Place-based Investing

Creating Sustainable Returns and Strong Communities

DEMOCRACY COLLABORATIVE

Support provided by
Robert Wood Johnson Foundation

The *Hospitals Aligned for Healthy Communities* toolkit series

Place-based Investing

Part of the *Hospitals Aligned for Healthy Communities* toolkit series

Winter 2017 | The Democracy Collaborative | By David Zuckerman and Katie Parker, with contributions from Joshua Humphreys and Ophir Bruck.

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THE DEMOCRACY COLLABORATIVE

The Democracy Collaborative, a nonprofit founded in 2000, is a national leader in equitable, inclusive, and sustainable development. Our work in community wealth building encompasses a range of advisory, research, policy development, and field-building activities aiding on-the-ground practitioners. Our mission is to help shift the prevailing paradigm of economic development, and of the economy as a whole, toward a new system that is place-based, inclusive, collaborative, and ecologically sustainable. A particular focus of our program is assisting universities, hospitals, and other community-rooted institutions to design and implement an anchor mission in which all of the institution's diverse assets are harmonized and leveraged for community impact.

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Table of Contents

OVERVIEW

Learn why place-based investment matters

CASE STUDIES

Learn what is happening on the ground

STRATEGIES

Explore the elements of a place-based investment program

LAYING THE FOUNDATIONS

Begin the conversation at your institution

THE RETURN ON INVESTMENT

Measuring performance and impact of place-based investment

APPENDIX

TOOLS FOR GETTING STARTED

Refer to the accompanying *Tools for Getting Started* folder for further resources on designing a place-based investment program including:

OVERVIEW: Learn why place-based investment matters

INFOGRAPHIC: Visualize how to deploy your investment portfolio in your community

DIVING IN: Ideas for where to get started

READINESS CHECKLIST: Do a basic assessment of where your institution is at

BIG QUESTIONS: Getting clarity on what matters for your mission

WORKSHEETS: Tools for assessing your current investments, deciding your approach, managing your portfolio, allocating assets, and creating forms and templates.

OVERCOMING BARRIERS: Promising solutions to common challenges

How to use this toolkit

The *Hospitals Aligned for Healthy Communities* toolkit series is designed to provide hospital and health system leadership and department managers with the steps to begin to harness their everyday business practices to drive community health and well-being. This toolkit outlines place-based investing strategies that allow health systems to earn a financial return on their investments while producing a positive social, economic, or environmental impact within their geographical service areas.

The toolkit is divided into two parts. This booklet provides background information on how place-based investment benefits community health and well-being, and distills lessons learned from leaders in the field. **Case studies** from six institutions provide an in-depth look at how hospitals and health systems are implementing this work on the ground and the key strategies they are employing. The **Strategies** section outlines a range of high-impact opportunities across asset classes, themes, sectors, and risk/return profiles that institutions have for place-based investing. **Laying the Foundations** focuses on institutionalizing these practices, providing worksheets to begin and guide the conversation at your institution. The **Measuring Performance and Impact** section provides language and metrics to measure for assessing business impact.

To jumpstart your learning, refer to the **Tools for Getting Started** folder, which provides worksheets and handouts for designing a place-based investment strategy. An **Infographic** visualizes the many options across asset classes and the possible positive outcomes. **Diving In** highlights places to get started, identifying quick wins. The **Readiness Checklist** allows you to assess where your institution is at, and what steps you can still take. **Big Questions**, **Overcoming Barriers**, and **worksheets** on assessing your current investments, deciding your approach, managing your portfolio, allocating assets, and creating forms and templates help your team to work through critical program design questions.

For an online version of this toolkit, and for further resources, go to:

www.HospitalToolkits.org/Investment

1 Overview

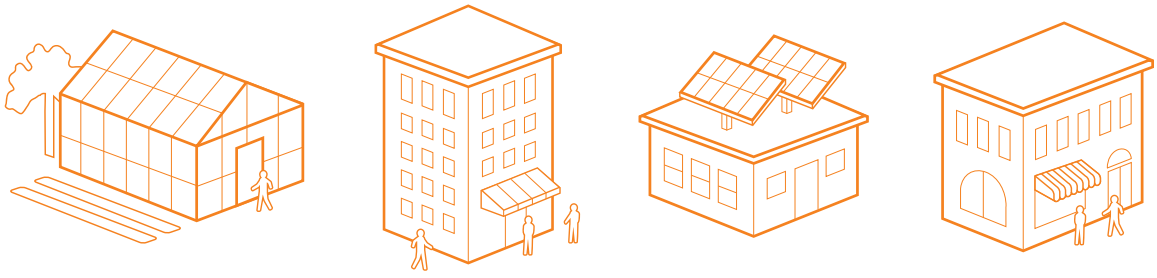
Place-based Investing:

Creating Sustainable Returns and Strong Communities

Nationally, health systems have an estimated $400 billion in investment assets.[1] Redirecting even a small portion of these resources to place-based investments would shift billions of dollars toward addressing economic and environmental disparities in local communities. It would allow institutions to more effectively improve community health and well-being, even as they continue to earn a healthy rate of return. This toolkit outlines a range of strategies for how health systems are using their investment assets to help address the resource gaps that keep communities from achieving better health and well-being.

As we learn more about what families and children need to lead healthy lives, it is clear that adverse social, economic, and environmental factors, coupled with racial disparities, prevent communities from building a culture of health. The good news is that hospitals and health systems are recognizing that they have significant, untapped assets at their disposal to help address these challenges: their investment portfolios. Through place-based investing, institutions can leverage these resources to improve their communities' overall health and well-being.

As the nation shifts toward prioritizing community health improvement, healthcare leaders are confronting new questions about their role in addressing non-clinical factors that impact health outcomes, such as how to improve access to basic needs like affordable housing and healthy food. At the same time, the long-term sustainability of health systems depends upon the lasting vitality of the communities they serve. As health systems seek new investments to ensure the long-term sustainability of core operations, place-based investing offers an opportunity to grow assets while strengthening local communities.



PLACE-BASED INVESTING IMPACTS

Place-based investing creates healthy and thriving communities by increasing available capital for positive social, economic, or environmental impact across a wide range of areas, including:

- Affordable and supportive housing
- Minority-, women-, and employee-owned business creation, growth, and retention
- Community and childcare facilities
- Healthy food production and access
- Stable, well-paying jobs
- Transit-oriented development
- Economic development around arts and culture
- Renewable energy and energy efficiency
- Federally Qualified Healthcare Centers

This toolkit offers strategies that allow health systems to earn a financial return on their investments while producing a positive social, economic, or environmental impact within their geographical service areas. This approach is referred to herein as "place-based investing," while the terms "community investment," "impact investing," or "mission-related investing" are used interchangeably throughout the text and in other contexts.

In seeking to leverage investment portfolios to benefit local communities, health systems face a range of high-impact opportunities across asset classes, themes, sectors, and risk/return profiles. They can begin with something as simple as shifting deposits of cash and cash equivalents to local community banks and credit unions. Or by investing in low-risk fixed income products offered by community development financial intermediaries that provide key financial services and resources to underserved communities.

Other asset classes, such as private equity, venture capital, private debt, real assets, and public fixed income, offer compelling opportunities to invest in local community health and well-being as well. These options enable health systems to take a total portfolio approach to aligning investments with community impact.

The need is significant and the opportunity is great. Even a *two percent shift* in health system investment portfolios to community development financial institutions (CDFIs) would

PLACE-BASED INVESTING ACROSS ASSET CLASSES

CASH AND CASH EQUIVALENTS: deposits in local community development banks and credit unions. Leverage sizable balance sheets as a leading local employer to expand access to capital in local and underserved communities through deposits that finance loans to community members and help local businesses expand.

FIXED INCOME: geographically targeted private and public debt investments. Provide capital to financial intermediaries that invest responsibly in local and underserved communities and offer debt capital to borrowers that address social, economic, and environmental needs.

represent an infusion of approximately the *same amount* of resources that are allocated in one year by the US government for the CDFI Fund and New Market Tax Credits—the primary federal funding mechanisms for community development finance loans in the United States.[2]

Over the past decade, health systems have become increasingly aware of their role as significant economic engines and anchor institutions in their communities; and as such, they have realized their power to shape the economic, social, and environmental forces that impact community health outcomes. As health systems seek to manage not only the health of their patients inside their walls, but also promote community well-being outside of them, this power to drive change remains largely underutilized.

This understanding has sparked a movement toward intentionally aligning and activating a fuller range of an institution's economic and intellectual resources—including its long-term investment portfolio—to benefit the total health of the community. This realignment is not only mission aligned but a prudent organizational strategy, as health systems grapple with limited resources yet greater responsibility for patient and community outcomes. Health systems have a unique opportunity to adopt a more holistic approach that links high-road business practices with a commitment to delivering on the promise of health to local communities.

THE WIDENING GAP

Economic and racial divides are driving health disparities across the country:

- **22 percent** of children are living in poverty, a percentage that has not changed since 1960.[3]
- Ignoring racial inequities in income costs the country around **$2.1 trillion** of lost GDP annually.[4]
- The number of people living in concentrated poverty has doubled from seven to **fourteen million** since 2000.[5]
- Median white net household wealth is **thirteen times** greater than African American net wealth and ten times greater than Latino net wealth.[6]
- The average difference in lifespan after age fifty between the richest and the poorest Americans has more than doubled—to **fourteen years**—since the 1970s.[7]

For an animated video overview go to:
www.HospitalToolkits.org/investment

PRIVATE EQUITY AND VENTURE CAPITAL: equity investments in local private enterprises with positive community benefits. Seed, scale, and retain locally owned businesses through private equity and venture capital investments. Help convert businesses to employee ownership.

REAL ASSETS: investments in local infrastructure, real estate, and commodities with positive social and environmental impacts. Help maintain affordability of residential and commerical properties to create a more equitable local economy that supports health and well-being. Support the local economy through market-rate investments in community renewable energy projects and sustainably managed forests and farmland.

SOURCES

[1] Estimate calculated from Democracy Collaborative research.

[2] Estimate calculated from Democracy Collaborative research.

[3] "Kids Count Data Book: State Trends in Child Well-Being" (Baltimore: Annie E. Casey Foundation, 2016), 6, *http://www.aecf.org/m/databook/2016KCDB_FINAL-embargoed.pdf.*

[4] Thomas A. LaVeist, Darrell Gaskin, and Patrick Richard, "Estimating the Economic Burden of Racial Health Inequalities in the United States," International Journal of Health Services vol. 41, Issue 2 (2011).

