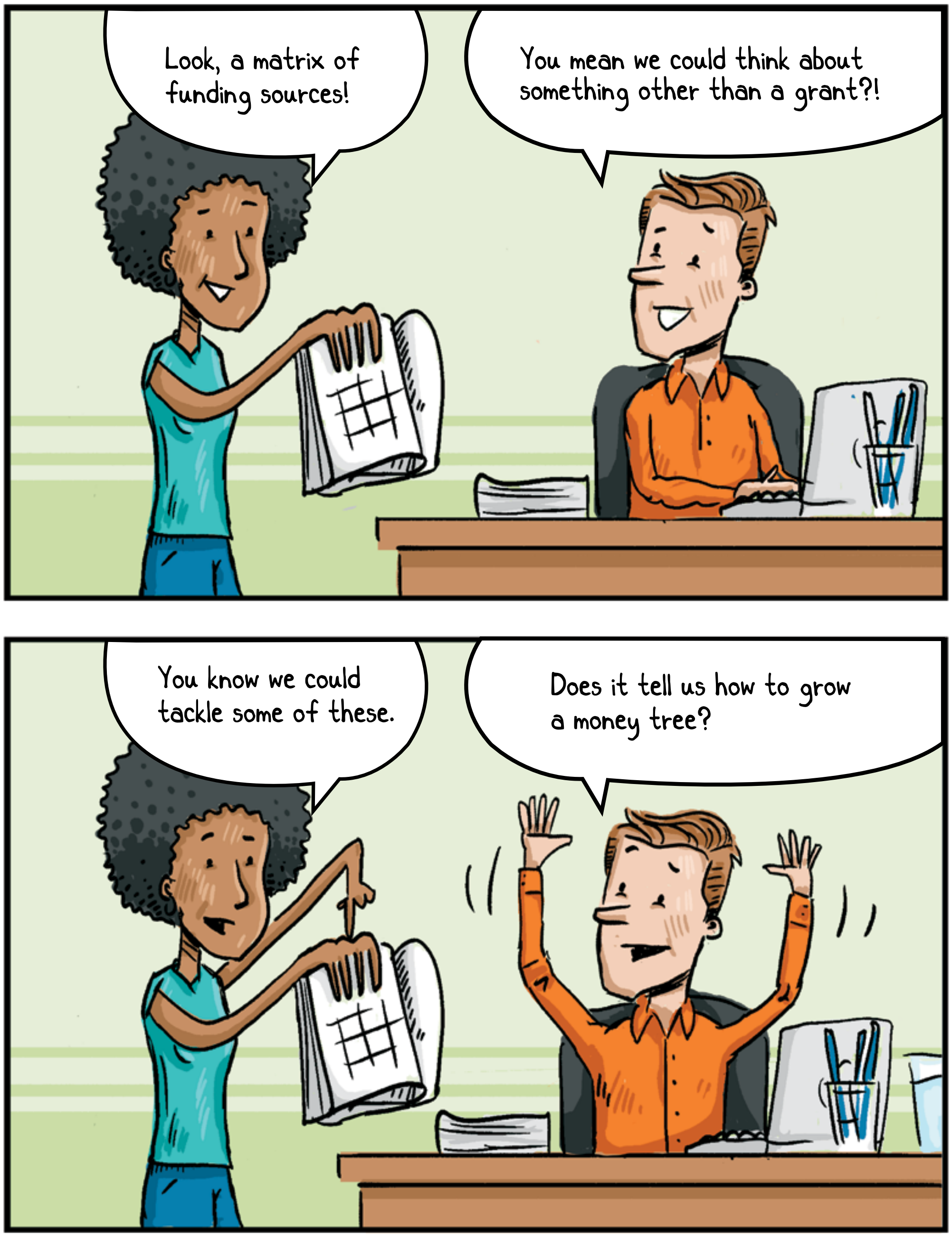
MODULE 3

Where Can You Find Money for Your Work (And How Do You Get It)?



