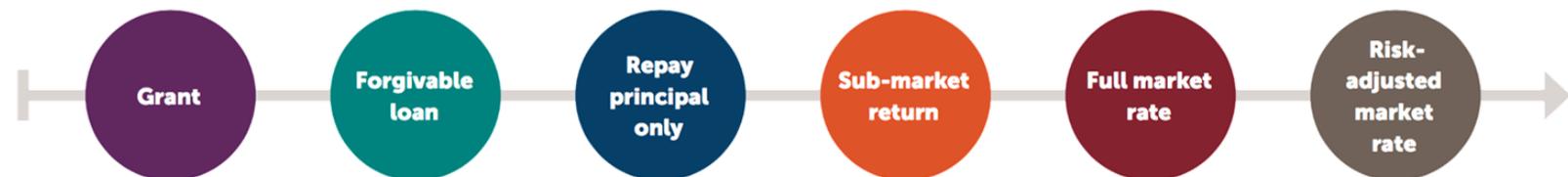
- **The scale of transformation needed can't be achieved through grants alone**
- Tapping investment capital means:
  - More dollars can flow to making the changes we want to see
  - Precious grant dollars can be saved for things that cannot be funded in other ways
  - More strategies can be used to solve the problems we care about

Spending	Investment
Salaries	Buildings
Food banks	Grocery stores
Housing vouchers	Affordable housing units
Workforce training	Loans to small businesses
Transit passes	Transit system buildout
Childcare subsidies	Early childhood centers

# Making Money Flow Uphill

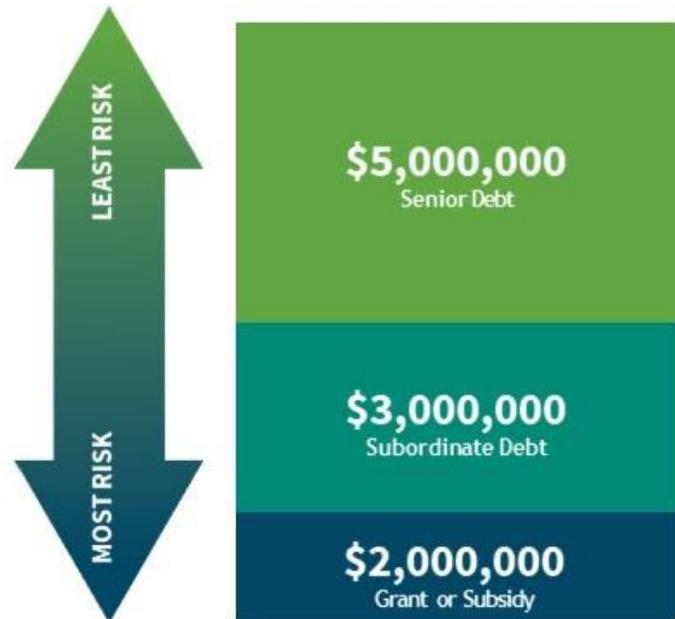
- Conventional financing flows to the easiest and most profitable opportunities—think of it as “rolling downhill”
- Community investment is designed to get capital to underserved communities; it makes money “flow uphill”
- Community investment works by recognizing that different kinds of investors have different risk/return expectations
  - “Finance First” vs. “Impact First”
  - Impact investors may trade off some financial return for the promise of social or environmental returns

## Spectrum of Financial Return



# Capital Stack

A capital stack is a structure that layers together capital from investors with different risk and return expectations to finance a particular project or group of projects.



