Health Enhancement Community Initiative

Financing Strategy and Model

Reference Community Webinar
Sep 5, 2018
10:00 – 11:00 AM
Today’s Objectives

1. Provide overview of current design of HEC financing strategy and model

2. Obtain feedback from Reference Communities regarding current design, including implications and feasibility, in order to refine strategy and model

3. Provide sufficient background information so Reference Communities can provide recommendations in their final reports
Agenda

I. Introduction
II. HEC Financing Strategy and Model
III. Discussion
IV. Next Steps
Part I

Introduction

Overview of Health Enhancement Community Initiative
What is a Health Enhancement Community?

- Accountable for reducing the incidence, prevalence, and costs of select health priorities and increasing health equity in a defined geographic area

- Implementing multiple, interrelated, and cross-sector strategies that address the root causes of poor health, health inequity, and preventable costs

- New, collaborative entities organized and operating within a formal governance structure

- Comprise multiple sectors who are necessary to and mutually accountable for achieving defined outcomes

- Continually engage and involve community members and other stakeholders the governance of the HEC and the design, implementation, and evaluation of interventions

- Operate in an economic environment that is sustainable and rewards communities for prevention, health improvement, and the economic value they produce
What prevention aims will HECs seek to achieve?

**Primary Aims Across All HECs**

- **Improve Child Well-being**
- **Increase Healthy Weight and Physical Fitness**

*While these two will be the focus of all HECs, HECs may also select additional priorities.*
How Will Health Equity Be Core to the HEC Initiative?

Propose Embedding Health Equity Throughout HEC Initiative

- Stratified Data
- Interventions
- Measures
- Logic Models
- Supports (e.g., framework, TA, training, etc.)
- Structure (e.g., Statewide HEC Consortium)

Health Equity Definition:

Providing all people with fair opportunities to achieve optimal health and attain their full potential.
What interventions will HECs implement?

- Improve Child Well-Being
  - Programmatic Interventions
  - Systems Interventions
  - Policy Interventions
  - Cultural Norm Interventions

- Increase Healthy Weight and Physical Fitness
  - Programmatic Interventions
  - Systems Interventions
  - Policy Interventions
  - Cultural Norm Interventions
Part II

Financing Model

How will the HECs be supported financially?
Prevention Savings

• Monetizing and delivering prevention savings is at the core of the HEC Model
  o Savings to Medicare and other payers
  o Savings to provider entities
  o Savings to sustain HEC activities
Prevention Benchmarks

Developing Prevention Benchmarks

• HECs will be measured on success with upstream prevention efforts. Examples:
  o Population-level risk scores
  o Condition-specific prevalence trends

• Time horizon of demonstrating impacts of interventions is a central challenge. It affects:
  o Whether payers and funders participate in the HEC model
  o The performance period
Potential Funding Timeline

- **Years 0 to 5**
  - Examples:
    - Philanthropy
    - Braided Funding
    - Wellness Trust

- **Year 5**
  - Capture & Reinvest: Shared Savings tied to Prevention Benchmarks

- **Years 6 to 10**
  - Examples:
    - Philanthropy
    - Braided Funding
    - Wellness Trust

- **Year 10**
  - Capture & Reinvest: Shared Savings tied to Prevention Benchmarks
Medicare Impact Model

- Medicare Impact Model begins by quantifying baseline conditions (without HEC interventions)

- Using the Medicare Public Use File and spending growth projections informed by the CMS Office of the Actuary, we are modeling future Connecticut Medicare spending

- This can be done by statewide, by county/Hospital Referral Region, age group (under 65 and 65+), and by other variables.
Connecticut Medicare FFS Baseline Projections

Connecticut FFS Medicare Expenditures are expected to exceed $11B by 2030

Preliminary Analysis
- Preliminary projections based off of CMS Office of the Actuary national trend projections through 2026, adjusted for Connecticut.

Compound Annual Growth Rate = ~5.4%
Modeling Interventions

• Working from an estimated Medicare baseline trend, the Medicare Impact Model will apply adjustments to future spending estimates based on evidence-based population health interventions identified in collaboration with the Population Health Council.

• Will use evidence base and evolving practice to model assumptions about the degree and nature of impacts on Medicare spending and population health outcomes.

EXAMPLE

• Evidence may suggest a particular population health intervention may ultimately reduce the prevalence of certain disease conditions (e.g., diabetes).

