MODULE 3

WORKSHEET
Exploring Financing Structures

OBJECTIVE: Begin to explore and prioritize the financing structure(s) that best fit the capabilities and needs of your partnership or organization.

TIME: Approximately 45 minutes

MATERIALS:
- Printed copy of *A Typology of Potential Financing Structures for Population Health* (print on tabloid 11x17 paper)
- One copy of this worksheet (you might need multiple copies of pages 9 and 10)
- Whiteboard or flip charts (optional)
- Markers (optional)

PARTICIPANTS: Two-to-ten members of your multisector partnership or organization, ideally from the leadership team. If you have more than six people, divide into relatively equal groups to do the exercise.

A Typology of Potential Financing Structures for Population Health recognizes two critical aspects of funding options:

1. where the money comes from (sources); and
2. the process by which the money is acquired.

Combinations of these constitute what we are calling a **financing structure.**

This exercise will help you explore and evaluate various financing structures by considering them in light of one of your interventions or integrative activities (remember, interventions are any of the primary activities that your partnership engages in to advance a strategy, and integrative activities are roles and leadership functions for governing and managing the work happening within and across your partnership). Keep in mind that this worksheet is not meant to be prescriptive for what type of financing structure is best for your current work, but a way to explore the various financing structures and the conditions in which they function.

STEP 1

As a group, agree on an answer to the following question: for purposes of this worksheet, what is one intervention or integrative activity you would like to fund in the next 12-24 months?

This can be anything you are interested in or currently working on. It might be a policy or program, your integrative activities, or it could be something more encompassing, such as a Wellness Fund. Write your agreed upon intervention/activity on a flip chart or whiteboard.

STEP 2

With that intervention/activity in mind, look through the *Typology*. Examine the various financing structures and the conditions in which they function. Select up to three financing structures to explore.

STEP 3

Work through the "Evaluating Possible Financing Structures" exercise on pages 7 and 8 for each financing structure chosen in Step 2. If you have more than one group, include a report out period of up to 15 minutes so the groups can share the results of their deliberations.

STEP 4

For discussion purposes, agree on the single financing structure that seems to be the most viable option to fund the intervention/activity from Step 1. After you pick one structure, discuss the questions below as a group (combine your groups if you have more than one). You may find it helpful to record the group's answers on a whiteboard or flip chart.

- **What conditions are necessary for this financing structure to work in your region (e.g., you would need the business community to champion a new tax)?**
- **What additional information would you need to decide whether or not to greenlight the pursuit of this financing structure? What specific steps could you take to:**
    1. **acquire this information; and**
    2. **move toward an actual decision?**

Still feeling stuck or discouraged?

Dig into the examples in the *Typology* to learn more about how these financing structures are working within real institutions. Remember that this worksheet's purpose is to help you explore various financing structures; it is not prescriptive. Your group can step through the worksheet a number of times with different interventions or activities in mind, to consider a number of financing possibilities.

If, while engaging with the *Typology*, you realize that grants are the only viable option for you now, don't be discouraged. Consider adding financing expertise to your partnership by hiring a new staff member or consultant, recruiting an additional board member(s), or forming an alliance or partnership with an organization, etc. Also, keep in mind that you don't have to pick one structure and stick with it indefinitely. Experience with one structure can lead to other possibilities or add to your skills and capabilities in a way that enables you to pursue other structures.

Finally, try going through Module 1, "How Do You Move the Money Across Sectors and Organizations?" to think through the conditions that enable moving money across sectors or organizations in the region.

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A Typology of Potential Financing Structures for Population Health

What does it take to access these structures?
Which structures have the greatest potential, and in what circumstances?

Print on Tabloid (11x17) Paper.