# Grants Can Pave the Way to Investment

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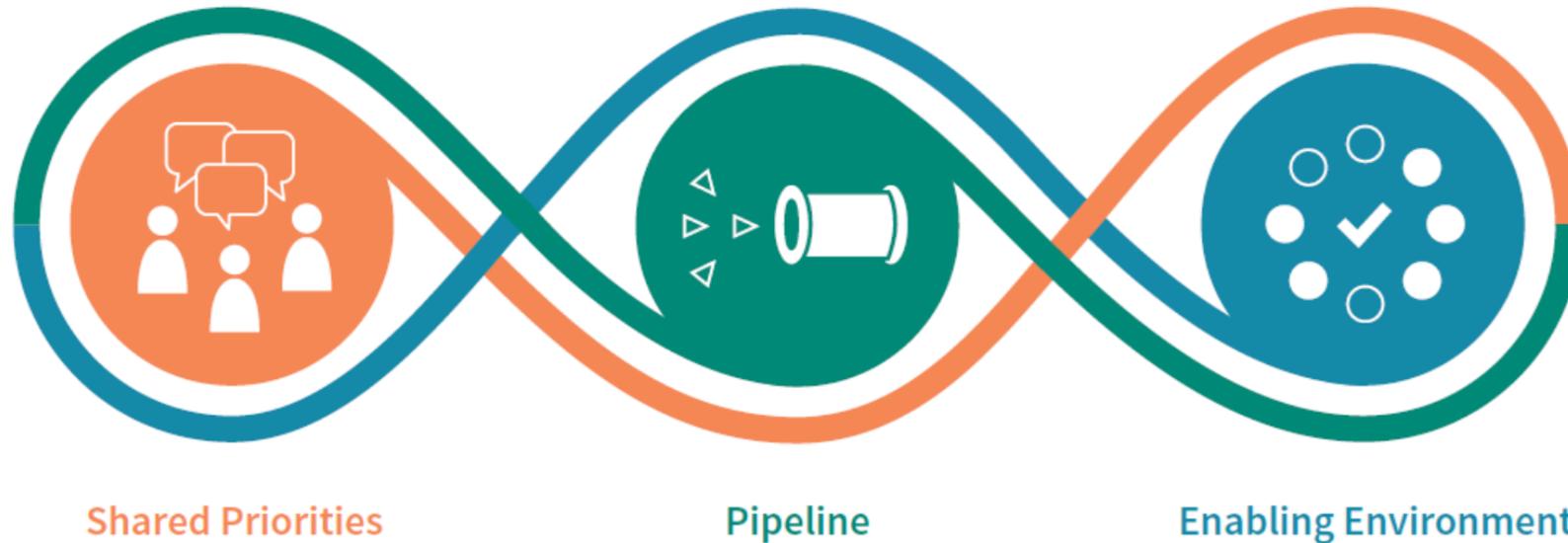
Thoughtful use of grants can lay the groundwork for much larger amounts of investment capital to flow

- Outside the capital stack, pay for:
  - Market/demand studies
  - Inventories of vacant/underutilized properties
  - Business plans for users of capital
- Inside the capital stack, provide:
  - Risk reduction: through loss reserves, subordination, equity for an intermediary like a CDFI
  - Increased return: allow financial investors to achieve their targeted return by reducing the “blended cost of capital”
  - Gap filling: extra dollars that make a transaction feasible

# Making Places Investable: The Capital Absorption Framework

# Strengthening the Community Investment System

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Focusing on the **community investment system**—examining who is or could be involved, pooling resources and batching deals to create efficiencies—can reduce transaction costs and increase the scale and impact of investment

# Shared Priorities

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Ensure there is a shared, community-endorsed vision **broad enough to matter** and **specific enough to shape decisions**.

## Guidelines



1. Legitimate and widely embraced



2. Appropriately specific



3. Straightforward



4. Focused on the system



5. Timely

# Why is a Pipeline Important?

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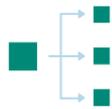
By working on a pipeline of deals, a community can:



1. **See all the potential opportunities**



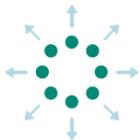
2. **Ensure deals address shared priorities**



3. **Reduce costs and increase efficiencies**



4. **Identify where the system is stuck**



5. **Expand the community investment system**

# Pipeline Development and Execution



## Inspiration

- All deals start with an idea
- Someone identifies an unmet community need that could be addressed through an investment



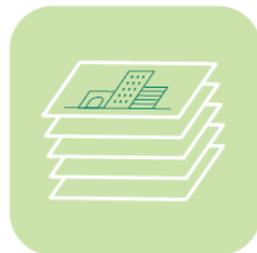
## Spot the opportunity

- Potential user of capital (e.g., a developer) starts to act (e.g., finds a suitable parcel and bids on it)



## Frame the project

- Determine how the resource should be used in the context of the shared priorities



## Package the deal

- Gain site control
- Select key project participants
- Apply for public resources
- Assemble required capital



## Overcome barriers

- Obtain needed zoning variances or other approvals
- Address funding gaps



## Negotiate tradeoffs

- Balance:
- What is feasible and what is desired?
  - Investor demands and community priorities
  - What can be achieved now and what would involve delay?