[5] Elizabeth Kneebone and Natalie Holmes, "U.S. Concentrated Poverty in the Wake of the Great Recession" (Washington DC: Brookings Institution, 2016), accessed July 2016, *http://www.brookings.edu/research/reports2/2016/03/31-concentrated-poverty-recession-kneebone-holmes.*

[6] Rakesh Kochhar and Richard Fry, "Wealth Inequality has Widened along Racial, Ethnic Lines Since end of Great Recession" (Washington, DC: Pew Research Center, December 12, 2014), accessed May, 2016, *http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession.*

[7] Sabrina Tavernise, "Disparity in Life Spans of the Rich and the Poor Is Growing," New York Times, February 12, 2016, accessed May, 2016, *http://www.nytimes.com/2016/02/13/health/disparity-in-life-spans-of-the-rich-and-the-poor-is-growing.html.*

Key Terms

ANCHOR INSTITUTION

Anchor institutions are nonprofit or public institutions that are firmly rooted in their locales, including hospitals, universities, local governments, and utilities. These institutions often have a social or charitable purpose, and unlike for-profit corporations that can relocate, are place-based and tend to stay put. As such, they have a vested self-interest in helping to ensure that the communities in which they are based are safe, vibrant, healthy, and stable.[1]

ANCHOR MISSION

A commitment to consciously apply the long-term, place-based economic power of the institution, in combination with its human and intellectual resources, to better the long-term welfare of the community in which the institution is anchored.[2]

ASSET CLASSES

Asset classes refer to groups of securities or financial instruments that have similar risk and return characteristics and behave similarly in the marketplace. In this toolkit, we focus on the following asset classes: cash and cash equivalents; fixed income; private equity and venture capital; and real assets:

- **Cash and cash equivalents** refers to short-term, highly liquid investments. Place-based investment strategies in this asset class include deposits in local community development banks and credit unions.
- **Fixed income** refers to investments that generate income at an established, fixed rate. Place-based investing strategies for fixed income include geographically targeted private and public debt investments.
- **Private equity** refers to illiquid equity investments in existing, private companies with growth potential; **venture capital** is private equity focused specifically on new and start-up businesses. Place-based investing strategies in these asset classes include equity investments in local private enterprises with positive community benefits.
- Lastly, **real assets** refer to debt and equity investments in physical assets—primarily infrastructure, land, real estate, and commodities. Place-based investment strategies for real assets include investing in local affordable housing, sustainable farmland, and renewable energy assets.[3]

COMMUNITY BENEFIT

Activities of hospitals and health systems that contribute to the health and well-being of their surrounding community. Non-profit hospitals and health systems must report on their community benefit activities in order to maintain their federal tax-exempt status. Traditionally, community benefit reporting has included free and discounted care, unreimbursed care, community health improvement efforts, efforts to expand access to care, training for health professionals, and research. In 2011, the IRS issued guidance that "community building activities" also counted as community benefit. Defined as hospital activities that foster health improvement through physical and environmental improvements, community capacity building, and economic development, this expanded the range of community benefit activities to include sectors such as housing and workforce development.[4]

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)

CDFIs are mission-driven financial institutions that leverage funding from private and public sources to finance businesses and projects—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing—in financially underserved communities. There are four primary kinds of CDFIs: community development banks, credit unions, loan funds, and venture capital funds.

COMMUNITY HEALTH NEEDS ASSESSMENT (CHNA)

A research process non-profit hospitals must implement as part of their community-benefit reporting. Instituted by the Affordable Care Act of 2010, CHNAs must be completed by hospitals and health systems every three years and identify the most pressing community health concerns. An implementation plan must then be developed to address identified community health needs. CHNAs and the resulting implementation plans are publically reported, and subject to review by the IRS.[5]

COMMUNITY WEALTH BUILDING

A systems approach to economic development that creates an inclusive, sustainable economy built on locally rooted and broadly held ownership. Community wealth building calls for developing place-based assets of many kinds, working collaboratively, tapping large sources of demand, and fostering economic institutions and ecosystems of support for enterprises rooted in community.[6]

CONCESSIONARY INVESTMENTS

Concessionary investments refer to investments that sacrifice some financial return compared to market rates in order to achieve greater social or environmental returns.[7]

EMPLOYEE-OWNED BUSINESS

An employee-owned business is one in which the ownership of a company is held broadly by the employees themselves, rather than a sole proprietor. Employee ownership can take multiple forms: **Worker cooperatives** are businesses that are owned and governed by their employees. Workers, who are member-owners of the cooperative, invest and own the business together and are voting members of the board of directors and have equal voting power. This creates a more democratic and equitable governance structure, as well as wealth building opportunities for employees through profit sharing. **Employee Stock Ownership Plans (ESOPs)** allow employees to become shareholders in the business, often through holding company stocks in the form of a retirement plan. This structure provides additional financial benefit to employees through profit sharing and can increase participation through decision making for employees.[8]

HEALTH & HEALTH EQUITY

More than just the absence of illness, these toolkits utilize the World Health Organization's definition of health, "a state of complete physical, mental, and social well-being, and not merely the absence of disease or infirmity." Health equity refers to the notion that all people should be able to achieve their highest level of health, regardless of their race, gender, class, sexual orientation, or other identities. Achieving health equity requires addressing the systemic factors shaping the social determinants of health.[9]

INTEGRATED CAPITAL APPROACH

An integrated capital approach is one that aligns investments, grant dollars, and technical assistance to create the conditions for health and well-being in all communities. In this "capital stack" approach, all institutional assets, including discretionary operating dollars, philanthropic resources, and human and social capital, are coordinated and deployed to achieve community health and wellness goals.

INVESTMENT PORTFOLIO

Throughout this toolkit, the term investment portfolio refers to the collection of capital assets in which an institution has invested in order to meet its financial objectives. Hospitals and health systems often manage various asset pools, including defined benefit pension plans, long-term investment pools, professional/malpractice insurance pools and others. In some instances health systems also have endowment funds, which are set aside explicitly for the purpose of maintaining an organization into the future.[10] Investment portfolios can serve a variety of purposes, including enabling an institution to better access the bond market when they need to borrow money or to supplement operating resources in years with shortfalls. This toolkit explores how health systems are also considering aligning their investment to more effectively achieve their organization's community health and well-being goals, while also achieving these other institutional objectives.

LOCALLY OWNED BUSINESS

A locally owned business refers to one in which the company is owned and operated by residents of a designated geography. Purchasing at locally owned businesses has a **multiplier effect** for local economic activity. Dollars spent at locally owned businesses recirculate in the community at a greater rate than money spent at national chains and absentee-owned businesses.[11]

PLACE-BASED INVESTING

Place-based investing is an investment approach that targets positive social and environmental impacts in specific communities and geographies. In this toolkit, we focus on place-based investment strategies that generate inclusive economic development and address community health needs. Place-based investing is similar to and often used interchangeably with "community investment," "impact investing," or "mission-related investing."

PRINCIPAL

Principal refers to the amount owed on a loan, excluding interest accrued.[12]

SOCIAL DETERMINANTS OF HEALTH

A complex of social, economic, and environmental factors that drive health outcomes. The World Health Organization defines the social determinants of health as "the conditions in which people are born, grow, work, live, and age." They represent the wider set of forces and systems shaping the conditions of daily life that drive health outcomes, such as inequality, social mobility, community stability, and the quality of civic life. Sometimes referred to as "upstream" determinants, research indicates that 40 percent of the factors that contribute to health are social and economic.[13]

TOTAL PORTFOLIO APPROACH

A total portfolio approach is one that integrates place-based investment opportunities across asset classes – including private equity, venture capital, private debt, real assets, and public fixed income – allowing an institution to maximize positive community impact.

TRANSIT-ORIENTED DEVELOPMENT

Transit-oriented development (TOD) refers to municipal development strategies that prioritize the creation of walkable, mixed-used communities around accessible public transportation. TOD strategies overlap with many community health strategies, as they often look to increase activities such as walking and biking, reduce pollution generated by traffic congestion, and encourage inclusive, economic growth.[14]

UPSTREAM COMMUNITY BENEFIT

Upstream community benefit refers to channeling discretionary health system resources, such as community benefit grant dollars, towards interventions that address the underlying social determinants of health (see above definition). This includes supporting local community economic development; increasing stable and affordable housing; and, improving access to healthy and affordable food. This allocation is not considered an investment for the purposes of this toolkit since it does not preserve the value of the initial principal allocated, and therefore can be reported as community benefit if it is addressing an identified community health need.

[1] See Tyler Norris and Ted Howard, *Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact* (Takoma Park, MD: The Democracy Collaborative, 2015), 8

[2] See Tyler Norris and Ted Howard, *Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact* (Takoma Park, MD: The Democracy Collaborative, 2015), 7

[3] For further definitions of these asset classes and others, see: "Glossary," Mission Investors Exchange, accessed December, 2016 *https://www.missioninvestors.org/glossary*

[4] For further definitions and information about Community Benefit, refer to: "Jargon Buster," Build Healthy Places Network, accessed August 2016 *http://www.buildhealthyplaces.org/jargon-buster/*; and "What are hospital community benefits?" (Baltimore, MD: The Hilltop Institute, 2013), accessed August 2016 *http://www.hilltopinstitute.org/publications/WhatAreHCBsTwoPager-February2013.pdf;*

[5] For further definitions and Community Health Needs Assessments, refer to: "Jargon Buster," Build Healthy Places Network, accessed August 2016 *http://www.buildhealthyplaces.org/jargon-buster/*;

[6] See Marjorie Kelly and Sarah McKinley, Cities Building Community Wealth (Takoma Park, MD: The Democracy Collaborative, 2015), 16

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[9] Health and health equity are defined by The Build Healthy Places Network, which utilizes definitions from the World Health Organization. For more information, see: "Jargon Buster," Build Healthy Places Network, accessed August 2016, *http://www.buildhealthyplaces.org/jargon-buster/*; and "WHO definition of Health," World Health Organization, accessed August, 2016, *http://www.who.int/about/definition/en/print.html.* For further definitions of health equity, see "Glossary of Terms," National Partnership for Action to End Health Disparities, Office of Minority Health, accessed August 2016, *http://minorityhealth.hhs.gov/npa/templates/browse.aspx?lvl=1&lvlid=34*