• The financial model will attempt to quantify the impacts over time.
HEC Social Finance Options

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- Generosity of Spirit
HEC Funding Model Assumptions

- Infrastructure is required at both the state-level and HEC-level
  - State-level infrastructure should be implemented first, with local HEC infrastructure ramping up over time

- Funding is needed to pay for both infrastructure (state and local-level) and HEC interventions
  - Requires both revenue and capital

- HEC interventions likely to leverage existing revenue sources (i.e. contracts) first and then seek out new revenue
  - New revenue is likely dependent on demonstrated outcomes

- Medicare savings won’t be captured for at least 5 years; debt financing to bridge savings not realistic in the short-term
HEC Social Finance Options: Sources and Mechanisms

**REVENUE**
regular, ongoing sources of funding to pay for local HEC interventions

- Braided Contracts
- Blended Contracts
- Outcomes Rate Card
- Philanthropy
- Hospital Community Benefit

**CAPITAL**
funding to support HEC development and infrastructure

- Philanthropy
- Hospital Community Benefit
- Foundation PRIs
- CDFIs/Commercial Banks/Hospitals

**MECHANISMS**
approaches to connect and distribute revenue and capital

- Wellness Trust
- Tax Credits
- Loan Fund
Supporting HEC Interventions

**HEC-Level**
- Direct funding
- Funding via a mechanism

**Braided Funding**

**HEC Interventions**

**Wellness Trust**

**Hospital Community Benefit**

**Philanthropy**

**State-Level**

**Blended Funding**

**Outcomes Rate Card**
Supporting HEC Interventions

**HEC-Level**

- Braided Funding
- HEC Interventions
- Wellness Trust
- Hospital Community Benefit
- Philanthropy
- PRIs/CDFIs/Banks /Hospitals (capital to bridge revenue timing)

**State-Level**

- Blended Funding
- Outcomes Rate Card
- Loan Fund
Supporting HEC Interventions

**HEC-Level**

- Tax Credits
- CDFIs/Banks/Developers (capital to finance housing or community facilities)
- Braided Funding
- HEC Interventions
- Wellness Trust
- PRIs/CDFIs/Banks/Hospitals (capital to bridge revenue timing)
- Hospital Community Benefit
- Philanthropy

**State-Level**

- Blended Funding
- Outcomes Rate Card
- Loan Fund

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CDFIs/Banks/Developers (capital to finance housing or community facilities)
Supporting HEC Infrastructure

**HEC-Level**

- Wellness Trust
- Local HEC Infrastructure
- Hospital Community Benefit

**State-Level**

- Philanthropy
- State HEC Infrastructure
Hypothetical Financing Model: Start-Up to Year 5

**HEC-Level**
- Tax Credits
- CDFIs/Banks/Developers (capital to finance housing or community facilities)
- Wellness Trust

**State-Level**
- Blended Funding
- Outcomes Rate Card
- Loan Fund
- PRIs/CDFIs/Banks/Hospitals (capital to bridge revenue timing)
- Philanthropy

Local HEC (Interventions + Infrastructure)

Hospital Community Benefit

Hospital Community Benefit

Philanthropy

State HEC Infrastructure
Hypothetical Financing Model: Year 5 and Beyond

**HEC-Level**

- Tax Credits
- CDFIs/Banks/Developers (capital to finance housing or community facilities)
- Braided Funding
- Local HEC (Interventions + Infrastructure)

**State-Level**

- Blended Funding
- Outcomes Rate Card
- Loan Fund

**Reinvested Savings (in 5+ years)**

- PRIs/CDFIs/Banks/Hospitals (capital to bridge revenue timing)
- Philanthropy

**Wellness Trust**

**Hospital Community Benefit**

**Hospital Community Benefit**

**Philanthropy**

**State HEC Infrastructure**
Part III

Feedback from Reference Communities
Discussion

How can these forms of revenue and capital be accessed in your community?
Considerations for Social Finance Options - Revenue

- **Philanthropy**
  - Funder priorities
  - Philanthropic source: foundations, corporations, individuals

- **Braided Funding**
  - Accounting and reporting capacity required to manage
  - Sources of funding: public (local, state, federal), private

- **Blended Funding**
  - Collaborative appetite of state agencies
  - Extent of shared outcomes across state agencies

- **Outcomes Rate Cards**
  - Agreement on outcomes and value of outcomes
  - Leverage existing experience with CT MIECVH

- **Hospital Community Benefit**
  - Prevalence of funding for community interventions vs. “charity care”
  - Alignment with HEC geographies
Considerations for Social Finance Options - Capital

- **Foundation PRIs**
  - Track record with PRIs
  - Sources of repayment

- **CDFIs/Commercial Banks/Hospitals**
  - Market coverage of CDFIs/local banks/hospitals
  - Sources of repayment
Considerations for Social Finance Options - Mechanisms

- **Wellness Trust**
  - Requires ongoing source(s) of funding
  - Structure and governance can vary

- **Tax Credits**
  - Facility-based
  - Best suited for large transactions ($5+ million)

- **Loan Fund**
  - Optimal for pooling debt capital
  - Likely managed at the state-level
Part IV

Next Steps
Next Steps

• Recording of this webinar and slides will be sent to Reference Community leads for distribution

• Community engagement activities
  • Outreach materials to be provided by end of this week
  • Check-in call to be scheduled week of September 17
  • Other potential events to be scheduled

• Reference Community recommendations due October 19

Any questions or require additional information? Please let us know!

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Thank you!