State of Connecticut
State Innovation Model
Population Health Council

Meeting Summary
June 28, 2018

Meeting Location: Beacon Health Options, 500 Enterprise Drive, Rocky Hill, CT

Members Present: Rick Brush, Craig Glover, Steve Huleatt (Co-Chair), Susan Walkama (Co-Chair): **Members Participated via Teleconference**: Lisa Honigfeld, Vincent Tufo

Members Absent: Pat Baker, Elizabeth Beaudin, Frederick Browne, Garth Graham, Tekisha D. Everette, Martha Page, Lyn Salsgiver, Hayley Skinner, Elizabeth Torres, Jeanette Weldon, Hyacinth Yennie

Other Attendees: DPH: Mario Garcia, Amy Smart, Trish Torruella; SIM PMO: Faina Dookh, Mark Schaefer; HMA: Deb Zahn, Emma Sinkoff; NFF: Kristin Giantris, Elise Miller; CHEFA: David Wazek, Betty Weintraub

Call to Order: Co-Chair Steve Huleatt called the meeting to order at 3:05 pm; a quorum was present.

Public Comments: There were no public comments.

Co-Chair Steve Huleatt made a motion to approve the May 31, 2018 Population Health Council meeting summary. The meeting summary was approved.

Kristin Giantris, managing director of the **Nonprofit Finance Fund (NFF)** made a presentation about social finance options such as new funds capital, flexible hybrid funds and outcomes-based financing. She talked about NFF's vision. She stated that NFF envisions a world where capital and expertise come together to create a more just and vibrant society. NFF unlocks the potential of mission-driven organizations through tailored investments, strategic advice and accessible insights guided by core values.

Ms. Giantris stated that social finance offers diverse and innovative approaches for securing resources. It is not a silver bullet. To effectively attract and employ social finance, stakeholders should lead with strategy and ensure alignment between the capital source and the project's needs.

Ms. Giantris presented a social finance framework and that such investment mechanisms are intended to generate financial returns to implement or sustain social impact. She continued with her presentation discussing types of new funds or capital such as debt and equity, and tax credits. Debt and equity are loans or investments designed to generate social and/or environmental impact.

Ms. Elise Miller, manager at NFF, talked about **foundation program-related investments**. She stated that program related investments are private foundation investments made to fulfill foundation's charitable purposes. While investments can generate revenues, financial return is not generally the primary purpose. They are typically a loan or loan guarantee with financial return often below market rate. Investment usually counts toward charitable distribution requirements. Funds may come from the foundation grant budget or their endowment. Access is limited by number of foundations offering Program-related Investments (PRIs), staff capacity and need for alignment with foundation's purpose and programs.

Ms. Elise talked about **Community Development Financial Institutions (CDFIs)** and indicated they are private sector financial intermediaries with community development as their primary mission. CDFIs provide loans, investments, and other financial services to underserved low-to moderate income populations and/or markets. Characteristically CDFIs are fund of the US Department of Treasure, must identify a target market, includes loan funds, credit unions, venture funds. Also includes community banks making loans and equity investments to nonprofits, small-to-mid size businesses and individuals. They are generally more flexible than commercial debt.

Ms. Elise continued to talk about Community Investment Act (CRA) and said that includes commercial banks that are local or national financial institutions regulated by the Federal Reserve and/or the Office of the Comptroller of Currency. CRA requires that banks serve the financing and financial service needs of all communities served, including low-to-moderate income communities. CRA was enacted in 1977 following redlining practices, typically limited to larger-size and collateral-backed loans. Loans are made either to CDFIs or directly to nonprofits.

Ms. Elise talked about **high net-worth individuals** that make investments in an issue or organization of choice usually facilitated through wealth advisors. These investors typically look for return range from below market-rate, term can be short, medium or long. New crowd-funding laws and internet banking innovation are opening up opportunities to access more these type of funding.

Ms. Elise then talked about hoe grants provide contributions to generate social and/or environmental impact. She also discussed **hospital's community benefits** options. She stated that hospital's community benefits emerge from a federal requirement established by the Affordable Care Act (ACA) for non-profit hospital to provide community benefits that respond to community needs and allocate funds for this purpose. Nonprofit hospitals are required to conduct a Community Health Needs Assessments (CHNAs) and to develop a health improvement strategy every 3 years. Services and activities must result in specific benefit to the community with outcomes measured by community impact. Grants range from $10,000 - $50,000. On average, 7.5% of tax exempt hospital revenues were spent on community benefit activities in 2012.