[10] "Endowment Fund," Mission Investors Exchange, Glossary, accessed December, 2016 *https://www.missioninvestors.org/glossary?name=principal*

[11] For further information about locally owned businesses and the multiplier effect see: BALLE, "Local Economy Framework," BALLE, (2016) accessed November, 2016, *https://bealocalist.org/local-economy-framework-8-strategies-build-healthy-local-economies/* and "The Multiplier Effect of Local Independent Businesses," American Independent Business Alliance, accessed November, 2016, *http://www.amiba.net/resources/multiplier-effect/*

[12] "Principal," Mission Investors Exchange, Glossary, accessed December, 2016 *https://www.missioninvestors.org/glossary?name=principal*

[13] See "Social Determinants of Health," World Health Organization, accessed April 2015, *http://www.who.int/social_determinants/en/*; Tyler Norris and Ted Howard, Can Hospitals Heal America's Communities? "All in for Mission" is the Emerging Model for Impact (Takoma Park, MD: The Democracy Collaborative, 2015; and "County Health Rankings & Roadmaps," University of Wisconsin Population Health Institute, accessed September 2015, *http://www.countyhealthrankings.org/Our-Approach*

[14] For more information about transit-oriented development, see: "Transit Oriented Development," Community-Wealth.org, The Democracy Collaborative, accessed December, 2016, *http://community-wealth.org/strategies/panel/tod/index.html*

2

Case Studies

Case Studies

LEARN WHAT IS HAPPENING ON THE GROUND

Learn how these institutions are addressing common challenges in the **Overcoming Barriers** worksheet in the *Tools for Getting Started* at the end.

1 DIGNITY HEALTH

Headquartered in San Francisco, California, Dignity Health provides below-market interest rate loans and other investments to nonprofit organizations through its Community Investment Program for community economic development projects that benefit low-income underserved populations. Over the life of the program, Dignity has invested more than $180 million in loans and equity.

2 BON SECOURS HEALTH SYSTEM

Headquartered in Marriottsville, Maryland (near Baltimore), Bon Secours Health System aims to invest up to 5 percent of its Long-term Reserve Fund (LRF) with intermediaries that serve low- and moderate-income communities, primarily community development financial institutions (CDFIs). It has invested $26 million to date.

3 GUNDERSEN HEALTH SYSTEM

Headquartered in La Crosse, Wisconsin, Gundersen Health System became the first health system in the world to produce more power than it consumed, six years after establishing its goal of achieving 100 percent energy independence. To finance the development of multiple renewable energy projects—all within the areas that the health system serves—Gundersen invested approximately 5% of its long-term savings portfolio, about $30 million, in real assets.

4 PROMEDICA

Headquartered in Toledo, Ohio, ProMedica established the Ebeid Institute for Population Health in December 2015. The cornerstone of the Institute is a 6,500-square-foot, full-service grocery store, owned and operated by ProMedica, that offers healthy, affordable food to low-income neighborhoods in Toledo. ProMedica has also established an

5 ST. JOSEPH HEALTH

Headquartered in Orange, California, St. Joseph Health provides capital in the form of loans, deposits, and other support to nonprofit organizations and programs focused on affordable housing, economic development, social services, food banks, job expansion, and education through its Community Investment Program.

6 TRINITY HEALTH

Headquartered in Livonia, Michigan (in metro Detroit), Trinity Health has been investing in its communities using low-interest rate loans for more than a decade through its Community Investment Program. Its investments total more than $35 million to date, including $25 million with community development financial institutions (CDFIs).

Dignity Health

COMMUNITY INVESTMENT PROGRAM

LOCATION

Headquartered in San Francisco, California, Dignity Health serves communities across California, Arizona, and Nevada.

DIGNITY HEALTH

- **Employees: more than 60,000**
- **Revenues: $12.4 Billion**
- **Investment portfolio: $10 billion**

Key strategies employed

- Designate a portion of investible reserves for place-based investments
- Provide secured and unsecured direct loans to local nonprofits and/or businesses
- Allocate to financial intermediaries, including community development financial institutions (CDFIs) and other investment managers offering place-based private debt strategies
- Provide loan guarantees to local nonprofits and/or businesses
- Move cash and cash equivalent assets into local banks and credit unions, including US Treasury Department-certified CDFIs, using money market accounts, business checking and savings accounts, and certificates of deposit.
- Purchase stock in community development banks and related economic enterprises
- Align community health with place-based investing strategies

MISSION OF PROGRAM

> Dignity Health's Community Investment Program is "one way in which Dignity Health realizes its mission and enhances the advocacy, social justice and healthier communities' efforts of its hospitals and religious and community sponsors. Through this program, Dignity Health provides below-market interest rate loans and other investments to nonprofit organizations who are working to improve the health status and quality of life in their communities..."

Overview

Dignity Health investments are to be used by nonprofit organizations for community economic development benefitting low-income underserved populations, including: women and children, communities of color, mentally or physically disabled individuals, veterans, and/or other disenfranchised populations. Initiated in the early 1990s, Dignity Health's community investment fund has grown to more than $100 million today, with $90 million placed in dedicated investments. This amount represents about 1 percent of investable assets. Dignity's long-term goal is that 5 percent of investable assets be allocated for community investments. Over the life of the program, Dignity has invested more than $180 million in loans and equity.

KEY PRINCIPLES

- Target resources to low-income communities
- Invest in the revitalization of urban or rural areas
- Empower low-income people to create, manage, and own enterprises
- Demonstrate a commitment to healthy communities
- Safeguard the environment

PLACE-BASED INVESTMENT THEMES

- Economic development
- Affordable housing
- Renewable energy
- Arts and education
- Alternatives to predatory lending
- Healthcare access (community health centers/Federally Qualified Healthcare Centers)

INVESTMENT VEHICLES

- Secured and unsecured loans
- Intermediary investment (CDFIs)
- Line of credit
- Loan guarantees
- Linked deposits (credit unions and community banks)
- Equity capital

Background

In the 1980s, several Sisters of Mercy congregations, which operated a number of hospitals that would become part of Catholic Healthcare West (now Dignity Health), had their own community investment initiatives. When Catholic Healthcare West was formed in the early 1990s, the sisters were successful in securing that a portion of the investment portfolio include an allocation for investing in projects in low-income communities in the health system's service area.

Support has increased over time, as the board became engaged and the investment initiative was formalized, becoming the Community Investment Program. Pablo Bravo, the vice president of community health, explained, "It's been an educational journey for the board. They get that not only are they getting a return on the investment based on interest rates, but also the return of impact in the community. The impact in our facility is very clear."

Program set-up

According to Bravo, the treasury or investment program is "like a three-legged stool." One leg is the overall investment portfolio, which is managed by asset managers and overseen by a vice president for investments, who works in the treasury department. Shareholder advocacy is the second leg and the third is the community investment program. In essence, "a dotted line exists between treasury and community health." Interest earned from the Community Investment Program returns to the overall investment portfolio. Bravo stressed the importance of housing the Community Investment Program within a department focused on improving community health.

Bravo oversees the Community Investment Program, and has led its expansion over the twelve years he has been at Dignity Health. He explained that the goal of the program is to fill gaps in the marketplace around access to capital: "Organizations should first reach out to traditional lenders. If they are not successful there, they should engage other financial intermediaries like community development financial institutions," Bravo said. Adding: "When organizations come to us, they come to us because they have a project that requires gap-financing that we may be able to fill. We also engage organizations to let them know if they take on certain projects, we are willing to provide capital."

Regarding Dignity Health's willingness to use a variety of investment strategies rather than just partner with financial intermediaries or invest in funds, Bravo explained, "I think the best strategy is to really keep the dollars as flexible as possible and with reasonable interest rates. I think a lot of projects could not go forward if it wasn't for the flexibility we provide with our program."

For a project to be considered by the Community Investment Program, it has to be able to meet certain legal, financial, and management requirements (see the figure below). Generally, Dignity will first meet with the organization to learn more about the project and—if there is a possibility it will move forward—ask them to submit an application.[1] Bravo explained, "You want to get a sense of the organization. How long have they been around? Have they had any financial difficulties in the past? You start looking at their financial track record and then you look at their ability to finance the project." Bravo and a financial analyst, Leslie Watson, complete due diligence for potential projects.

After the initial due diligence, the Community Economic Initiatives Subcommittee reviews recommended applications and then provides its recommendation to the Board of Director's Investment Committee, which meets four times a year. Bravo noted that the Community Economic Initiatives Subcommittee is not simply a loan committee because it oversees other community health-related activities.

Interest rates on loans provide by Dignity Health range from 0 to 5 percent, depending on the investment. Loan terms range from one to seven years and the minimum loan amount is $50,000. The current rate of return is about 3.2 percent and the rate of return on the loans is indexed to a three-year blended consumer price index (CPI). It has exceeded this index for more than ten years.

COMMUNITY INVESTMENT REQUIREMENTS

Legal Information

IRS Nonprofit Determination Letter, Articles Incorporation, Corporate Bylaws,
and Board Resolution to Borrow

Financial Information

Audited financials and business plans as appropriate

Management Information

Demonstrated level of board and management expertise

Bravo shared, “As far as returns, we don’t have or get the returns the market provides, but sometimes the community investment allocation outperforms the overall market…During the Great Recession banking meltdown, we did outperform almost that entire year, especially if you measure the positive social, economic, and/or environmental outcomes, like savings to the system as far as providing appropriate access to care or keeping people healthy. If you quantify that in dollars, we outperform any market on a year-by-year basis.”

Bravo ensures that local Dignity Health facilities are involved in any funded projects in their communities. This is important for two reasons. First, so that the local facility, not the system office, gets acknowledged for making the investment; and, second, so that a local staff person is engaged with the loan recipient and can keep Bravo informed if the organization experiences any challenges.

In the case of borrowers who are struggling to pay back the loan, Bravo will meet with the organization to discuss how to resolve the issues. If that proves unsuccessful, the next step is to consider restructuring the loan with more favorable terms, with Dignity Health acting as a “patient” lender. Out of over 140 total loans since Bravo joined the health system, Dignity Health has had only one domestic default—when ShoreBank CDFI was forced to close in 2009 during the Great Recession.

