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.

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*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.**

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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.

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**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.

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**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.

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**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.
## 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?

<table>
<thead>
<tr>
<th>Financing Structure</th>
<th>Description</th>
<th>Examples/Mechanisms</th>
<th>Who Decides on Availability &amp; Conditions</th>
<th>Most Suitable Applications</th>
<th>Decision Making Process</th>
<th>Primary Influences on Supply</th>
<th>Why Important</th>
<th>Key Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>Arrangements that provide funding for specific community needs and do not need to be repaid</td>
<td>CMS Innovation grants (Medicaid Innovation Initiative for the Prevention of Chronic Disease); foundation grants, hospital community benefit grants, state programs and grants (such as the Community Health Investment Grants); discount front medical care assistance</td>
<td>Foundations*, government agencies, hospitals</td>
<td>Up-front costs, projects, one-time costs</td>
<td>Governments; internal grant-making policies and practices</td>
<td>Federal, Local</td>
<td>Can spur innovation by providing funds to those considered too risky for other funders; can leverage other funds</td>
<td>Short-term, grant terms not always matched to the higher risk, more complex projects</td>
</tr>
<tr>
<td>Bonds</td>
<td>Debt issued as bonds; investors purchase bonds with expectation they will be repaid over a specified period at a specified interest rate</td>
<td>General obligation bonds, transportation revenue bonds, water bonds, housing revenue bonds, hospital revenue bonds, with or without a purpose</td>
<td>Foundations*, government agencies, hospitals</td>
<td>Projects with long-term revenue sources (e.g., rental payments, user fees, health care fees)</td>
<td>Highly standardized and institutionalized financial products</td>
<td>State, Local</td>
<td>Investors' appetites for innovation; impact to reinvestment streams; financial risk</td>
<td>There must be a way for many bonds to inform the market; the higher the rate, the greater the risk</td>
</tr>
<tr>
<td>Loans</td>
<td>Through loan agreements, investors fund initiatives expecting to be repaid over a specified period at a specified rate of return</td>
<td>Program-related and mission-related investments (PRIME) made by private foundations; Community Reinvestment Financial Institution (COREFI) loans (Community Impact Loan Fund)</td>
<td>Institutions making the loans—typically foundations, government agencies, banks, or foundations in front of a financial agency</td>
<td>Projects with long-term revenue sources (e.g., rental payments, user fees, health care fees)</td>
<td>Contractual loan agreements, which may vary by funder</td>
<td>State, Local</td>
<td>Investors' appetites for investment, sufficiency of revenues for repayment</td>
<td>There must be a way to include many loans and funds in the market; the higher the rate, the higher the risk</td>
</tr>
<tr>
<td>Pay-for-Success</td>
<td>Investors fund specific interventions with expectations that the intervention will meet performance outcomes upon which repayment is contingent</td>
<td>Social impact bonds, Community Reinvestment Loan Fund, Pay-for-Success (PFS) contracts</td>
<td>Nonprofits or other entities willing to pledge future revenue streams</td>
<td>Projects with 1) clear ROI—typically a financial ROI, 2) partners willing to channel future returns into the organization; 3) partners willing to forgo future opportunities, 4) sufficient capacity</td>
<td>Negotiated contracts</td>
<td>All departments; government agencies as well as philanthropic funders</td>
<td>State, Local</td>
<td>Cologne on the interventions, policies and procedures; financial requirements</td>
</tr>
<tr>
<td>Equity Investments</td>
<td>Investors purchase ownership shares in an enterprise, expecting the organization's earnings and/or growth to result in return to the investor when the ownership share is sold</td>
<td>Venture capital, corporate investing in community-based organizations</td>
