

CASE STUDY

UMass Memorial Health Community Investing Program

Worcester, Massachusetts

Key Strategies Employed

- Designate a portion of investable reserves for community investments
- Make direct investments in Community Development Corporations (CDCs), local nonprofits, and for-profit developers
- Utilize Social Vulnerability Index (SVI) data to target areas of greatest need
- Base investment decision-making on the needs identified in the Community Health Improvement Plan (CHIP) and the Community Health Assessment (CHA)
- Leverage investments to develop affordable housing and first-time homeownership
- Support community needs and local economic development through investments that create employment opportunities in underserved communities

Overview & Background

Based in Worcester, Massachusetts, UMass Memorial Health (UMMH) is a not-for-profit safety net health system with locations across Central Massachusetts, and is the clinical partner of the University of Massachusetts Medical School. While UMMH had a robust Community Benefits Program and had informally done local purchasing and hiring for years, they formally launched their anchor mission strategy in 2018 with the goal of promoting health equity by addressing the social and economic factors contributing to health problems and disparities in the area.

UMMH's anchor mission strategy has received significant support from senior leadership and the Board of Trustees. In particular, Douglas Brown, president of UMM Community Hospitals and chief administrative officer of UMMH, has played a crucial role in spearheading UMMH's anchor mission strategy. "This is embedded all the way at the board level. The chairman of the Board [Richard Siegrist] is the biggest fan of the anchor mission projects," highlighted Sergio Melgar, executive vice president and chief financial officer at UMMH.

In addition to its anchor mission strategy, UMMH has a very strong Community Benefits Program which has been active for over 20 years. However, in launching their anchor mission strategy, UMMH intended for it to be very distinct from their Community Benefits Program. "We have a robust and a nationally recognized

Community Benefits Program at UMass Memorial. It was imperative to me that the anchor mission not be thought of as another Community Benefits Program or an appendix to it. It is something very different. An anchor mission is focused on leveraging the full power of the organization to develop and implement strategies to address systemic problems tied to poverty and inequality in the community,” stated Brown. Likewise, UMMH’s place-based investing initiatives are distinct from their other grantmaking work. Melgar emphasized that community investments “are not grants. This is not money that is being given away. We do expect an investment that will return the capital.”

UMMH is a signatory of the Healthcare Anchor Network’s (HAN) Place-based Investment Commitment, through which UMMH has committed to allocate 1% of their investment portfolio—amounting to \$4 million—to targeted place-based community investments with an expected return on investment. UMMH has committed to deploy this allocation by 2025. Through these investments, UMMH strives to improve the health of vulnerable populations by addressing the social determinants of health (SDOH)—including housing, employment, food, education, and access to healthcare—with a particular focus on supporting economically-challenged neighborhoods within UMMH’s service area. As of early 2021, UMMH has deployed around \$2.4 million in five different community investment projects. To date, the majority of these projects have been related to affordable housing and economic and program development in underserved communities.

UMMH has further demonstrated their dedication to the anchor mission approach in their upcoming acquisition of Massachusetts-based Harrington Hospital. In the affiliation agreement, UMMH included specific commitments around Harrington Hospital adopting an anchor mission strategy. The agreement includes a stipulation about place-based investing, with Harrington Hospital committing to allocate at least \$4 million of its long-term reserves or unrestricted investment funds to address the SDOH in the Harrington Service Area during the ten years following the merger. It is believed to be the first and only known hospital acquisition to date to include an anchor mission element in the agreement.

Program Design

After the Board of Trustees voted for UMMH to adopt an anchor mission strategy in June 2018, an internal Anchor Mission Steering Committee was formed that was made up of employees from all levels and backgrounds including physicians, lawyers, senior executives, and IT support staff from various departments. The committee was responsible for determining goals and directions for UMMH’s anchor mission strategy, and defining how it would differ from other initiatives at UMMH. At the committee’s August 2018 Retreat, the committee approved the Community Investing Program as one of the three major pillars to begin to work on. Following this decision, the Anchor Mission Investment Subcommittee was formed with Robert Feldmann, senior vice president of finance and corporate controller at UMMH, as chair, and Kathryn Behan, senior director of clinical affiliations and anchor mission strategy (director of clinical affiliations at the time), as co-chair. Feldmann provided finance expertise, making it “an easier sell for the Board and the Investment and Pension Committee,” Behan emphasized. Behan provided expertise in community collaboration and project management.