Education about the program is an important aspect of Bravo’s job. Information on the program is reported in the system’s annual mission report. In addition, he meets with other board committees and visits local facilities frequently. Bravo remarked, “The program is now well-known throughout our system. Whenever I run into a hospital president, they want to know when we are doing something in their service area. It’s a different day, but it has taken us a while to get here.”

Staffing and budget

From the early 1990s until 2002, the Community Investment Program did not have a full time staff person. Then, in 2002, and until 2015, Bravo oversaw the community investment portfolio as his primary responsibility. In 2015, when Bravo was promoted to vice president for community health, Watson, the financial analyst, was hired to help manage the program. Although Bravo now oversees other activities, such as community health, he still considers community investment to be “100 percent” his responsibility: “If I’m meeting with our community health person out in Santa Cruz, the tool is still with me. If I’m sitting in a room having a conversation with an organization that mentions they are looking to expand, I ask if they are familiar with our community investment program.”

Bravo’s responsibilities include drafting loan agreements and sharing them with the legal department. Watson assists with the work leading up to this stage: preparing memos, handling much of the due diligence, providing financial information, and ensuring that borrowers submit monitoring reports.

Other departments provide important services as well: the legal department reviews the prepared loan agreements; treasury handles the wires; and, finance ensures that they are capturing the financial data. Community health staff also contribute, by suggesting potential investment opportunities. As Bravo described the team-oriented process: “Even though there are two people fully focused on the program, we’re surrounded by others who support us to execute.”

Key strategies employed

PROVIDE SECURED AND UNSECURED DIRECT LOANS TO LOCAL NONPROFITS AND/OR BUSINESSES

By providing secured and unsecured direct loans directly to nonprofit organizations, Dignity Health targets its investments more strategically and minimizes costs for the borrower. This approach also allows the institution to make investments in communities where there are no active financial intermediaries.

ALLOCATE TO FINANCIAL INTERMEDIARIES, INCLUDING CDFIS AND OTHER INVESTMENT MANAGERS OFFERING PLACE-BASED PRIVATE DEBT STRATEGIES

About a quarter of Dignity Health's community investment portfolio is invested in partnership with CDFIs. These partnerships are strategic for a number of reasons. Most importantly, they allow Dignity Health to leverage investment funds to extend their reach while mitigating risk. Moreover, both Dignity Health and the CDFI benefit from the partnership and share the risk, since neither party provides all of the total financing. Borrowers also benefit, as they can access capital at a lower rate and/or with fewer fees from a CDFI. In addition, the CDFI assists Dignity Health with monitoring and back office support.

PROVIDE LOAN GUARANTEES TO LOCAL NONPROFITS AND/OR BUSINESSES

Of the $100 million allocation for community investment, $10 million is specifically designated for loan guarantees. Although Dignity Health has provided only one loan guarantee, to Mercy Housing for affordable housing construction, this investment vehicle expands Dignity Health's ability to best allocate resources to needs in the community.

MOVE CASH AND CASH EQUIVALENT ASSETS INTO LOCAL BANKS AND CREDIT UNIONS

By opening a certificate of deposit (CD) in community credit unions, and supporting these financial institutions that prioritize low-income communities, Dignity Health helps increase local access to capital for home ownership and small businesses. Currently more than $500,000 of Dignity Health's community investment allocation is invested in community credit unions.

PURCHASE STOCK IN COMMUNITY DEVELOPMENT BANKS OR OTHER TYPES OF ALTERNATIVE ECONOMIC ENTERPRISES

Dignity Health also owns $500,000 in preferred common stock in two community banks, allowing those banks to more effectively provide services in low-income communities, where larger banks do not offer these same services.

ALIGN COMMUNITY HEALTH WITH PLACE-BASED INVESTING STRATEGIES

As vice president of community health, Bravo oversees both the community health department and the Community Investment Program, allowing him to strategically align these two areas of overlapping work. Dignity Health hospitals contribute .05 percent of prior year audited expenses for community grants that align with priorities identified in the local facilities' community health needs assessment (approximately $4 million). Grants range from $5,000 to $100,000.

Impact

The impact of Dignity Health's Community Investment Program, which has disbursed more than $180 million in loans and equity over the life of the program, is valued across the organization.

When asked what type of investment strategy or area is the most important to the program, Bravo reflected, "The fact that we have made it possible for three clinics to become FQHCs [Federally Qualified Health Centers], that's meaningful. The fact that we have invested in supportive housing and expanding affordable housing, and provided difficult to access pre-development loans, is important. That we have reduced the frequency of unnecessary use of the emergency room by homeless individuals is impactful. I could not choose one over the other, they're all key."[2]

$180M

in loans and equity over the life of Dignity Health's Community Investment Program

One project did stand out as particularly meaningful for Bravo: the Children's Museum of Phoenix. Founded in 1998, the museum was originally mobile; staff would pack up everything into a van and travel from community to community. Then, in 2006, museum leadership went to the city of Phoenix and negotiated a deal with the city to retrofit and rehab an abandoned high school and turn it into a state-of-the-art interactive children's museum. At the time, Phoenix was not only the "youngest" big city in the nation, but also the only major city in the country without a dedicated children's museum. Once plans were in place, the museum started a capital campaign. But the museum and the capital campaign struggled to raise enough money to get the project off the ground.

"Then they came to us," Bravo shared. He explained that the museum asked if Dignity could provide a loan against future pledges. Dignity Health was enthusiastic about the project and offered a bridge loan of $1.5 million at 3.5 percent interest over five years. Bravo emphasized proudly, "If you go to Phoenix today and check out this museum, you'll notice, first, it's an incredible museum, and, second, it has help transformed the entire area by serving as a catalyst for other development. It is a place that children of all income backgrounds can come and interact with each other without thinking about anything else but having a good time."

FOR MORE INFORMATION

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SOURCES

Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

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[1] The *More Resources* section of the online version of this toolkit provides two application templates for Dignity Health's community investment program.

[2] Specific examples of projects in Sacramento, Los Angeles and San Francisco, California can be found in the *More Resources* section of the online version of this toolkit.

Bon Secours Health System

COMMUNITY INVESTMENTS

LOCATION

Headquartered in Marriottsville, Maryland (near Baltimore), Bon Secours Health System has acute-care hospitals and other facilities in New York, Maryland, Virginia, Kentucky, South Carolina, and Florida.

BON SECOURS HEALTH SYSTEM

- **Employees: more than 22,000**
- **Revenues: $3.3 billion**
- **Investment portfolio: $1.1 billion**

Key strategies employed

- Designate a portion of investible reserves for place-based investments
- Allocate to financial intermediaries, including community development financial institutions (CDFIs) and other investment managers offering place-based private debt strategies
- Align community benefit with place-based investing strategies
- Establish an internal green revolving loan fund
- Move cash and cash equivalent assets into local banks and credit unions, including US Treasury Department-certified CDFIs, using money market accounts, business checking and savings accounts, and certificates of deposit

MISSION OF PROGRAM

> “The goal of the program is to make Impact Investments with institutions and/or projects to promote access to jobs, housing, food, education and healthcare for low-income and/or minority communities.”

Overview

A nonprofit Catholic health system, Bon Secours aims to invest up to 5 percent of its Long-term Reserve Fund (LRF) with intermediaries that serve low- and moderate-income communities, primarily community development financial institutions (CDFIs). Launched in 2008, to date, Bon Secours has shifted more than $26 million, or about 2.5 percent of its $1 billion LRF, to support affordable housing, economic development, community facilities, and other projects that benefit community members.

Metrics used to evaluate return on investment include the number of jobs or housing units created for low- and moderate-income populations. Bon Secours also tracks the return of principal and interest earned. Recently, Bon Secours added a green revolving fund as part of their community investment allocation and expanded the investment vehicles they will consider for community investment. Bon Secours' evolution toward community investment has been incremental but dynamic, building on success and continually evaluating new opportunities for improving the health and well-being of the communities it serves.

Background

Bon Secours' Community Investments dates back to the 1990s when a number of executive staff, along with the sponsoring sisters, wanted to shift investment to achieve greater community impact. In addition to shareholder advocacy, the sisters and leadership explored a strategy of putting aside a portion of the health system's invested assets and using it for direct social investment.

In the community investment program's early years, the system worked with a consulting firm that would research and vet individual projects. While the program has gone through a number of changes throughout the years, and even ceased operations briefly, it is currently a priority for the institution. The current program is structured to work primarily with financial intermediaries, as Bon Secours considers this approach more suitable to existing internal competencies and available resources.

Ross Darrow, the director of treasury services, and Ed Gerardo, the director of community commitment and social investments, manage the initiative on a semi-annual investment cycle. When necessary, the legal department supports the work, and Darrow and Gerardo take all investment decisions to the executive management team for final approval.

Program set-up

Bon Secours' Community Investments is led by the health system's corporate office as a partnership between Treasury Services and Community Benefit. The program is designed to increase the percentage of the health system's LRF with intermediaries that serve low- and moderate-income communities. As Gerardo noted, "we will grow it by at least $3 million a year until we have 5 percent deployed." The program was established through the board's socially responsible investment policy,[2] and is reviewed every three years.

Management selects and monitors investments, with Community Benefit identifying potential opportunities and Treasury providing due diligence. Potential investment leads might come from Community Benefit or staff at local facilities, as well as community partners. Despite being administered through the corporate office, all of the announcements regarding new investments are attributed to local health systems and hospitals.

Bon Secours primarily works with financial intermediaries, but will make direct project investments selectively. In order to assess and maximize impact for the communities they serve, they do request that intermediaries provide a list of investments in the health system's geography, and consider investments as proximate to the areas they serve as possible. Darrow explained, "It's actually easier for us to make the case for a smaller organization that might only be in one state, because we can draw a direct line that is a lot clearer to our local community, as opposed to a larger organization that has multiple sites (unless they have geographic-specific funds)."

Conducting due diligence for each investment can take about two and a half to four hours, with new investments requiring more time than renewals. As Darrow described the process, "We have an introductory call and provide [borrowers] with the application and the loan documents. They review both and tell us if there are any issues. Then, we do a due diligence call, which takes about an hour. Most of the time they'll have filled out the application form prior to us talking to them for the second time."

Bon Secours currently has more than twenty outstanding investments, and aims to complete seven investments per year (a combination of new investments and renewals of existing loans). This process includes a due diligence analysis or monitoring visit. Although the loan cycle has been semi-annual to date, it is transitioning towards an annual process. While almost all existing loans are renewed, it is not automatic. Auditors require a process in which Bon Secours specifically acknowledges that the principal will be collected so that there is no confusion about whether they are grants or investments.