## Structure & underwrite

- Develop approach that meets investor risk/return expectations
- Finalize terms and conditions
- Obtain investment committee approvals

# Assessing the Enabling Environment

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Six elements shape the context to facilitate realization of the shared priorities:



1. **Influencing and implementing policies and regulations**



2. **Identifying and aligning resources and funding flows**



3. **Ensuring the availability of needed skills and capacities**



4. **Fostering formal and informal relationships**

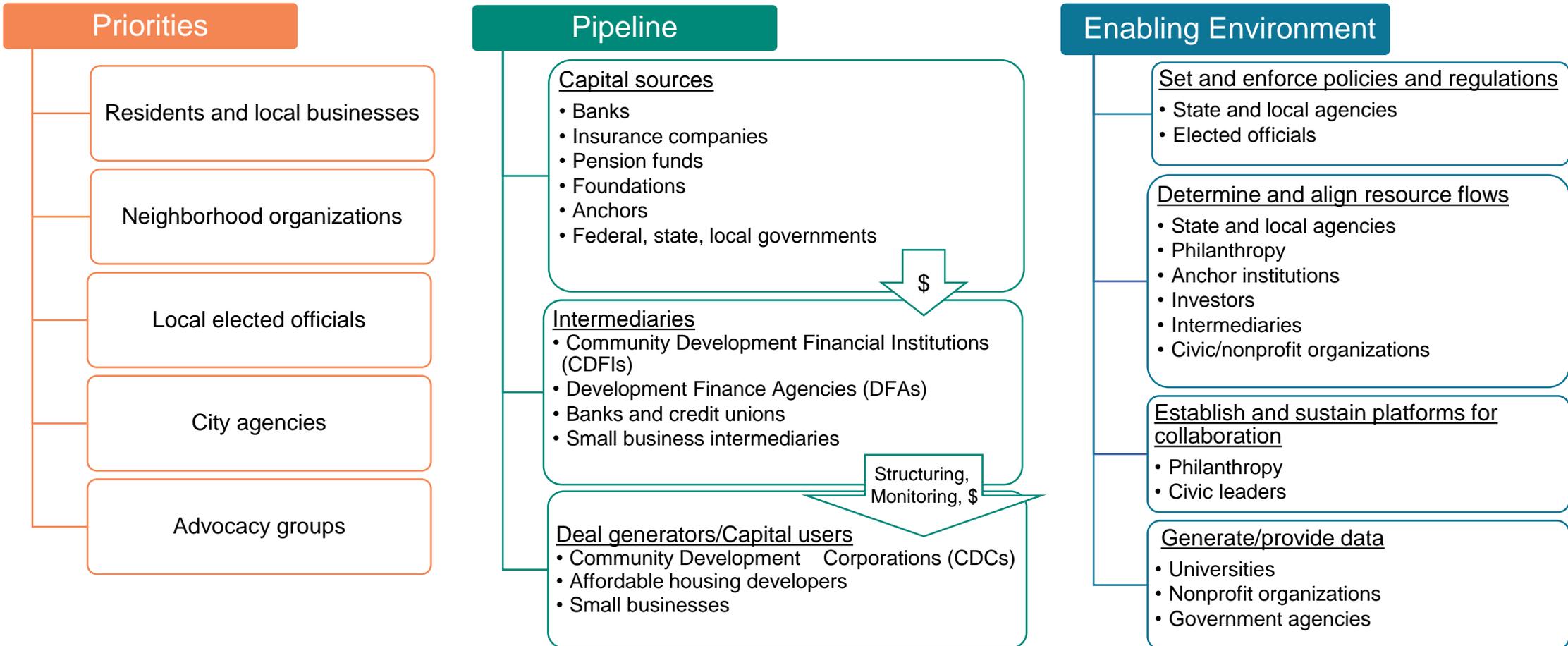


5. **Building forums and platforms for ongoing collaboration**



6. **Generating and providing data**

# Community Investment Actors



# Learning from Accelerating Investments for Healthy Communities

# Participating AIHC Institutions & Focus Regions

 	Baltimore, MD Cincinnati, OH
	Boston, MA (Roxbury & Dorchester neighborhoods)
	San Bernardino, CA
	Prince George's & Montgomery Counties, MD
	Columbus, OH
	Pittsburgh, PA