In addition to Feldmann and Behan, Monica Lowell, vice president of community benefits, has also been highly involved and a key partner in the program's development, providing invaluable knowledge on community health and community partnerships from her over 20 years of experience in leading the Community Benefits Program. "[Lowell] is very connected to the local community, and has been awesome in identifying different organizations involved in low-income housing in the Central Massachusetts area. We were able to get off to a running start with her," stated Feldmann. Under Lowell's leadership, UMMH's member hospitals create Community Health Improvement Plan (CHIP) reports which are updated every three to five years detailing high priority needs throughout the local service areas of the hospitals as expressed by community members. UMMH leveraged the knowledge from these reports to target investment projects that address a need identified within the local community. They also decided that projects must address a SDOH identified in UMMH's member hospitals' Community Health Assessment (CHA) reports.

UMMH has limited capital that they are able to use for the Community Investing Program because it is a health institution with a relatively modest endowment, has a high percentage of patients on Medicaid, and has requirements to support the University of Massachusetts Medical School. "We are the [primary] taker of Medicaid patients in Central MassachusettsIt makes it a very significant challenge for us to build capital," stated Melgar. In order to maximize the social impact of the Community Investing Program while working within these financial constraints, the program uses a set of investment criteria to reduce risk, ensure a return on capital, and allow funds to be rapidly redeployed for other projects.

Projects must have a strong likelihood that the initial capital will be repaid for future reinvestment, including the ability to receive collateral. Furthermore, projects must have the ability to earn a minimum return on investment of a money market return at the time of investment to maintain the current capital value. The program also places preference on investments that are shorter term, preferably five to seven years in duration, in order to allow the 1% allocation for community investing to be used for multiple investments over a three to four year period.

The program's primary investment vehicle is direct lending. Many of their direct investments are made with Community Development Corporations (CDCs), local nonprofits, and for-profit developers. Though they have not employed indirect lending, they intend to begin using this investment vehicle in the future.

All proposed projects undergo a significant review process. "Because we are putting limited capital at risk, we want to make sure that it is used wisely, that it delivers the desired benefit, and that we can redeploy it over time. So we have a very prudent, tough process," Melgar emphasized. Projects are reviewed by the Investment Committee of the Anchor Mission Program, which ensures that projects align with the CHIP reports and that they are financially viable. Investments that receive the approval of the Investment Committee of the Anchor Mission Program are presented to the UMMH Investment & Pension Committee for final approval. Feldmann serves as the primary staff liaison to the Investment & Pension Committee.



(Left to right) Kate Behan, Yvette Dyson, Robert Feldmann, and Monica Lowell in front of one of Worcester Common Ground's (WCG) first-time homeownership homes.

Program Impact

One project of the Community Investing Program was done in partnership with Worcester Common Ground (WCG). WCG is a not-for-profit CDC that develops first-time homeownership and affordable rental housing in the Piedmont neighborhood of Worcester. The mission of WCG is to “promote and develop permanent and sustainable improvement in the neighborhoods of Central Worcester through affordable housing, community activism and economic development.”¹ Prior to receiving funding from UMMH for each WCG project, WCG must provide a project proposal for the property. UMMH's Community Investing Program has provided a three-year \$400,000 line of credit for WCG to purchase vacant or blighted properties and rehabilitate them for first-time homeowners. The investment has a 2% interest rate, and UMMH takes a collateral position on the property purchased using the investment.