Staff vet applicants from November to January and prepare recommendations in February. An advisory committee, including representatives from the finance and mission departments, reviews the recommendations. The executive management team approves all investment decisions and the board's Pension and Investment Committee receives annual updates on the program.

Over time, the target for the size of each investment has grown. As Gerardo underscored, "Our sweet spot started somewhere between $100,000 and $250,000 per arrangement. Now, we really want to invest between $400,000 to $500,000, and possibly a million dollars." The minimum investment is $100,000. Bon Secours seeks a 0 to 3 percent annual return; the historical return has averaged around 2.25 percent. Generally, each loan term is three years with semi-annual interest payments and principal repaid at the end of the term.

Bon Secours has put in place certain guidelines to minimize risk. Darrow explained, "We don't want to be anybody's largest investor or have any investment dominate our portfolio. Our objective is not to have more than 10 percent of our funds invested in any one organization."

Bon Secours has adopted the following risk controls to guide their investments:

Intermediary Assets Under Management	Max Percentage of Community Investment Fund Target Portfolio (Direct)	Max Percentage of Community Investment Fund Target Portfolio (Indirect)	Max Percentage of Assets Under Management
<$50M	2.5%; $1.0M	10.0%; $4M	4.0%; <$2M
$50M-$150M	4.0%; $1.6M	12.0%; $4.8M	4.0%; $2M-$6M
>$150M	5.0%; $2.0M	15.0%; $6M	4.0%; >$6M

In 2016, Bon Secours further expanded its policy to consider other investment options that are not necessarily loan funds, but principal-protected funds, such as mutual funds. For example, they might invest in a mutual fund that focuses on mortgage-backed securities, identifying the zip codes that they want to prioritize and using investment leverage to reduce rates for borrowers in those markets.

Darrow emphasized, "We went through a of period of getting our feet under us, learning what vehicles are available. We spent time internally socializing the idea of expanding beyond loans prior to doing so. Our plan is to start small and expand as the organization grows more comfortable and we find additional avenues that reach our social and financial goals."

Staffing and budget

Gerardo and Darrow are the primary staff members who manage community investments. Overall, the community investment work makes up a small portion of their responsibilities. Gerardo estimated that the program required about 300 to 400 hours over four to six months to set up. After initial setup, operating the program requires significantly less time.

Key strategies employed

DESIGNATE A PORTION OF INVESTIBLE RESERVES FOR COMMUNITY INVESTMENTS

Bon Secours' initial target was that 1 percent of the LRF be targeted towards community investment. It achieved 2 percent in 2015 and revised the target upward to 5 percent. As Darrow described it: "The money we use for this comes out of our fixed-income allocations, so we look at it as a fixed-income substitute."

To achieve this target, Bon Secours has adopted a tiered priority system for identifying how these dollars should be invested:

1. Local Bon Secours Health System communities
2. Green revolving fund
    i. The green revolving fund is seeded with community investment funds. Its investments are managed in consultation with the institution's "Green Team."
3. Communities that correspond to Bon Secours global health initiatives
4. Other domestic opportunities

ALLOCATE TO FINANCIAL INTERMEDIARIES, INCLUDING CDFIS AND OTHER INVESTMENT MANAGERS OFFERING PLACE-BASED PRIVATE DEBT STRATEGIES

Bon Secours's strategy to work with financial intermediaries rather than investing directly in specific projects helps reduce the due diligence the health system is directly responsible for. It also enables existing staff to assume responsibility over the community investment program and directly support communities in the specific geographies the institution serves.

"The big trade-off in this is that we are not able to direct those investments to particular projects," said Gerardo. "We do not have the capability to vet specific project opportunities outside our healthcare expertise. We rely on the intermediary's evaluation and respect their determinations. Our assurance is that risk is substantially reduced and we look for a more modest financial return of about 2 percent. Our requirement of the intermediary is that they place and utilize the funds within our local geography."

MOVE CASH AND CASH EQUIVALENT ASSETS INTO LOCAL BANKS AND CREDIT UNIONS

Bon Secours has placed more than $500,000 in Federal Deposit Insurance Corporation (FDIC)-insured certificates of deposit (CDs) at Virginia Community Capital (VCC), a nonprofit statewide community development loan fund that also has a banking subsidiary. Bon Secours utilizes the Certificate of Deposit Account Registry Service (CDARS) to access FDIC insurance on CD deposits greater than $250,000. Bon Secours has since expanded its relationship with VCC, investing more than $1.5 million.

ESTABLISH AN INTERNAL GREEN REVOLVING LOAN FUND

Bon Secours has recently established a green revolving loan fund as a subset of the community investments. It is an internal mechanism to finance energy-efficient projects that have a payback of less than three years. Currently, there is one project of $700,000 underway for a medical gas chiller.

ALIGN COMMUNITY BENEFIT GRANTS WITH TARGETED COMMUNITY INVESTMENT

Bon Secours' place-based investments increase its impact on community health and well-being. In addition, Bon Secours has committed community benefit resources to address factors further upstream and to strengthen community partnerships in response to identified community health needs. Several examples of these efforts include:

Addressing lack of access to healthy and affordable food

Virginia Community Capital, a CDFI that Bon Secours has an investment with, is providing financing to a grocer in a neighborhood in Newport News, Virginia. Bon Secours has been an advocate for addressing food desert conditions in neighborhoods near its hospitals and is also considering providing grants to further support grocery store development. In addition, they are considering whether to include nutrition education and pharmacy services in stores once they open.

Addressing housing affordability

In West Baltimore, in response to a community engagement process, Bon Secours helped build more than 800 units of affordable housing and worked with residents to convert more than 640 vacant lots into green spaces. In Greenville, South Carolina, Bon Secours helped support the development of a community land trust through staff support and seed funds for the Sterling neighborhood.

Supporting local and small business development

In Richmond, Bon Secours partnered with the community development intermediary, Local Initiatives Support Corporation (LISC), to grant more than $400,000 ($100,000 a year for four years) to support locally owned businesses through a program called Supporting East End Entrepreneurship (SEED). Bon Secours recently committed to providing an additional $150,000 to SEED.

Top left: Community members at the opening of a Mercy Housing neighborhood development in Greenville, SC. Top right: New Shiloh Village in West Baltimore, funded through the Enterprise Community Loan Fund. Bottom: Bronx Charter School for the Arts, which received funding through the Civic Builders program to purchase and renovate their new building. Photos courtesy of Bon Secours.

Impact

To date, Bon Secours has loaned more than $26 million to the following organizations that focus on community and economic development in the geographic areas that the health system serves:

Organization	Focus	Market
Calvert Foundation	Multiple	Multiple
Enterprise Community Partners	Housing, Community Development	Baltimore
Community Housing Partners	Housing, Community Development	Virginia
The Reinvestment Fund	Housing, Community Development	Baltimore
Mercy Loan Fund	Housing	Multiple
Global Partnerships	Economic Development	Peru, Haiti
Virginia Community Capital	Community Facilities	Virginia
Oikocredit	Micro-enterprise loans	Peru, S. Africa
Boston Community Capital	Housing, Community Development	Multiple
LISC	Housing, Community Development	Virginia
Civic Builders	Charter Schools	Bronx
Partners for the Common Good	Community Facilities	Baltimore
Shared Interest	Loan Guarantees	South Africa
Leviticus Fund	Housing, Community Development	New York
Baltimore Community Lending	Housing, Community Development	Baltimore
Fonkoze	Business Micro-lending	Haiti
CommunityWorks Carolina	Housing, Community Development	Greenville
CRANX Mutual Fund	Housing, Community Development	Multiple
Virginia Supportive Housing	Housing, Community Development	Richmond
Solar and Energy Loan Fund	Economic Development	St. Petersburg

FOR MORE INFORMATION

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SOURCES

Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

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[1] Bon Secours has provided a sample agenda for these visits. It is included as a resource in the More Resources section of this toolkit.

[2] The *More Resources* section of the online version of this toolkit provides a copy of the board's socially responsible investment policy.

Gundersen Health System

ENVISION

LOCATION

Headquartered in La Crosse, Wisconsin, Gundersen Health System serves communities across western Wisconsin, northeastern Iowa, and southeastern Minnesota

GUNDERSEN HEALTH SYSTEM

- **Employees: more than 7,500**
- **Revenues: $1.3 billion**
- **Investment portfolio: $600 million**

Key strategies employed

- Leverage investment portfolio to achieve goal of 100 percent energy independence
- Support local economy through investments in local renewable energy projects
- Make direct equity investments in local, sustainable, minority-owned, and/or employee-owned businesses in the community
- Cofound a multi-stakeholder cooperative that supports the local agricultural supply chain
- Utilize real estate holdings to support creation of affordable housing

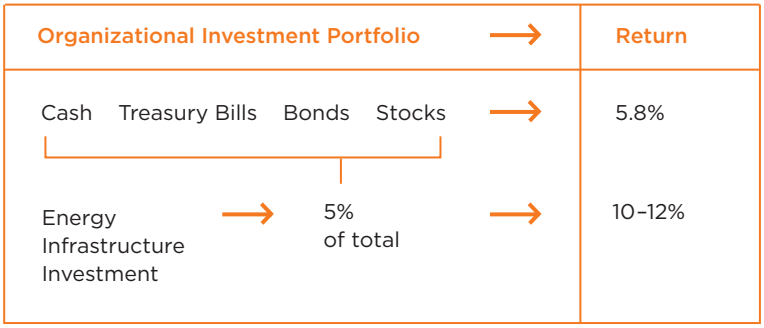
MISSION OF PROGRAM

Gundersen's mission is to "enhance the health and well-being of our communities while enriching every life we touch, including patients, families, and staff." To achieve this vision, Gundersen aspires to "be the global leader in healthcare for environmental stewardship and sustainability." Gundersen's specific goal was to produce more power than it consumed from fossil fuel sources by 2014. A subsidiary of Gundersen, Envision LLC, was established to lead this initiative.

Overview

In addition to implementing a number of other industry leading sustainability initiatives, Gundersen recognized that achieving energy independence would require a level of investment beyond allocating available operating dollars. “You cannot reduce your way to zero” became the mantra. To finance the development of multiple renewable energy projects—all within the areas that the health system serves—Gundersen invested approximately 5 percent of its long-term savings portfolio, about $30 million, in real assets.