# AIHC: Goals & Results

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- **Goals:**

- Deepen and accelerate investment by leading health systems in affordable housing
- Help hospitals and health systems harness all their assets to achieve their full potential as actors in the community investment system
- Light the path for other health systems to follow

- **Targeted Results:**

- Build partnerships with a diverse array of stakeholders
- Help communities articulate and achieve their affordable housing priorities
- Identify/develop and execute a pipeline of affordable housing projects that address community priorities
- Improve the enabling environment in which deals and projects take place
- Ensure pipeline and enabling environment efforts advance priorities shared by those most affected by health inequities
- Share experiences to promote progress at the field level

# Roles for Hospitals and Health Systems

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## **Making a difference at a scale requires combining programs with policies, system change and capital investment**

Hospitals and health systems can:

1. **Convene** stakeholders and engage new partners
2. **Make grants strategically** to build community capacity and unlock capital investment from sources such as foundations and banks
3. **Invest directly or through intermediaries** in deals, projects or enterprises that advance community priorities
4. **Use excess land** strategically to advance community priorities
5. **Contribute to advocacy efforts** related to social determinants
6. **Create demand** by:
  - a. Making real estate developments financially feasible through master leases, guarantees, or strategic off-campus location of offices and facilities
  - b. Targeting purchasing to local businesses (“buy local”)
  - c. Strengthening residential neighborhoods through “live local” incentives for employees

# What It Takes for Health Systems to Invest Upstream Successfully

Upstream investment by health systems requires not only action by systems themselves, but also the existence (or creation) of threshold conditions in the community



## Health System

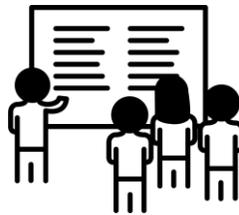
**Champion:** Respected leader takes on the issue

**Leadership buy-in:** Institutional leadership (board, CEO) recognizes value and authorizes staffing and resources

**Goals:** System formulates coherent enough goals to explore/prioritize options

**Partners:** System identifies and builds trust with partners that can develop, finance and manage deals that advance impact and avoid unintended consequences

**Capacity:** Health system needs capacity to review/act on investments



## Community

**Shared priorities:** Channels for expression of community voice exist

**Pipeline:** Investable deals already exist or health system helps to create initial batch

**Platform:** Stakeholders advocate for supportive policies and practices, including funding sources

# Moving to Action: Questions to Consider

Successful health system investment in affordable housing requires not only action by health institutions, but also the existence (or creation) of threshold conditions in the community.

Internal Assessment	External Assessment
<p><b>Roles</b></p> <ul style="list-style-type: none"> <li>• What roles (convening, grant-making, investing, advocacy, creating demand) is my institution already playing?</li> <li>• What else could we do?</li> </ul>	<p><b>Shared Priorities</b></p> <ul style="list-style-type: none"> <li>• What are the community's priorities?</li> <li>• Which stakeholders need to be involved for the defined priorities to be authentic?</li> <li>• What has already been done? What remains to be done?</li> </ul>
<p><b>Assets</b></p> <ul style="list-style-type: none"> <li>• What types of assets are we already deploying to improve community conditions and health?</li> <li>• What other assets might we harness?</li> </ul>	<p><b>Pipeline</b></p> <ul style="list-style-type: none"> <li>• What deals and projects in process now would advance the shared priorities?</li> <li>• What are the strengths and gaps in that pipeline?</li> </ul>
<p><b>Cross-Disciplinary Teams</b></p> <ul style="list-style-type: none"> <li>• Who in my institution could contribute important resources and perspectives to a steering committee on upstream investment?</li> </ul>	<p><b>Enabling Environment</b></p> <ul style="list-style-type: none"> <li>• What are the key policies, funding flows, skills and capacities, relationships, and platforms that support achievement of the priorities?</li> </ul>
<p><b>Leverage</b></p> <ul style="list-style-type: none"> <li>• To what extent are our resources unlocking investment by others?</li> <li>• How might we attract additional investment and from whom?</li> </ul>	
<p><b>Partners</b></p> <ul style="list-style-type: none"> <li>• Who are our most important existing/potential allies?</li> </ul>	