Got grants? Great! Now let's talk about some other funding sources and see which ones are right for your partnership or organization!

ReThink Health®
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BEYOND THE Grant
A Sustainable Financing Workbook
MODULE 3

Where Can You Find Money for Your Work (And How Do You Get It)?

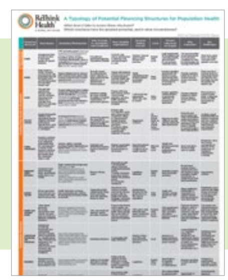
Financing Structures

When talking to folks like you—members of multisector partnerships or organizations—one of the most common questions we hear when it comes to sustainable financing is: "What are the innovative financing mechanisms?" Leaders want to know, for example, about social impact bonds, blending and braiding, and wellness funds.

What do these financing mechanisms have in common?

Answer: as described in Module 1, they are mechanisms, *not sources of funding*. The money does not actually come *from* the mechanism itself. Instead, financing mechanisms are transactional; they are techniques or instruments you can use to pool, distribute, and/or transfer funds. A mortgage is a financing mechanism. A credit card is a financing mechanism. But you need to have some money in the bank when you use them. For example, the sources of money used to repay the credit card might be income from your job or an inheritance—i.e., funding *sources*. So it is unlikely that a focus on mechanisms will end your quest to understand where to find money for population health interventions.

Let's face it. There are no easy, readily accessible sources of sustainable funding. There are no magic shortcuts. But there are a variety of innovative options being used across the country. And there is a way of thinking about these options that can help point you in the right direction. We have summarized these options in *A Typology of Potential Financing Structures for Population Health* shown on page 6.



The *Typology* recognizes two critical aspects of funding options:

1. where the money comes from (sources); and
2. the process by which the money is acquired and/or allocated for the desired purpose (which may or may not involve financing mechanisms).

Together these constitute what we're calling a **financing structure.**

The word "structure" may sound like a catch-all term, but it is appropriate here because it suggests an arrangement, composition, or system of decisions, protocols, procedures, and authorities. In short, there is much more to consider than simply the funding source.

Take a look at the *Typology*, and you'll see that each financing structure has a particular set of decision makers, a particular process for making decisions, and particular constraints. That is, each structure involves a different set of relationships, skills, and conditions to obtain funding. It's a lot to keep in your head—no wonder most multisector partnerships rely on grants!

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The *Typology*

Let's do a quick walk through of the *Typology*. In the two left-hand columns, the financing structures are sorted by their sustainability.

- **Grants** are a great source for one-time needs, like short-term projects or gap funding for a construction project. They can also be used for seed money to start a long-term project, but you must find more sustainable funding sources eventually. Grants can also provide a sort of "bridge funding" to keep you going temporarily while you pursue more sustainable funding opportunities.

- Various types of **loans, bonds, and equity investments** can finance capital projects or provide working capital or start-up funding. However, the critical aspect of all these sources is that you must pay the money back; moreover, investors usually (but not always) expect a financial return on their investments.

- New **health care payment models based on value** can provide funding for non-clinical services, such as The Diabetes Prevention Program or community health workers.

- **Reinvestment** is the practice of taking excess revenue (i.e., revenue that exceeds expenses) and placing it back into the same enterprise and/or the same purpose. Generally speaking, to make reinvestment work, you must have protocols for measuring and accounting for savings, means to turn avoided costs 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.

- **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 appropriations (or budgeting) process (see next bullet) because they are levied for specific purposes.

- **Public appropriations** are spending by government agencies for services, goods, or grants (funds are also appropriated to repay bonds). This category of funding sources is especially important for two reasons. First, the primary funding source for 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.

- **Institutional purchasing and investing** comprises the set of decisions institutions make about their own business 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, such decisions are particularly significant for "anchor organizations" because of their large size and impact on the local economy as well as social and environmental conditions.

- **Mandates** are simply 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.

- **Earned income** is money generated from paid work. A multisector partnershop or organization may offer services or products that others want to purchase, such as serving as a fiscal agent (i.e., performing financial duties on another organization's behalf), or preparing a community needs assessment.