These resources supported the creation of two wind turbines sites (for a total of four wind turbines, two per site), a biomass boiler, a landfill gas project, two dairy manure digesters, a geothermal heat pump, and several solar projects. On average, since 2008, the rate of return on these projects has exceeded Gundersen’s rate of return for its total investment portfolio.



By increasing local engagement and strategically deploying intellectual and economic resources, Gundersen has become a leader in environmental sustainability. Gunderson has also supported the local economy through other targeted investments and partnerships, including helping to retain a large local employer, enabling the construction of affordable housing, and co-founding a multi-stakeholder cooperative connecting local producers to institutional buyers.

Former CEO Dr. Jeff Thompson led the work to increase local engagement: “We have significant opportunity with the strength of this organization to do multiple things at the same time. Great organizations can do more than one thing at a time.”

Background

In 2008, Gundersen Health System embarked on its journey to become a leader in environmental sustainability. Energy independence would enable more affordable healthcare delivery, better patient and community health, a stronger regional economy, and a cleaner environment. Thompson explained, “We had to reframe the argument…My message to our board was: your energy supply is making people sick. If I come up with a way to decrease that pollution, save us money, and improve the local economy—if I do all three things—are you with me?”

Program set-up

"It's not access to capital—all health systems have the capital. It's about prioritization," remarked Jeff Rich, Executive Director of Envision LLC. A subsidiary of Gundersen, Envision was established to lead sustainability efforts, exercise flexibility in accessing resources, and serve as an education and consulting resource for other health systems. Envision has its own board, which includes leaders like Senior Vice President Mark Platt, two community members, and one physician. Gundersen also has a larger sustainability council to oversee additional environmental sustainability efforts.

Platt, who is also a former board member, explained the decision to utilize the health systems' investment portfolio to achieve the goals of Envision: "It was an alternative to making other investments. Our investment portfolio is pretty conservative. We chose instead to invest in local energy projects that have a greater return and improve community health."

Dedicated project staff and continuous leadership support made Envision successful. As Platt emphasized, "To say our mission is to support the communities we serve—we believe that. Jeff Rich, executive director of Envision—that's his only job. We don't ask a commission in their spare time to do this work. We have people dedicated to conservation, energy generation, and medical waste reduction—things that have a positive impact on the health of our community. We've invested in those areas, and we've found that those investments have very quickly paid for themselves."

At the onset of all Envision projects, senior leadership presents to the board. Educating the board is vital to ensuring commitment in the face of challenges, such as shifts in energy prices, projects delays, and issues with permitting and state regulations. Platt explained that maintaining the board's support has been essential to weathering these difficulties: "Not every project we started was successful. Engineering challenges tested our resolve. There were a couple instances where our CEO had to spend his leadership capital to convince the board to spend money before we received it entirely back from other projects. There were exit ramps we chose not to take. If this wasn't tied to our mission we wouldn't have seen it through."

Envision also provides at-cost consulting to other hospitals, guiding them in lessons learned and helping them avoid or overcome challenges. Gundersen sees this work as benefitting the health of its patients and healthcare more broadly.

Staffing and budget

Envision has four full-time staff, including Jeff Rich, Envision's executive director. Rich reports to Mark Platt at Gundersen, who reports to the CEO. In addition, Envision draws upon the expertise of Gundersen's legal team and the departments of finance, marketing and communications, accounting, and external affairs. Support from senior leadership has been essential throughout.

Gundersen also has one staff person working full time on waste reduction. Even apart from the environmental benefit, Gundersen estimates that the savings gained through efficiencies easily offset the costs of this investment, saving the institution more than $500,000 since 2010.

Funding

Many of these projects have also leveraged outside resources and brought dollars into the communities that Gundersen serves, including taking advantage of state and local grants and tax incentives that were available between 2008 and 2014. As a nonprofit, Gundersen partnered with the for-profit but local and cooperatively owned Organic Valley to utilize the tax credits for one of their wind turbine investments. The second wind turbine site is jointly owned with another local for-profit company, Mathy Construction.

Key strategies employed

LEVERAGE INVESTMENT PORTFOLIO TO ACHIEVE GOAL OF 100 PERCENT ENERGY INDEPENDENCE

To achieve this audacious and historic goal, Gundersen understood that investment-as-usual was not an option. Platt shared, "We chose to look at these investments not in terms of other medical competing needs, but in comparison to how those dollars would be invested in the market."

SUPPORT LOCAL ECONOMY THROUGH INVESTMENTS IN LOCAL RENEWABLE ENERGY PROJECTS

Gundersen leadership might have pursued this goal by purchasing clean energy from other communities. Instead they made the intentional decision to prioritize this investment in the local community. To do so, they considered both financial return and community impact. Rich explained, "We focused on four things: 1) making care more affordable for our patients, 2) improved community health, 3) job creation and, 4) the environment."

MAKE DIRECT EQUITY INVESTMENTS IN SMALL, LOCAL, AND/OR DIVERSE BUSINESSES BASED IN THE COMMUNITY

The case of Logistics Health Incorporated (LHI) illustrates the power of Gundersen's direct equity investment strategy. Established in 1999, LHI is a veteran-owned local business that employs veterans and addresses critical military medical readiness concerns. LHI quickly became one of the largest employers in La Crosse. When the company needed growth capital to expand but could not find local investors, the growing likelihood was that the business would be acquired by a company that would relocate it outside of La Crosse.

To retain LHI in La Crosse, then-CEO Jeff Thompson pushed his team for a solution. Ultimately, Gundersen made an equity investment in LHI of tens of millions of dollars. Drawing on the expertise of his staff and board members—including a banker and an accountant—Thompson recalled, "We did our due diligence. We'd have to stay invested for three years and it did tie up some assets. It wasn't a unanimous decision of the board."

Pushback also came from some physicians who thought the investment strayed too far from Gundersen's healthcare mission. Thompson's reply was that this was very much in line with the health system's mission of improving the health and well-being of the patients and the communities it served. "Ten percent thought that I was crazy for doing something this risky, but it wasn't that we went to Las Vegas and played cards with the money. This was a growing company with a strong track record and it was well-run. Turns out, we were able to sell in sixteen months, not three years. When we sold, we drove a hard bargain since we didn't have to sell." Gundersen set two non-negotiable conditions for the sale: remain and grow in La Crosse.

CO-FOUND A MULTI-STAKEHOLDER CO-OP THAT SUPPORTS THE LOCAL AGRICULTURAL SUPPLY CHAIN

In collaboration with Vernon County, the University of Wisconsin-La Crosse, and several local school systems, Gundersen helped establish Fifth Season Co-op, a unique multi-stakeholder food cooperative connecting local growers to institutional purchasers.[1] The cooperative's sales have grown from $40,000 in 2011 to over $500,000 in 2015.

Tom Thompson, Gundersen's sustainability coordinator, said, "We realized that pooling resources to meet standards and criteria would be the best way to bring local sustainable food into healthcare, school systems, and universities. Our role as one of the founding buyer members was important because other institutions were somewhat committed but didn't quite know what to do. If you don't have big institutions willing to take the lead, it is hard for some of the other entities to get on board. We had to jump in pretty early and use some of our clout to show that leadership."

UTILIZE REAL ESTATE HOLDINGS TO SUPPORT CREATION OF AFFORDABLE HOUSING

Another example of how Gundersen has leveraged its assets to assist with community revitalization is the development of sixty-eight units of affordable housing (out of a total of eighty-five) at Gund Brewery Lofts. Within walking distance to Gundersen's La Crosse campus, Gund Lofts opened in 2007 in an area that the City of La Crosse is striving to redevelop. To enable development, Gundersen provided the land and the 58,000-square-foot historic Gund Brewery to a private developer, who executed construction using Low Income Housing Tax Credits and Historic Tax Credits. Platt explained, "We didn't do the project, but we caused it to happen by providing the building and the land. We recoup that property in the future once the investor completes the deal. We have a dollar specific re-purchasing agreement. We know what we will pay for it."

Top left: Middleton Dairy Digester, one of Gundersen's renewable energy investments. www.gundersenenvision.org/environmental-photos/middleton-dairy-digester
Top right: Gundersen Health System's biomass border. www.gundersenenvision.org/environmental-photos/biomass-boiler%5B/caption%5D
Bottom: Lewiston Wind Energy Project. www.gundersenenvision.org/environmental-photos/lewiston-wind-energy%5B/caption%5D

Impact

On October 14, 2014, six years after establishing the goal of 100 percent energy independence, Gundersen Health System became the first health system in the world to produce more power than it consumed. In 2015, it had seventy-two days of energy independence and an eighty-one-day stretch of cumulative energy independence.[2] Gundersen estimates that its 2015 fossil fuel energy offset was 64 percent. In addition, Gundersen generated more than $3 million in revenue from energy production. Using Practice Greenhealth's Energy Impact Calculator, Gundersen can also measure positive impacts on community health, such as reductions in asthma attacks.

Energy independence has benefitted the local economy as well. The landfill gas project generates $215,000 in annual tax revenues for La Crosse County. The biomass boiler produces additional revenue of $667,000 for regional wood chip suppliers. More than $300,000 in local wages have been created through seven new operation and maintenance technician jobs at the wind and digester projects. More, the $30 million invested in various projects by Gundersen and its many business and government partners has created new local construction jobs.

Platt noted, "Beyond the financial payback, there is a business value from the benefits to our reputation in the community and at the national level. I was visiting the Department of Energy in Washington unrelated to Gundersen. The person I was speaking with brings up Gundersen and has a picture of us on the wall…None of our medical accomplishments get that amount of press, right or wrong."

Dr. Jeff Thompson shared, "This is one of the things that I debate with other CEOs all the time that ask 'how much "gold" should we store in our basement?' Let's instead use those savings, and the question is rather, 'How do we go about doing that?'"