# **A Case from the Field: KAISER PERMANENTE**

# Kaiser Permanente Mission

*To provide high quality, affordable health care and to improve the health of our members and the communities we serve.*

22K +  
physicians  
deliver high-quality  
care to  
Kaiser Permanente  
members



12.2M  
people  
get care + coverage  
from Kaiser Permanente

  
~\$80B  
revenue



  
217K +  
employees  
improving the health  
of people + communities

  
41  
Hospitals  
+  
  
690  
medical offices

58K +  
nurses  
are at the center  
of our care



# Going Beyond Community Benefit

## Kaiser Permanente Healthy Communities Investment Strategy



Investments in affordable housing  
production and preservation



Investments in economic and  
social needs

# Making the Commitment

HOME / CIVIC / HEALTHIEST COMMUNITIES

## Kaiser Permanente to Focus on Housing, Homelessness With \$200M Commitment

Housing stability and health outcomes go hand in hand, company leaders say.



By Katelyn Newman, Staff Writer May 18, 2018, at 9:00 a.m.

A MAJOR HEALTH SYSTEM is funneling funds and joining forces with city mayors in effort to curb homelessness and housing insecurity in the U.S.

Through its Thriving Communities Fund, Kaiser Permanente says it will commit up to \$200 million in [impact investments](#) that aim to address the homeless crisis and other community needs. The organization says its initial focus will be on housing and include working to prevent the displacement of households in rapidly changing communities and making sure affordable homes are environmentally sound.

### RELATED CONTENT



01.15.19 | WORLD CHANGING IDEAS

## This healthcare giant invests millions in affordable housing to keep people healthy

Kaiser Permanente realized that investment in housing is an investment in health, and so it's offering funds to help keep apartment buildings affordable and finding housing for homeless residents.



# Kaiser Permanente *RxHome Fund*

## HealthExec

FOR LEADERS OF PROVIDER INSTITUTIONS

### Kaiser Permanente to invest in housing with \$100M loan fund

*Amy Baxter | January 16, 2019 | Healthcare Economics & Policy*



**PARTNER:**



**\$100m loan fund**

# Housing for Health Fund



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## News and Events

### EBALDC Partners with Kaiser Permanente on Fund for Housing Affordability

JANUARY 2019

EBALDC is proud to announce our partnership with [Kaiser Permanente](#), [Enterprise Community Partners](#), and the City of Oakland on the Housing for Health Fund, a segment of Kaiser Permanente's \$200 million

**PARTNER:**



**Build to \$85M or more**



Center for Community Investment

# Partnership for the Bay's Future



## Partnership for the Bay's Future to Invest Over \$500 Million in Affordable Housing

February 1, 2019 | Member News

The [Partnership for the Bay's Future](#), launched with the support of the San Francisco Foundation, the Chan Zuckerberg Initiative, the Ford Foundation, NH&RA member Local Initiatives Support Corporation (LISC), Facebook, Genentech, Kaiser Permanente, the William and Flora Hewlett Foundation, the David and Lucile Packard Foundation and Silicon Valley Community Foundation, aims to advance the region's future by solving interconnected challenges of housing, transportation and economic opportunity.

It will begin with two funds—the Investment Fund and Policy Fund—to expand and protect the homes of 175,000 households over the next five years and preserve and produce more than 8,000 homes over the

**PARTNER:**



# Systems Level Change

**STREETSENSE MEDIA**  
Real Stories | Real People | Real Change

Street Sense Media uses a range of creative platforms to spotlight solutions to homelessness and empower people in need.