The first project of the partnership was the transformation of a lot located at 33 Merrick Street in the Piedmont neighborhood into a new, two-family home with two three-bedroom units. The duplex will be sold to one or two first-time homeowners whose families are at or below 80% Area Median Income. In addition, the home will be added to the WCG Community Land Trust Ground Lease model, which provides stewardship of the land trust's holdings in order to preserve affordable housing and community resources and “to remove land from the speculative real estate market forever.” It implements this mission through “legal separation of the land from the buildings, and the use of the ground lease to control the resale costs of the housing units to future generations at an affordable price while also making sure the owner builds equity.” As of 2021, the WCG Community Land Trust Ground Lease model consists of 27 affordable homes.² Feldmann stated, “We're so proud to be part of this project. This is what the anchor mission is all about. Partnering with other similar-minded organizations to make our community healthier with affordable housing like this initiative.”

A second project of the Community Investing Program is the Creative Hub Worcester (CHW), the rehabilitation of a vacant four-floor historic building in downtown Worcester and conversion to a community center focused on creative and cultural expression that will serve an under-resourced community, with a particular focus on at-risk youth and local working artists.³ When construction is completed, CHW will program and sub-lease the space to a diverse group of community-based youth programs, artists, art organizations, and the Guild of St. Agnes daycare center (which will provide childcare services for the local community). UMMH has provided a \$500,000 loan to the project, half of

which is intended for pre-development costs and the other half for longer-term financing. “Our investment [has made] a stronger financial picture for them [as they seek additional funding.] We are now part of their story,” emphasized Behan.

A third project of the Community Investing Program is the Finally Home Fund. The fund emerged from the efforts of a Worcester city-wide task force, which identified that \$4 to \$6 million was necessary to create housing infrastructure for 103 chronically homeless individuals. Through the fund, 103 housing units will be developed, half of which were created in 2020 and the other half in 2021. Six local banks raised \$6 million, offering \$1 million each, in the form of loans issued at below-market rates. The bank agreements are conditioned on the establishment of a Guarantee Fund of \$2 million (a third of the total amount of the fund) to help reduce the risk to each bank. UMMH has contributed \$500,000 to this Guarantee Fund.

A related project to the Finally Home Fund is the Tiny Home Village, a \$4.6 million joint venture of a local CDC and a for-profit developer that will create 16 tiny homes for the chronically homeless as part of the Finally Home Fund. UMMH facilitated the introduction of Worcester East Side CDC and the real estate developer, Civico. Inspired by UMMH’s anchor mission strategy, Civico is now rethinking how their real estate development projects can be used to improve health and otherwise benefit communities.⁴ UMMH has contributed \$300,000 to this project, which has also received support from a state agency.



Creative Hub Worcester (CHW), the rehabilitation of a historic building in downtown Worcester and conversion to a community center serving an under-resourced community, with a focus on creative and cultural expression.

Budget & Staffing

Multiple individuals from several departments contribute their diverse skills and expertise and collaborate to make the Community Investment Program successful. Brown, Feldmann, Behan, and Lowell have all been highly involved in the program. In addition, Kim Reckert, manager of community relations and community health at UMMH, has provided additional expertise in community health and community partnerships. Renee Mikitarian-Bradley, associate vice president of real estate at UMMH, has provided support with their real estate projects, providing input on building worth and permitting processes. Finally, several key senior staff members at UMMH’s community hospitals have provided support with community collaboration and have helped identify investment projects.

PROGRAM IMPACT QUICK NUMBERS

As of 2021

- Commitment to deploy \$4 million of their investment portfolio to targeted place-based community investments by 2025
- \$2.4 million deployed in five different community investing projects as of 2021
- Harrington Hospital (soon-to-be member hospital of UMMH) committed to allocate at least \$4 million of its long-term reserves or unrestricted investment funds to address the SDOH in the Harrington Service Area during the 10 years following the merger with UMMH
- \$400,000 line of credit for Worcester Common Group to purchase vacant or blighted properties and rehabilitate them for first-time homeowners
- \$500,000 loan to Creative Hub Worcester to support the rehabilitation and conversion of a historic building to a multi-use community center for at-risk youth and local artists
- \$500,000 contribution to a \$2 million Guarantee Fund for the \$6 million Finally Home Fund, which will develop 103 housing units for chronically homeless individuals in Worcester
- \$300,000 loan to the Tiny Home Village, a \$4.6 million joint venture of a local CDC and a for-profit developer that will create 16 tiny homes for the chronically homeless as part of the Finally Home Fund

Lessons Learned & Takeaways

Support from senior leadership has driven internal engagement and enabled the program's success.