	Financing Structure	Description	Examples/Mechanisms	Who Decides on Availability and Conditions	Most Suitable Applications	Decision Making Process	Level	Primary Influences on Supply	Why Important	Key Challenges
Temporary or One-Time Funding	Grants	Arrangements that provide funding for specific initiatives and do not need to be repaid	CMS Innovation grants (Medicaid Incentives for the Prevention of Chronic Diseases Model), foundation grants, hospital community benefit grants, prizes or competitions (Aspire Challenge), gap funding for capital projects, and loan loss reserve funds	Foundations*, government agencies, hospitals	Up-front costs, such as development or planning costs, one-time projects or costs	Grantors' internal grant-making policies and practices	Federal, State, Local	Legal requirements for foundations and community benefits, appropriations for government, corporate policy	Can spur innovation by providing funds to items considered too risky for other funders, can leverage other funds	Short-term, grant terms not always consistent with grantees' core work
Funding That Needs To Be Repaid	Bonds	Debt issued as bonds. Investors purchase bonds with expectation they will be repaid over a specified time period at a specified interest rate	General obligation bonds, transportation revenue bonds, sewer bonds, housing revenue bonds, hospital revenue bonds, San Francisco's affordable housing GO bonds	Typically issued by a government/public authority or quasi-public/private authority (e.g., a development finance agency)	Projects with long-term revenue sources (e.g., rental payments, user fees, health care fees) because debt must be repaid	Highly standardized and institutionalized investment protocols	State, Local	Investors' appetites, government willingness to issue, government debt policies, sufficiency of revenues for repayment	Provides capital for interventions in which revenue streams accrue over many years	There must be a revenue source to repay funds. Bonds are rated for risk; the higher the risk, the greater the interest rate
Funding That Needs To Be Repaid	Loans	Through loan agreements, investors fund specific initiatives expecting to be repaid over a specified time period at a specified rate of return	Program-related and mission-related investments (PRIs/MRIs) made by private foundations (Community Memorial Foundation, Kresge Foundation), community development financial institution (CDFI) loans (Community Loan Fund, Equity With a Twist)	Institutions making the loans—typically foundations, government agencies, or CDFIs	Projects with long-term revenue sources (e.g., rental payments, user fees, health care fees) because debt must be repaid	Contractual loan agreements, which may vary by funder	State, Local	Investor appetites, creditworthiness of investment, sufficiency of revenues for repayment	Provides capital for interventions in which revenue streams accrue over many years	There must be a source to repay funds. Contractual terms can differ from funder to funder
Funding That Needs To Be Repaid	Pay-for-Success	Investors fund specific interventions with expectations that the intervention will meet performance specifications, upon which repayment is contingent	Social impact bonds (Goldman Sachs' Chicago early education program), performance contracts (Strong Families Fund), human capital bonds (Pay for Performance Act MN), SIPPRA (the Social Impact Partnerships to Pay for Results Act)	Sponsoring agencies: the nonprofit or government agencies willing to pledge future revenue streams	Projects with 1) a clear ROI—probably a financial ROI, 2) partners willing to channel future budget streams into performance payments, 3) partners willing to forego highly sophisticated measures of success	Negotiated contracts	All governmental levels, as well as private sector	Requires an entity willing to provide upfront capital and take financial risk	Promotes and demonstrates the value of population health interventions, source of financing when there's reluctance or inability to invest through a direct appropriation	Complex, expert transactions that can be time-consuming and very costly to arrange, including measurement and evaluative requirements
Funding That Needs To Be Repaid	Equity Investments	Investors purchase ownership shares in an enterprise expecting the business's earnings and/or assets to grow. Returns accrue to the investor when the ownership share is sold	Venture capital, corporate investing (Healthy Neighborhoods Equity Fund), Opportunity Zones, Dallas Children's Health GoNoodle investment	Individual and institutional investors, boards of directors/CEOs	Business opportunities with potential for financial returns to the investor	Internal investment criteria and/or conditions set by capital markets	Federal, State, Local	Supply and demand, potential for profit, preferential tax treatment	Spurs innovation, access to large sums of capital	Potential to serve low-income communities in absence of tax preferences or regulatory requirements is unclear
Sustainable Financing	Dedicated Public Revenues	Dedicated funds raised through taxes, assessments, public fees, or tax credits	Sugar-sweetened beverage taxes (Berkeley, CA and Philadelphia, PA), proposed tax on guns and ammunition (Seattle, WA), behavioral health tax (Bernalillo County, NM), employer wellness tax credit (MA), community development tax credit (NH), tax increment financing (NE)	Elected officials, voters	Interventions with 1) strong public returns—financial, social, and/or economic, and/or 2) public consensus around the need to address the problem, and/or 3) community champions	Legislative, referenda	Federal, State, Local	Attitudes towards taxes and public spending	Broad-based revenue sources matching the benefit stream of many population health investments, i.e., spread across multiple beneficiaries	Unpopularity of taxes
Sustainable Financing	Earned Income	Money generated from paid work (revenue from sales, fees for services, etc.)	Health information exchange fees, membership fees, contracts for developing community health assessment	Organizations/individuals decide if they wish to purchase given the value they receive in return	When there is demand or a requirement for the service/good on offer (e.g., Health Information Exchange, Community Health Assessment)	Establishing a fair price for the goods/services; this may be negotiated	State, Local	Supply and demand, valuable product for a fair price	Allows multisector partnerships or organizations to capture revenue from the goods/services they create	Establishing a price customers are willing to pay, convincing customers to pay for something previously free or unavailable