Want to learn more about financing structures? Check out Appendix 3.

> "While more than one revenue source might be available to fund your intervention or integrative activities, it would be a mistake to view the sources as interchangeable.

The *Typology* Can Help You Think About Each Structure

At first glance, the list of financing structures might sound like a rather odd assortment. For example, why are public revenues (such as taxes or tax credits) separate from public appropriations? How is a mandate a financing structure? These questions get to the heart of what the *Typology* is all about. It demonstrates to multisector partnerships and other organizations seeking funding that a great idea is only the *beginning* of the process.

While more than one revenue source might be available to fund your intervention or integrative activities, it would be a mistake to view the sources as interchangeable. Each is shaped by its industry, as well as by institutional goals and business models, norms, practices, protocols, interests, and expectations around accountability for the use of the funds. The "Who Decides on Availability and Conditions," "Decision Making Process," and "Primary Influences on Supply" columns of the *Typology* begin to distinguish some of these differences. They'll help you understand who makes decisions—and by what process—as well as what factors influencing the supply of the funding source. The "Why Important" and "Key Challenges" columns point to benefits and impediments to each financing structure, further illustrating their differences.

As examples, let's look at how some financing structures differ in their level of public involvement. Tax policy typically has a very public-facing process. Dedicated taxes, such as Philadelphia's sugar-sweetened beverages tax, often involve a large public campaign—either to influence a public referendum or a legislative vote. These campaigns build up public expectations around the use of the funds. By contrast, public appropriations are steeped in a mostly inward-facing budgetary process composed of administrative and legislative procedures, lobbying by special interests, and esoteric spending rules such as those concerning entitlements, balanced budget requirements, and fiscal notes.

When you know there is so much more to it, you can see how simply asking "What are the innovative financing mechanisms?" might lead you down the wrong path. It is perhaps more useful to ask, "What relationships, skills, and conditions are our strong suit?" This approach allows you to start cultivating funding sources through your strengths, rather than stretching your capacities. The "Exploring Your System" worksheet on page 4 can help you prioritize possible financing structures by considering how well various structures match up with your existing skills and assets—recognizing that, along the way, you'll build stronger and broader relationships, more financing expertise, and a keener eye for assessing and adapting to prevailing conditions. Over time, you will build the skills and relationships necessary to pursue additional sources.

A note about financing structures for your integrative activities

The *Typology* can help you think through possible funding sources for your integrative activities. There are two ways to fund those activities: directly or indirectly. You could use one or both approaches.

Two Approaches to Funding Integrative Activities	
DIRECT	**INDIRECT**
Revenue is allocated directly to integrative activities; direct revenue is used to fund *only* integrative activities (it does not also offset or pay for an intervention, etc.).	Revenue is allocated as part of a larger initiative in recognition of the value of the integrative activity to the overall effort. This is sometimes referred to as an administrative or overhead charge. This type of arrangement is typically stipulated in a funding agreement between your partnership or organization and the funder.
Example: Membership fees or grants which only finance integrative activities	**Example:** As part of an $800,000 public appropriation, $64,000 (8%) is allocated to offset the costs of integrative activities

WORKSHEET
Exploring Financing Structures

MODULE 3

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

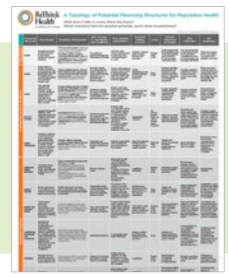
MATERIALS:
- Printed copy of *A Typology of Potential Financing Structures for Population Health* (print on tabloid 11x17 paper)
- One copy of this worksheet (you might need multiple copies of pages 7 and 8)
- Whiteboard or flip charts (optional)
- Markers (optional)

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, 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
	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
	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
	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
	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
	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
	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
	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
	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
	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.)

Learn more at ReThinkHealth.org/FinancingWorkbook and contact us with questions and comments at ThinkWithUs@ReThinkHealth.org.