<td>Individual and institutional investors, boards of directors/CEOs</td>
<td>Internal investment conditions set by capital markets</td>
<td>Supply and demand, potential to negotiate preferential tax treatment</td>
<td>Federal, State</td>
<td>Potential to serve as an investment for communities in times of fiscal preference or regulatory requirements</td>
<td>Unpopularity of new equity investments</td>
</tr>
<tr>
<td>Dedicated Revenues</td>
<td>Money generated from paid work (sales, fees for services, etc.)</td>
<td>Health information exchange fees, membership fees, contracts for developing community health assessment</td>
<td>Organizations/individuals, voters</td>
<td>Interactions with: 1) strong public purchasers, 2) public sector, 3) community champions</td>
<td>Legislation, regulations</td>
<td>State, Local, Private</td>
<td>Supply and demand, salesable product/asset; target price for product/asset</td>
<td>Broad-based revenue streams matching the demand for investments in health and health outcomes, may also have opportunities for reinvestment back to population health</td>
</tr>
<tr>
<td>Health Care Payment Models</td>
<td>Value-based payment models</td>
<td>Medicare Diabetes Prevention Program (MDPP) (Denver Health), PCIP (Oklahoma) (ICH), ACA-driven care management</td>
<td>CMS, state Medicaid agencies, payers, providers, hospitals</td>
<td>Projects that directly reduce health care costs, improve health—usually measured on clinical improvement and a short payback period</td>
<td>CMS and/or state Medicaid rules and payer contractual payment terms</td>
<td>Federal and Local</td>
<td>CMS rules, requirements, policies, providers, business models/interests</td>
<td>Payment structures; significant social determinants of health (e.g., food, transportation, environment)</td>
</tr>
<tr>
<td>Institutional Purchasing and Investment</td>
<td>Institutional purchasing and investment, aimed at reducing costs of healthcare and improving outcomes. Notably, large anchor institutions (e.g., stable universities, hospital systems) can significantly impact local social, economic, and environmental conditions</td>
<td>Medicare Diabetes Prevention Program (MDPP) (Denver Health), PCIP (Oklahoma) (ICH), ACA-driven care management</td>
<td>Individual institutions</td>
<td>Communities with large institutions</td>
<td>Boards of directors/CEDs and internal resource decisions</td>
<td>Local</td>
<td>Existence of large institutions, institutions seeking investment</td>
<td>Institutions must decide that they wish to use the capacity to invest to fulfill their mission and there is a business case</td>
</tr>
<tr>
<td>Mandates</td>
<td>Requirements related to services or good funding may be provided or not</td>
<td>Community Benefit; Community Reinvestment Financial Institution (COREFI) loans (Community Impact Loan Fund)</td>
<td>All parties with the capacity to fund (e.g., the mandates)</td>
<td>Compliance with implementing the mandates</td>
<td>Legislative</td>
<td>Federal, Local, State</td>
<td>Spending, spending to meet the specified goals</td>
<td>Unfunded or unfunded mandates create financial burdens</td>
</tr>
<tr>
<td>Public Appropriations</td>
<td>Funds are allocated through legislation that impact on health and health costs</td>
<td>Public health (Diabetes, Health Insurance Marketplaces, tobacco prevention programs)</td>
<td>Government officials</td>
<td>Interactions with: 1) positive impact on public health; 2) national public policy shared by policy makers</td>
<td>Legislative appropriations and/or management decisions</td>
<td>Federal, State, Local</td>
<td>The number eligible for services (e.g., Medicaid, education), budget constraints, interest of public officials, public policy, competing budget priorities</td>
<td>Opportunity to align public investment across sectors, from reducing costs of siloed health care to promoting health</td>
</tr>
</tbody>
</table>
| Reinvestment         | Using savings from health care and other government sources (e.g., excess revenue) as a source for upstream and downstream benefits | Delivery System Reform Incentive Program (DSRIP), Medicaid Reinvestment Act, Reinvestment Act (OR), Wraparound Milwaukee (MN), justice system reinvestment (MN), Mayo Clinic (Rochester, MN), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon Secours University (Detroit), Bon 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* 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.)