The support from senior leadership, particularly Brown and Feldmann, has been instrumental in getting the entire organization behind the Community Investing Program and enabling the program's success. "The initiative [has] the full weight of the organization behind it," affirmed Behan. "Without [the support of our leadership], it would have been challenging to get people energized around this effort," highlighted Feldmann. In large part because of senior leadership's support, the program has been a significant source of excitement for staff and at UMMH's member hospitals. "It's been some of the most exciting work that people say they have done while at UMass Memorial. It really brings meaning to what they're doing, [because they see] how impactful it [can be] in the community," emphasized Melgar.

The program has strengthened UMMH's reputation in the community.

"Our standing in the community has risen, the more of this we have done. They see that we're really about furthering the healthcare and the well-being of the community as a whole," stated Melgar.

Leadership of highly experienced individuals with a variety of backgrounds enables program success.

The leadership of highly experienced and capable individuals from different departments and programs (including finance, community benefits, project management, and real estate) in implementing the program has also contributed significantly to the program's success.

Leverage community relationships and other resources already established through existing community health initiatives.

UMMH's long-standing Community Benefits Program provided a strong foundation for the Community Investing Program by providing connections with community organizations and helping establish UMMH's positive reputation in the community. "Our organization had a long-standing history of working with community partners. We've done community health transformation work for many years. [Our Community Benefits Program] allowed us to build off of it for the purpose of this effort," Feldmann affirmed.

Educate internal stakeholders on impact investing and its importance, particularly those with finance backgrounds.

One challenge for the program has been a lack of shared understanding around what impact investing is and its importance. A major contributor is the variety of internal stakeholders involved in the program, namely the Investment Committee, as many members of the committee have backgrounds in finance and banking and as a result are focused on the stability of credit and return of investment. To address this challenge, Feldmann has worked to educate the Investment Committee on how impact investing works and its value for local communities. Feldmann stated, "We [told] them that they'd [need] to be more flexible on credit than banks are . . . we had to educate them on the benefits to the community, and why they [should make] an investment that they'd see as risky."

Anticipate that projects may take longer than expected, particularly when they rely on multiple funding streams.

Another challenge has been the length of time it takes for many projects to come to fruition. For many of the projects that UMMH has invested in, UMMH's financing has been one piece of the overall financing, and it has taken a long time for projects to secure other needed funding streams before they can be implemented.

Ensure that investments align with the anchor mission strategy.

Feldmann and Behan have been very intentional in choosing investments that align with UMMH's anchor mission strategy. The program has turned down several projects because they did not align with the anchor mission, even though they had potential to generate meaningful impact in other ways. "There are lots of projects out there. [We] have to dig deeper before jumping in, to make sure that projects align with the anchor mission at a fundamental level. As much as you want to get the money out there, you have to pause and evaluate things," emphasized Behan.

Expand into focus areas outside of affordable housing, like small business development.

Looking forward, Feldmann and Behan would like to further expand their projects into focus areas other than affordable housing, which has been their primary focus to date in part due to the ease of getting collateral for projects. "In the first phase of this program, we've focused on the low-hanging fruit. We now want to mature into a new set of investments, so that we can have more impact," stated Behan. One area

ENDNOTES

1. For more information about Worcester Common Ground, visit their website: <https://www.wcgcdc.org/>
2. For more information about Worcester Common Ground's Community Land Trust Ground Lease model, visit their website: <https://www.wcgcdc.org/about-us/community-land-trust/>
3. For more information about Creative Hub Worcester, visit their website: <https://www.creativehub-worcester.org/>
4. For more information on Civico, visit their website: <https://www.civicdevelopment.com/>

that they hope to expand into is supporting small businesses, which has the potential to foster local economic development and address community needs through increasing employment opportunities in the local community.

Sources

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Kathryn Behan, interview by Claire Brawdy and Sophie Hearn, Healthcare Anchor Network, March 10, 2021.

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