Sustainable Financing	Health Care Payment Model	Value-based payments for certain interventions that specify who gets paid, for what, and payment conditions and terms	Medicare Diabetes Prevention Program (DPP), Million Hearts, accountable care organizations (ACOs), chronic care management (CCM)	CMS, state Medicaid agencies, payers, providers, hospitals	Projects that directly reduce health care costs and/or improve health—these typically have some type of clinical component and a short payback period	CMS and/or state Medicaid rules and payers' contractual payment terms	Federal and State Government, Local Payers	CMS requirements, state Medicaid rules, providers' and payers' business models/interests	Payment structures influence shifts in health and cost outcomes, may also create opportunity for reinvestment back into population health	Can require substantial investment, payers/providers may not participate to avoid risk, hard to set incentives right given health system complexity
Sustainable Financing	Institutional Purchasing and Investment	Institutional purchasing, investment, and employment decisions. Notably, anchor institutions (i.e. sizeable universities, hospitals and employers) can significantly impact local social, economic, and environmental conditions	Mayo Clinic (Rochester, MN), Henry Ford Health System, Detroit Medical Center, and Wayne State University (Detroit), Bon Secours Health System (Baltimore), Kaiser Permanente	Individual institutions	Communities with large institutions	Boards of directors/CEOs and internal resource decisions	Local	Existence of large institutions, institutional goals and/or mission	Large institutions (e.g., hospitals, universities, employers) can significantly impact social determinants of health (e.g., local employment, transportation, environment)	Institutions must decide that purchasing and investment to promote health fulfills their mission and/or there is a business case
Sustainable Financing	Mandates	Requirements to provide a service/good, funding may be provided or not	Community Benefits, Community Reinvestment Act, Americans with Disabilities Act	Subjects of mandate pursuant to specifications of mandate	Parties with the capacity to fund and/or act on the mandate, a credible means of enforcing the mandate	Legislative	Federal, State, Local	Specifications of mandate, compliance of implementers	Requires spending to meet specified goals	Unfunded or underfunded mandates create financial burdens
Sustainable Financing	Public Appropriations	Funds are allocated according to impact on health and health costs	Public health (Public Health Emergency Response Accountability Act), lead poisoning prevention programs, tobacco prevention programs	Government officials	Interventions with 1) clear positive impact on public welfare and/or public spending, and/or 2) a compelling public purpose shared by policy makers	Legislative appropriations and internal management decisions	Federal, State, Local	The number eligible for services (e.g., Medicaid, K-12 education), budget protocols, interest of public officials, public opinion, and competing budget priorities	Opportunity to align public investment across sectors and away from treating costly problems to preventing them	Understanding impact of alternative investments and opportunity costs, buy-in from siloed agencies can be difficult
Sustainable Financing	Reinvestment	Using savings from health care or other government services (and/or excess revenues) as a source for upstream and downstream investments	Delivery System Reform Incentive Payment Program (NY), Hennepin Health ACO (MN), PacificSource coordinated care organizations (OR), Wraparound Milwaukee (MN), justice system reinvestment	Payers, providers, purchasers, government officials	Situations in which 1) savings are produced and readily measured, or 2) the reinvested amounts are not cost savings, but a more easily determined amount such as profit margin	Contract negotiation, board decision making, federal requirements	All governmental levels, as well as private sector	Provider and payer business models/interests, state Medicaid rules, CMS pilot program terms	Health care savings and other expenses such as criminal justice are potentially a significant source of sustainable funding	"Savings" are often projected not cash (e.g., costs rise less than otherwise), measurement can be difficult, as can reaching agreement on savings distribution

** Foundation grants typically are not long term and thus not considered sustainable, however, foundations occasionally will make long-term commitments to specific institutions.*

CMS = Centers for Medicare & Medicaid Services

Evaluating Possible Financing Structures

Type of Financing Structure: ____

How developed are your multisector partnership or organization's relationships with the decision makers for this financing structure?
(1-No relationships at all; 5-Very developed relationships)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

How familiar is your multisector partnership or organization with the decision-making processes for this financing structure?
(1-Not at all; 5-Extremely familiar)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

To what extent does your multisector partnership or organization have the technical skills needed for success with this financing structure and/or how readily are these skills acquired?
(1-No technical skills; 5-Advanced technical skills)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

How does the likely lead time for acquiring the source of funding match with the timing of your multisector partnership or organization's need for it?
(1-Timing doesn't match at all; 5-Timing matches exactly)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

How well does the likely sustainability of the funding source match with your multisector partnership or organization's needs for funding over time?
(1-Doesn't match with need; 5-Matches exactly)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

Based on your other ratings, how strongly would you recommend that your multisector partnership or organization pursue this particular financing structure?
(1-Not at all; 5- Absolutely)

1 2 3 4 5

Rationale (Jot down some notes on why your group picked this rating.)

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