Ms. Elise also talked about **philanthropic grants** and said they provide one-time or short-term grant funding originating from a foundation or corporation. They are structured as either unrestricted or restricted and their terms range from a single-year to multi-year. Although grants may be renewable, they need to align with foundation/corporation strategy.

Ms. Elise continued to explain that the **new markets tax credits program** managed by the U.S. Dpt. Of Treasure helps economically-distressed communities attract private capital. Since 2000, CDFI Fund has authorized $54 billion of tax credit authority to attract over $90 million to low income communities and create 1 million jobs. Credits are allocated by CDFI Fund to Community Development entities (CDEs). The projects must be in qualified census tracts and serve targeted population. Investors receive tax credit in exchange for equity investment which typically comprises 25% of the total investment need. The project must identify the remaining 75%. These tax credits are complex to structure and require 1-2 years lead time, significant transaction costs and are best suited for transactions over $5 million. Projects over $10 million require multiple parties, seven year compliance period and reporting requirements. These are best suited for real estate projects. Projects financed in 2017 include manufacturing (24%), health facilities (18%), K-12 education (14%), arts organizations (10%), and children and families (9%).

Next, Ms. Elise discussed **blended funding** which refers to a mechanism where funds are merged from individual sources into one pooled funding stream, and then, allocated toward services without discerning the source or any specific requirements. Funds can come from multiple public or private sources and costs are not necessarily allocated or tracked by individual source. Federal/state/local legislation has opened possibilities to blend funds which delivers flexibility to service providers to organize around outcomes.

Ms. Elise explained that **braided funding** is a mechanism where funds are coordinated from individual sources and allocated toward services, with specific tracking and accountability for each source. Funds can come from multiple public or private sources; Revenues allocated and expenses tracked by funding source; Cost allocation required to assure no duplicate funding of expenses and appropriate admin costs charged to each source; State/local legislation has opened possibilities to braid funds.

Ms. Elie talked about the **wellness trusts pool funding** to support community based population health or prevention activities. Wellness trusts are usually coordinated by a backbone/integrator organization. Funding can come from one or multiple sources. Wellness trusts have been typically funded through taxes, settlement funds, private resources, government funding.

Kristin Giantris talked about opportunities and challenges of **outcomes-based financing approaches**. They are transparent and efficient use of public and philanthropic dollars providing service providers with multi-year contracts and capital. This approach strengthen evaluation of social services and deepen partnerships and cross-sector collaboration. Understanding true costs and capacity is challenging as well as navigating the complexity of evaluation and measurement. Evidence/data is still nascent for certain programs and interventions. Complexity, time and transaction costs of multiple stakeholder involvement can also be challenging.

Ms. Giantris explained that **pay-for-success** is a contracting approach that ties payment for service delivery to the achievement of measureable outcomes. Social Impact Bonds (SIBs) provide financing structure for pay-for-success contracts. The usual approach is dependent on a measurable return on investment. Up front capital is provided by private investors and commonly the areas of interest include criminal justice, homelessness, workforce, youth, health.

Ms. Giantris continued to talk about **Outcome Rate Cards** and stated that these are a contracting tool to standardize outcomes-based payments. Rate cards include a menu of outcomes that government payors seek to achieve with set prices for achievement of each outcome. The projects are not required to show a causal link between outcome and intervention neither advanced evaluations to measure impact are required. A great deal of research is required by government to decide on value of outcome.

Ms. Giantris talked about **capture and reinvest mechanisms** and indicated that savings generated from an intervention can be reutilized the scale the intervention. The initial investment can come from a philanthropy source, taxes, hospital community benefits, etc.. Selected intervention needs evidence of impact by recognizing costs of the status quo and calculating savings based on introduced/changed intervention. Reinvesting savings allows for more self-sustaining program.

Debora Zahn, HMA consultant to SIM, said that central to the HEC financing strategy is developing arrangements with public and private payors, purchasers/employers, the health care sector, and other sectors to capture savings or other economic benefits that accrue to them and reinvest in HECs. Defining the details of the HECs will help identify where savings and other economic benefits will accrue. Financial modeling will show what the magnitude of the opportunity is to reinvest. As examples, HEC planning today may lead to CMS to develop 5-10 year Medicare shared savings arrangement based on prevention benchmarks.

Discussion: Given the local context, what social finance mechanisms are worthwhile to explore further? What challenges would you anticipate in using these mechanisms: Are there other mechanisms for examples you know of?

Deb Zahn asked the council members to provide feedback on the discussion questions above.

Next Meeting Date: July 26, 2018

Meeting adjourned at 5:00 pm.