100%

energy independence reached after 6 years

$3M

in revenue from energy production

$300K

in local wages created through jobs at the wind & digester projects

$30M

invested in local, renewable energy projects

FOR MORE INFORMATION

Jeff Rich, Executive Director, Envision jjrich@gundersenhealth.org

SOURCES

Eric Bashaw, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

Mark Platt, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

Jeff Rich, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

Michael Richards, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

Tom Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

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[1] A more in-depth case study of Fifth Season Co-op, produced by the United States Department of Agriculture, can be accessed in the *More Resources* section of the online version of this toolkit. Additionally, Fifth Season Co-op was featured in a 2013 case study written by The Democracy Collaborative: Hospitals Building Healthier Communities: Embracing the anchor mission, *http://community-wealth.org/content/hospitals-building-healthier-communities-embracing-anchor-mission.*

[2] For this 81-day contiguous period of time, Gundersen produced more energy from renewables in total than it consumed.

ProMedica

EBEID INSTITUTE FOR POPULATION HEALTH

LOCATION

Headquartered in Toledo, Ohio, ProMedica serves twenty-seven counties through northwest Ohio and southeast Michigan.

PROMEDICA

- **Employees: more than 17,000**
- **Revenues: $2.6 billion**
- **Investment portfolio: $2.1 billion**

Key strategies employed

- Address community health needs through community economic development strategies
- Move cash and cash equivalent assets into local banks and credit unions, including US Treasury Department-certified Community Development Financial Institutions (CDFIs), using money market accounts, business checking and savings accounts, and certificates of deposit
- Connect community benefit priorities to inclusive, local hire strategy
- Connect community benefit priorities to inclusive, local procurement strategy
- Reinvest into urban core

MISSION OF PROGRAM

> We believe our responsibility to our community reaches beyond what you might expect from a healthcare system. We invest in the health of the entire region, working with dedicated community partners to influence policy and to provide preventive medicine, health education, healthy food assistance, and financial assistance to those who need it most."[1]

Overview

Driven to improve the health and well-being of the communities it serves, ProMedica began exploring non-clinical solutions for the high rates of obesity locally. In December 2015, ProMedica partnered with philanthropist Russell Ebeid, establishing the Ebeid Institute for Population Health to improve access to healthy food, deliver nutritional education, and provide job training. The cornerstone of the Institute is a 6,500-square-foot, full-service grocery store that offers healthy, affordable food to low-income neighborhoods in Toledo. The store, owned and operated by ProMedica, prioritizes sourcing from local vendors and hires hard-to-employ residents.

The Institute will also soon house a Financial Opportunity Center (FOC), jointly operated by local branches of the United Way and LISC (Local Initiatives Support Corporation), a national community development intermediary. In addition, ProMedica has established a local job-training program at the Institute to create a workforce pipeline that helps community residents gain health system employment. ProMedica's comprehensive community engagement plan includes creating a Community Advisory Committee with neighborhood stakeholders and establishing a Population Health Steering Team for the Institute. This operational planning team brings together internal champions from ProMedica and outside industry experts.

ProMedica has also emerged as an advocate for Toledo, helping spearhead revitalization and economic development downtown. In 2017, it will relocate more than 1,000 employees from over twenty separate sites to downtown Toledo. More, ProMedica is exploring how these external economic development strategies can link to internal initiatives around inclusive, local hiring and purchasing. ProMedica has also established a community banking initiative, leveraging its sizable balance sheet and its leadership position as one of the largest employers within the region, to help increase lending and economic development in the smaller communities it serves.

In October 2015, ProMedica partnered with the AARP Foundation to establish The Root Cause Coalition, a national nonprofit organization focusing on hunger and social determinants leading to chronic health conditions. Members of the Coalition work to develop a sustainable national framework for addressing these issues, with special emphasis on engaging the healthcare community.

Background

In 2009, ProMedica began exploring non-clinical solutions to the high rates of childhood obesity in its community. Working in local elementary schools, ProMedica learned that the core problems families and children faced were hunger and food insecurity. Kate Sommerfeld, the corporate director for social determinants of health, explained, "When the recession hit, the bottom fell out hard in Toledo…It became really clear to us, if we were to focus only on obesity, we would be missing the boat."

ProMedica began exploring how best to meet the challenges of hunger, nutrition, and unemployment. Sommerfeld noted, "We started having conversations with the local social services agencies, with our United Way, food banks, food pantries, and local churches…with our community. Our community confirmed that hunger was an issue that needed to be addressed."

With the support of their President and CEO, Randy Oostra, and board, ProMedica took a leadership role in addressing hunger in its community. The issue of hunger fell outside its area of expertise, so ProMedica engaged community partners to inform and develop appropriate solutions. This engagement work required serving as a neutral convener, sparking new conversations, overcoming communication gaps among community providers, and learning from those in the community with significant experience in this area.

Two critical ideas surfaced from this work. First, ProMedica added a two-question screener about food insecurity to its patient intake process. The screener has been validated by Children's Health Watch, a nonpartisan network of pediatricians, public health researchers, and children's health and policy experts committed to improving children's health in America. If a ProMedica patient screens positive for food insecurity, this information becomes part of the electronic medical record, and the patient receives a food pharmacy prescription for a two- to three-day supply of food for their entire family. The program is supported by ProMedica's foundation and community benefit, as well as through a partnership with the local food bank. Since April 2015, ProMedica has screened about 36,000 patients for food insecurity.

Second, in February 2013, ProMedica hired two part-time employees to repackage salads, meats, side dishes, and other unserved food at Hollywood Casino Toledo. Other foodservice providers soon joined the effort, including ProMedica Toledo Hospital's cafeteria. Over 75,000 pounds of food were collected in the first nine months—enabling local partner Seagate Food-bank of Northwest Ohio to distribute food for more than 55,000 meals. In 2014, ProMedica's food reclamation program expanded to include additional community partners, such as the Toledo Mud Hens' foodservice venue at baseball games. Since its inception, the program has reclaimed over 250,000 pounds of food, enough for nearly 175,000 meals. The program costs about $30,000 a year.

To obtain healthy food unavailable from the local food bank, ProMedica sources locally through a grocery store. This initiative required "powerful internal conversations with our doctors. Getting their buy-in was really important in this general process and strategy," shared Sommerfeld. Involving physicians also helped reduce the stigma associated with hunger and poverty.

Program set-up

ProMedica has tackled hunger through broader community approaches. Working with Mari Gallagher Research and Consulting Group, an expert on food deserts, ProMedica mapped Toledo neighborhoods more than a mile from a grocery store. To better understand community needs, they also investigated the frequency with which residents shopped at corner stores and the quality of the available food.

As in many cities, large grocery chains had pulled out of Toledo's downtown area, creating a food desert with little healthy, affordable food in the urban core. To ensure a sustainable solution, ProMedica sought to promote local business ownership. The initial plan was to form a joint venture with an existing local grocery store with financial support and community health services, like dieticians, on site. But no local stores were willing, due to perceived risk.

Russell Ebeid, a local philanthropist and current board member, stepped forward to support the project. Sommerfeld recalled asking him: "'What do you think if ProMedica were to operate the market?' We had his full support, and our CEO's full support."

In 2014, ProMedica acquired a building from the city of Toledo to house a 6,500 square-foot grocery store. A year-long planning process, with a sharp learning curve, preceded construction. As Sommerfeld reflects, "That [time spent] was valuable for us on a couple different fronts, not only on the operation side. We're in the healthcare business, and the grocery industry has a completely different business model that requires a rapid and flexible operating structure. Even evaluating and purchasing the right point of sale (POS) system was a challenge. The closest POS system we had was in our hospital gift shops, but we had to figure out if that would work in a grocery store."

Construction began with a rapid twelve-week turnaround to meet the ribbon-cutting date. Challenges included structural, code, and permitting issues. Sommerfeld pointed out, "Healthcare has a lot of assets and resources, but the grocery business is…just a different speed, and we were stretched to think and work in a new way." ProMedica hired a grocery expert to help their team adjust to the rapid environment of the grocery business.

On December 15, 2015, ProMedica opened Market on the Green, a full-service grocery store in the urban core of Toledo. Likely unique in the country, the grocery store is fully owned and operated by the integrated, nonprofit health system.

On product and pricing, the ProMedica team has learned a lot quickly. Achieving the right product mix and volume was one challenge, resulting in the store donating unpurchased produce in the early days. Over time, they found a balance between variety and demand. The store has a selection of products, of which about 80 percent are healthful. The store sells no alcohol, tobacco, or lottery tickets.

Affordability is another key priority. The store's low markup keeps prices competitive with other grocers, despite lacking the volumes of larger stores. ProMedica has chosen to price, staples like fresh produce, dairy, and meat almost at cost. Even as the store moves toward financial sustainability, ProMedica will likely maintain some financial support through their foundation. Customers who can afford to do so are encouraged to "round-up" their bills to the next dollar at the checkout in order to maintain affordability for others.

Staffing and budget

Launching the Ebeid Institute and Market on the Green has been a team effort. Continued engagement by President & CEO Randy Oostra, along with the system's executive team and board, proved key. Kate Sommerfeld, who served as lead director on the projects, explained: "Developing and launching was only possible because we had strong support from all areas of our system. Operations, HR, fundraising, marketing, IT, security, and legal all played a critical role." To prepare for the store's grand opening, the executive team held a workday at the grocery, helping to stock dry goods.

ProMedica also hired a market manager with eleven years of experience in the grocery industry to assist with planning and to run day-to-day operations. This hire was vital, bringing grocery expertise that the health system did not have. During the planning process, ProMedica also relied on external grocery experts and leveraged its construction and information technology staff, as well as input from dieticians. Also, they added a programming element, providing interested visitors with tours of the store.

Additionally, ProMedica has committed time and resources to neighborhood outreach. The yearlong planning period proved essential to building trust and strong relationships in the community. The planning effort also helped ProMedica to develop a community advisory committee.

Funding

ProMedica has invested about $3.5 million in the Ebeid Institute for Population Health, including a $1.5 million donation from Russell Ebeid. Many of the projects identified in this case study were funded through community benefit, but recently ProMedica's foundation has been raising more funds to subsidize initiatives until they become self-sustaining. Sommerfeld explained, "This opportunity opened us up to a new type of donors who, previously, had not been interested in funding medical equipment or hospital operations."

Top: ProMedica Ebeid Institute. Bottom left: Affordable produce is available for sale in Market on the Green. Bottom right: Market on the Green sign. Photos courtesy of ProMedica.

