In Module 3, we briefly explain different types of financing structures, and provide details in A Typology of Potential Financing Structures for Population Health. If you’re still confused about something—or just want to learn more about financing structures—this appendix further explores some structures that often elicit more questions.

Financing structures that need to be repaid include Bonds, Loans, Pay-for-Success, and Equity Investments. When used for the purpose of population health, they can be categorized as “social impact investing.” You can learn more about them in a paper from the California Accountable Communities for Health Initiative (CACHI) and ReThink Health: “The ABCs of Social Impact Investing.” The paper goes into more detail about those financing structures, along with possible options for social impact investing, such as Program-Related and Mission-Related Investments, Community Development Loans, Mini-Bonds, and Opportunity Zones.

Dedicated public revenues include dedicated taxes, tax expenditures (i.e., tax breaks), and fees. These revenue sources differ from general taxes, like property taxes and income taxes, which are collected and distributed through a public appropriation (or budgeting) process because they are levied for specific purposes. State and local governments with dedicated public revenues include:

- Bernalillo County in New Mexico has approved a behavioral health tax, yielding $20 million annually.
- When new medical facilities are built in Massachusetts, a fee equal to five percent of the development cost is levied, and distributed to local integrator organizations.
- Massachusetts also provides homeowners with a lead paint abatement tax credit.
- Voters in Philadelphia and Berkeley have approved sugary beverage taxes.
- Maryland offers tax credits for health care professionals who move to underserved areas.
- In Oregon, King County’s Best Starts for Kids intervention is funded by a $65 million a year property tax levy.

Earned income is money generated from paid work. A multisector partnership or organization may offer services or products that others want to purchase, such as serving as a fiscal agent, or preparing a community needs assessment. Trenton Health Team, a multisector partnership, receives membership fees from health practitioners for use of its Health Information Exchange. The Health Improvement Partnership of Santa Cruz County earns income from adhering to a set contract to provide services, such as continuing medical education programming for providers, in the community.

Health care payment models are payment schemes for health care services. Fee-for-service, bundled payment, and the structure for financing patient-centered medical homes are just a few examples. Increasingly the emphasis is shifting to “value-based payments”—that is, payments that in some way hold providers accountable for the quality and/or cost of the services they provide. In some cases, new payment models provide funding for non-clinical services, such as a diabetes prevention program or community health workers. A focus on value also opens the door to shared savings agreements, like those used by some accountable care organizations.

Institutional purchasing and investing comprises the set of decisions made by institutions regarding their own business decisions that can help—or hurt—the social determinants of health. Do they buy local? Are they environmental stewards? Do they create healthy workplaces? While this applies to any institution in a community, “anchor institutions” are the most notable because of their large size, which shapes the local economy as well as social and environmental conditions. Examples include large corporations, universities, and hospitals. Not just any large institution is an anchor institution. Anchor institutions recognize the impact of their footprint; acknowledge that their decisions have consequences in the community; and, accordingly, make investment and spending decisions for the betterment of the community. For example, Kaiser Permanente has invested in a green energy program in California, confident that this investment will help reduce asthma, among other benefits. Kaiser Permanente’s approach is to use its non-clinical assets to improve all aspects of the environment to create and influence health. A Typology of Potential Financing Structures for Population Health in Module 3, page 7 contains links to several excellent resources on anchor institutions.
Mandates are government policies—federal, state, or local—requiring that specific purposes be funded. The notorious “unfunded mandate” provides no funding but nonetheless is quite powerful because it forces the provision of financial resources for a specific purpose. The Americans With Disabilities Act is a great example of just how powerful a mandate can be.

Public appropriations are spending by government agencies for services, goods, or grants. This category of funding sources is especially important for two reasons. First, the primary funding source for the social determinants of health—e.g., affordable housing, public safety, clean environment—has traditionally been the public sector. Second, the combined mix of that spending, a public jurisdiction’s “portfolio,” is of critical importance to population health outcomes, that is, the general well-being of the region. That portfolio might be heavy on emergency services, such as homeless shelters, jails, and child welfare services, or it could focus more heavily on preventive measures that keep those emergencies from occurring in the first place. (Try the Negotiating a Well-Being Portfolio Exercise on the ReThink Health website to learn more about portfolio construction.)

Reinvestment, in the corporate world, is the practice of taking excess revenue, or revenue that exceeds expenses, and placing it back into service in the same enterprise. Amazon is regarded as the poster child for reinvestment, choosing to continuously invest excess revenues in the company to propel growth rather than distribute them as profit.

Within the confines of a single organization such as Amazon, the process by which reinvestment occurs is straightforward because the same decision makers control the spending, reinvestment, and profit-sharing decisions. In comparison, reinvestment can be quite challenging for population health efforts. Generally speaking, to make reinvestment work, there must be protocols for measuring and accounting for savings, means to turn avoided savings into spendable cash, and agreements that distribute the funds. Without standardized models for reinvestment, the political and technical lift to put an agreement in place can be quite heavy.

One reason reinvestment can be challenging for population health efforts is that reinvestment typically involves excess cash; that is, revenues exceed costs, so there is cash available to reinvest. Most health care savings fall into a category known as avoided costs—savings on expenses not yet incurred. In those cases, there is no cash to reinvest—just avoided health care costs, which are harder to measure and capture.

Here’s an example to illustrate avoided costs: imagine your landlord is thinking she’ll need to raise your rent $50 a month. Before she does, she implements a program that reduces water usage in your building, her utility costs go down, and she only has to raise rent by $20. You won’t have more money in your pocket (indeed you have $20 less), you just avoided paying even more (by $30).

Another reinvestment challenge is that, unlike Amazon, which can make its own decisions about how much cash to distribute to shareholders and how much to plow back in the company, in population health we often want to move money from health care toward someplace else, such as a public health or social service agency. That’s politically tough in fragmented, siloed environments.

We know from our own ReThink Health Dynamics Model that reinvestment can turbo boost available funding. For example, savings from clinical interventions can be reinvested in additional interventions that save more money, and those secondary savings are reinvested again to save even more money. Unfortunately, reinvestment remains a financing structure of considerable potential and little practice. One example is found in Central Oregon, where PacificSource remits revenues that exceed a specified margin on its Medicaid contract to a community fund. To date the fund has accumulated $8 million.


https://www.rethinkhealth.org/resources/negotiating-a-well-being-portfolio-exercise/

https://www.rethinkhealth.org/resources-list/dynamic-modeling-strategy/

Matt Guy, email to author, October 4, 2018.