MAKING THE MOST OF COMMUNITY BENEFIT DOLLARS

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Nearly 300 years ago, when 12 French Ursuline women religious arrived in New Orleans, they observed that poor and very vulnerable people were living in dreadful conditions and that illness plagued the communities around them. Inspired by their faith, the sisters not only cared for those with diseases but also addressed the root causes of poor health such as poverty, contaminated water and overcrowded housing.

The success of the sisters' early work reflects the importance of what today we recognize as the social determinants of health. From investing in community land trusts to developing affordable housing, a mix of health care organizations — Catholic, academic, children's health and safety net — are experimenting with unconventional ways to improve the social, economic and environmental conditions that influence health. The organizations, which include Bon Secours Mercy Health and Dignity Health, have been participating in the "Accelerating Investments for Healthy Communities" program of the Center for Community Investment at the Lincoln Institute of Land Policy in Cambridge, Massachusetts. The Center for Community Investment helps communities work to overcome disinvestment and improve opportunity. The accelerating investments program is designed specifically to help hospitals and health institutions harness their assets and expertise to bring new ideas, resources and capacity to the community investment system.

Community benefit staff play a critical role in this work. Their deep understanding of community needs and assets grounds their institution's strategies for addressing the social determinants of health. They oversee flexible resources dedicated to improving community health that, when deployed strategically, have the potential to unlock and leverage substantial investments from sources such as foundations and banks. They do so by engaging with the community investment system to catalyze projects that meet community needs for affordable housing, fresh food and good jobs.

MAN CANNOT LIVE BY GRANTS ALONE

Grants can pay for all kinds of things — salaries for community health workers, groceries for a food pantry, transit passes to access medical care, housing vouchers. But once that money is spent, it's gone. A limited supply of grants can't support the scale of transformation required to provide healthy environments for everyone.

Investment capital is another source of money for community transformation. That money comes from providers who generally expect to get their money back, often with a return in the form of interest (for loans or bonds), capital gain (for real estate or stock) or savings/avoided costs (with tax credits). Investment capital can be used to finance the infrastructure that contributes to healthy, thriving communities, such as affordable housing, grocery stores, community centers and small business development.

Unfortunately, in communities that have suffered the effects of disinvestment, the transactions that finance interventions can be complex, bringing together multiple investors with different expectations for return, tolerance for risk and goals. Specialized organizations such as community development financial institutions, affordable housing developers and development finance agencies have experience in crafting such transactions, but they often need upfront support to put them together.

Thoughtful use of grants can pave the way for much larger amounts of investment capital to flow. When a community benefit grant pays for a demand study to attract a grocery store operator, an inventory of vacant or underutilized properties to identify sites for affordable housing development, or a community engagement process to prioritize potential uses of publicly owned land, it lays the groundwork for transformative, permanent change.

GRANTS TO BUILD A CAPITAL STACK

Along with laying the groundwork for investments, grants can be used to mobilize investment capital. Investors have different appetites for risk, return and impact. Some investors are motivated primarily by financial considerations. Others, like foundations, may be more motivated by impact. Intermediaries like community development financial institutions know how to bring disparate investor types together in what is called a "capital stack."

To understand a capital stack, think of a layer cake. Each layer gets a different set of financial terms. Financial investors such as banks are at the top of the stack. They usually get repaid first, with whatever money is available, and they may get the highest rate of return, though they do not take the most risk. In the middle might be "program-related investments" from foundations. They agree to be repaid after the banks get their share, and they tend to accept lower rates of return to achieve social benefits. Grants can provide the basis for the whole stack. They can be used to buy down the interest rate on a loan, allowing a financial investor to get the return it needs while reducing the repayment burden to the borrower, or as a guarantee or loss reserve to provide a cushion that reduces risk for financial investors.

Capital stacks can have several important advantages for community benefit efforts. First, they can enable substantial sums of investment to flow to interventions that improve community health. Second, they can help move several projects simultaneously, increasing the efficiency of the community investment system in addressing the needs of the poor and vulnerable. A $10 million community development fund, for instance, might require $2 million of grant money at the base to spark $3 million of program-related investment and $5 million of investment by banks. In this case, the grant money was able to attract four times the capital ($8 million) from other investors. Finally, depending upon how a capital stack is structured, a grant may become available for recycling into future transactions. For example, if the grant is used as a loss reserve, and there aren't any losses, the community development financial institution may be allowed to keep the grant and reuse it in future transactions.

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This work may sound overwhelming, but hospitals don't have to do it alone. Community development financial institutions, foundations and government agencies have a long history of working to drive capital to disadvantaged neighborhoods, and they are ready and willing to help community benefit staff explore how to use grants and other available funds to attract additional resources to improve health. For more than 20 years, Bon Secours Baltimore has partnered with Enterprise Community Partners, a national community development financial institution, to identify public and private partners and assemble the capital structure to finance more than 800 units of affordable housing. Reaching out to a local community development financial institution can be a great first step in understanding how a hospital can align its resources with other capital for greater local impact.

COMBINE GRANTS WITH OTHER ASSETS

In addition to community benefit dollars, hospitals have assets such as land, endowments, pensions and insurance reserves that can be tapped to improve community health. Engaging staff from clinical/community health, finance/treasury, facilities, government relations and health plans in planning and implementing community health activities can help in identifying other assets to be braided and blended with grants.

Community benefit staff already are continuing the legacy of the New Orleans sisters. By mobilizing investment as a "force multiplier," community benefit leaders can effectively steward limited resources to maximize their impact and achieve their mission of improved health and equity in their communities.

For more on the Center for Community Investment program, see http://centerforcommunityinvestment.org/accelerating-investments-healthy-communities.

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