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News // May 30, 2018

## Kaiser Permanente just joined the U.S. Mayors and CEOs coalition and pledged \$200 million for housing security

by [REGINALD BLACK](#)



**PARTNER:**



# Going Deeper: Purple Line Corridor Coalition

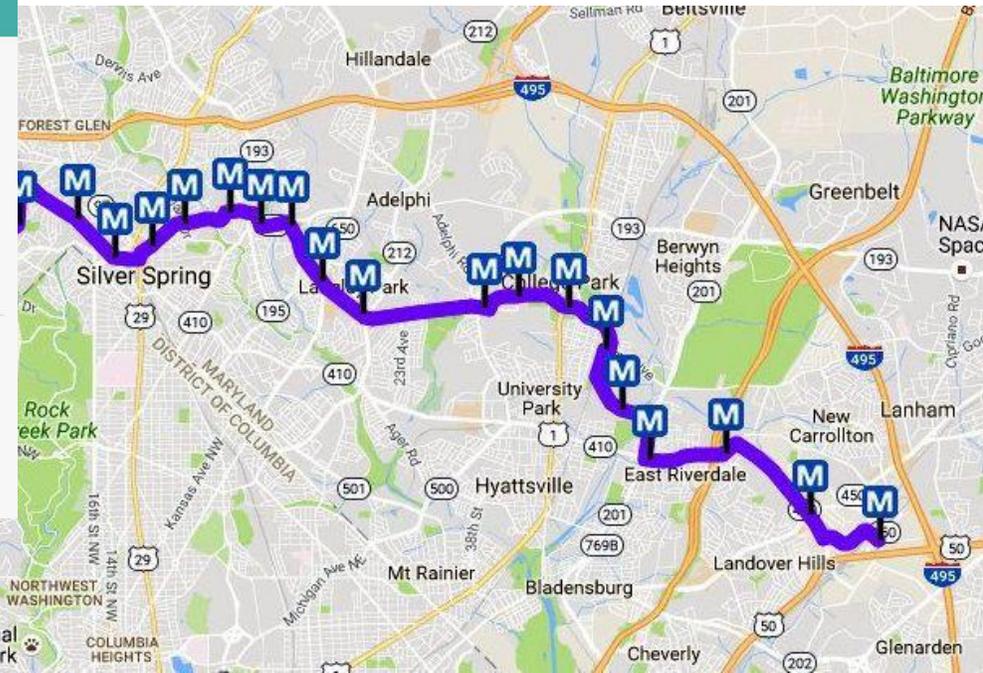


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## Housing

**Housing options near transit provide access to jobs, schools and amenities such as businesses and health care providers.**



Housing opportunities are available for people of all income levels in communities throughout the corridor, especially current low-, middle-income, and transit-dependent residents.



# Going Deeper: Homelessness in Oakland, CA

SAN FRANCISCO  
BUSINESS TIMES

SPECIAL REPORT  
Bay Area tech zeroes in on cancer >

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LEADERSHIP TRUST

## Kaiser Permanente finds homes for 250 homeless as part of housing for health prescription

By Hannah Norman – Reporter, San Francisco Business Times  
Jun 6, 2019, 5:03pm EDT

Victor N. never thought in a million years he'd be homeless. The 54-year-old, Bay Area native had gone to college, served in the military, and had a job working as a clinician in homeless services. Then, his life started to crumble. His job closed down; he was behind on his rent and got served an eviction notice.

While living in his car parked near the highway overpass in Emeryville in the January cold, Victor suffered from a pulmonary embolism. Also staying off pneumonia, he was hospitalized.

**PARTNER:**



***Housing 515 homeless individuals, 50 or older with chronic conditions***



Center for Community Investment

# We Invite Your Questions

To submit a question, please type your question on the left-hand side of your presentation screen.

# Read more about...

emerging lessons from AIHC

- [“Making the Case for Hospitals to Invest in Housing,”](#) May 2019, AHA & NORC.
- [“Why Pioneering Health Institutions are Investing Upstream to Improve Community Health,”](#) July 2019, CCI.

the capital absorption framework...

- [“Community investment: Focusing on the System,”](#) revised March 2018
  - [“Part 1: Defining shared priorities,”](#) January 2019.
  - [“Part 2: Analyzing, building, and executing a pipeline,”](#) January 2019.
  - [“Part 3: Strengthening the enabling environment,”](#) January 2019.

# Additional resources available at...



Association for  
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<https://healthycommunities.org>



## POPULATION HEALTH FRAMEWORK



<https://www.aha.org/center/population-health>

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