Key strategies employed

ADDRESS COMMUNITY HEALTH NEEDS THROUGH COMMUNITY ECONOMIC DEVELOPMENT STRATEGIES

ProMedica recognized that addressing the lack of healthy and affordable food in underserved sections of Toledo would require a new type of intervention. Sommerfeld noted, "We wanted to meet the needs of the most vulnerable in our community and in a specific neighborhood that's demographically diverse but also has the largest concentration of homeless individuals in our community." The Institute's primary goals are to eliminate the food desert, provide job opportunities, and needed services. But higher-income individuals have also embraced the grocery store. The market is attracting many suburban customers who shop at the market to support its positive impact on the community.

MOVE CASH AND CASH EQUIVALENT ASSETS INTO LOCAL BANKS AND CREDIT UNIONS

ProMedica, based in Toledo and located throughout twenty-seven counties in northwest Ohio and southeast Michigan, also serves its local communities by leveraging its sizable balance sheet and its leadership position as one of the largest employers within the region. Historically, ProMedica supported local and regional banks, investing in sixteen regional banks and diversified treasury management services. This effort is unique as most healthcare systems bank with only one or two institutions. The banking strategy has helped ProMedica build local relationships in the counties it serves, maintain credit in those communities, and better manage risk during economic downturns like the Great Recession.

In 2015, ProMedica launched a pilot project to position additional deposits of $250,000 to $3 million with smaller community banks, using certificates of deposit (CDs) through the Certificate of Deposit Account Registry Service (CDARS). CDARS is a national program that allows ProMedica to place significant funds with local institutions while maintaining protection of the original deposits through Federal Deposit Insurance Corporation (FDIC) insurance. ProMedica's directive to the banks is to redeploy the deposits to create loans in those communities, with an emphasis on job creation, new and/or expanded businesses, and new community services or programs. The banks report key metrics quarterly, including how the funds were utilized. Matching services to banks' skill sets and capabilities avoids duplication of services and ensures the strategy remains efficient for ProMedica.

ProMedica sees this strategy as a powerful way to use its resources to benefit the communities it serves, all the while meeting its fiduciary responsibilities with no additional staffing. Access to capital in low-income communities is a key driver of economic health, which is closely tied to mental and physical health. Neighborhoods suffering long-term disinvestment tend to experience lower life expectancies than more affluent areas.

CONNECT COMMUNITY BENEFIT PRIORITIES TO INCLUSIVE, LOCAL HIRE STRATEGY

ProMedica is also committed to hiring from the neighborhood and has established a job-training program at the Institute. This program hires individuals with high barriers to workforce entry, such as those with previous convictions or those living in the shelters. Trainees work twelve months at the store, learning technical and soft skills and receiving financial coaching. The Institute provides salary support and funding for an additional four hours weekly for GED classes, vocational training, or other development opportunities. After twelve months, trainees are pipelined into full-time employment with ProMedica or partner companies.

More, ProMedica has reexamined its own hiring processes to identify potential barriers. For example, ProMedica, like many larger employers, requires direct deposit for an employee's first paycheck. This requirement poses an obstacle for unbanked employees. Sommerfeld explained, "It pushed us to think about our internal policies. Is direct deposit critical? Can't we provide a hard check for their first paycheck and then work with our credit union to get them into a checking account? It helped challenge us to think about how, as an employer, we make sure that we're serving and meeting the needs of workers from low-income neighborhoods."

CONNECT COMMUNITY BENEFIT PRIORITIES TO INCLUSIVE, LOCAL PROCUREMENT STRATEGY

ProMedica is increasingly prioritizing strategies for increasing inclusive, local construction and procurement. As a small, non-medical project, the renovation of the Institute's building offered an opportunity for suppliers and vendors to demonstrate competency. Sommerfeld noted, "We looked at what businesses were in the neighborhood that we could source from. Employee shirts are printed in the neighborhood. The cleaning service that we use is located in the neighborhood. We have a local hummus company, a local salsa company, and a local barbecue joint. We also tried to think about opportunities to develop relationships with small and local businesses that would get them established as a vendor for our entire system."

In December 2015, ProMedica joined the American Hospital Association 123 Diversity Pledge. Sommerfeld emphasized: "We made a public commitment …our CEO signed the pledge that included supplier diversity, and that sparked us internally to take on the opportunity." ProMedica has been actively working to increase construction dollars with local, diverse firms by encouraging prime construction firms and contractors to partner or subcontract with smaller ones.

REINVEST INTO URBAN CORE

ProMedica broke ground on its new headquarters in downtown Toledo in October 2015. Consolidating 1,000 employees across over twenty different locations, the project will bring the largest influx of employees to the downtown area in many decades. Transition plans, which include refurbishing a long-vacant, historical steam plant on the Maumee River, will improve the downtown area. In addition, ProMedica and other local business leaders have formed the 22nd Century Committee, a public-private partnership dedicated to revitalizing the downtown community. These efforts reflect ProMedica's long-term commitment to strengthening the region's leading urban center.

Impact

Open since December 2015, Market on the Green's initial outcomes are promising. From January to August 2016, SNAP sales nearly doubled, from 11 to 21 percent. As of August 2016, the store serves over 3,000 customers per month and is more than half way to its weekly sales goals. When the store reaches the breakeven point, ProMedica will revisit the ownership question and seek a local partner to join the effort. Although the store has only been open for a year, Market trainees are gaining experience, skills, and vocational training; rebuilding credit; escaping predatory lending; and securing full-time employment within ProMedica. One trainee went from being homeless to having stable housing.

The store has also fostered partnerships with community nonprofits, healthcare providers, and faith-based organizations. Just as health systems have set aside their fierce competition to collectively address patient safety, ProMedica is proving that community need and hunger are issues that transcend competitive boundaries.

11% to 21%

SNAP sales nearly doubled from Jan. to Aug. 2016

3,000

customers per month

FOR MORE INFORMATION

Kate Sommerfeld, Director of Social Determinants
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SOURCES

Kate Sommerfeld, interview with David Zuckerman and Katie Parker, April 4, 2016.

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[1] "Service to the Community," Promedica, *https://www.promedica.org/pages/service-to-the-community/default.aspx.*

St. Joseph Health

COMMUNITY INVESTMENT FUND

LOCATION

Headquartered in Irvine, California, St. Joseph Health serves the regions of Northern California, Southern California, and West Texas/Eastern New Mexico. St. Joseph Health recently merged with Providence Health and Services, forming Providence St. Joseph Health. This merger extended the institution's reach into the Pacific Northwest and created one of the nation's largest nonprofit healthcare systems.

ST. JOSEPH HEALTH

- **Employees: about 25,000**
- **Revenues: $5.6 billion**
- **Investment portfolio: $2 billion**

Key strategies employed

- Designate a portion of investible reserves for place-based investments
- Provide secured and unsecured direct loans to local nonprofits and businesses
- Allocate to financial intermediaries, including community development financial institutions (CDFIs) and other investment managers offering place-based private debt strategies
- Provide linked deposits to a financial intermediary to enable them to provide loans for specific projects
- Align community benefit with place-based investing strategies

FOCUS OF THE PROGRAM

"As a Catholic institution, St. Joseph Health extends its healing mission with special focus on the poor and vulnerable. St. Joseph Health recognizes that the health of any community depends on strong support structures—both physical and social—that sustain the long-term well-being of the population. This emphasis on building healthy communities inspired the establishment of the Community Investment Fund, to aid organizations serving the common good."

Overview

The Community Investment Fund (the Fund) provides capital in the form of loans, deposits, and other support to nonprofit organizations and programs focused on affordable housing, economic development, social services, food banks, job expansion, and education. The fund makes available whichever is greater, 2 percent of St. Joseph's long-term reserves sub account or $50 million. Currently, St. Joseph has approximately $10 million in loans outstanding to nonprofit and community development financial intermediaries.

Background

In 1986, St. Joseph Health created the St. Joseph Health Community Partnership Fund to improve the health of low-income individuals in the local community. The fund's foundational document and vision and values statement requires that all system hospitals return 10 percent of their net income to the Community Partnership Fund "to support outreach efforts for the materially poor." Although the Community Investment Fund is not funded through this 10 percent contribution, it complements and reinforces St. Joseph's broader strategies to improve community health.

Program set-up

As Lisa Laird, fund manager and vice president of cash and investments, explains, "The Community Investment Fund is a way for us to use our investment portfolio to serve the needs of the poor and vulnerable, which is intrinsic to our mission. It allows us to more effectively use our assets to further this effort at the heart of our organization."

The Fund offers direct loans to nonprofits as well as capital for community development financial intermediaries. Organizations must provide collateral and demonstrate ability to repay the loans. At least 50 percent of the Fund must be invested in St. Joseph Health's service area, although in practice this number is typically more than 95 percent.

Gabriela Robles, vice president of community partnerships, helps identify prospective borrowers: "From my point of view, a good fit would be a stable second or third generation nonprofit that would have already tried to get a bank loan but found it difficult to do so. Another example would be a nonprofit looking for capital investments or exploring social entrepreneurship."

Interested organizations may complete a pre-qualification scan on St. Joseph's website to determine if they are suitable candidates.[1] Due diligence is then completed using an internal template, metrics adapted from Dignity Health's Community Investment Program, and other tools to assess the financials of potential nonprofit borrowers. To facilitate ongoing due diligence, the health system also requires that direct loan recipients appoint a St. Joseph staff person to their organization's boards. This practice strengthens relationships between the system and local nonprofits, which can encourage further collaboration and partnership.

St. Joseph Health aims to make at least 20 percent of the Fund's assets available each year to borrowers. To date, no loans have exceeded $2 million, and most are under $1 million. Laird shared that the biggest challenge has been underutilization. To inform potential borrowers about the Fund, St. Joseph has developed marketing materials, raised awareness among its local facilities, and maintained a website for the Fund.[2]

The Fund's portfolio is benchmarked to the current money market rate, although in practice no specific rate is set. Terms depend on the community benefit impacts, general market conditions, and other financial metrics. The fund portfolio currently earns around 2 percent annually, above prevailing money market rates.

Loan terms are normally five years, with a few exceptions for organizations with a strong history of repayment. To assist borrowers at risk of defaulting or missing the balloon repayment required at the end of the loan term, St. Joseph works to maintain communication and detect issues early. St. Joseph will also consider rolling over the loan for another five years. As Laird described this process, "These loans are not designed to be forgiven. To ensure continuity of the program, it is important we get our funds back." To date, among more than eighty loans underwritten by St. Joseph Health, only one default has occurred.

Staffing and budget

St. Joseph Health does not have dedicated staff managing the Fund. Laird provides primary oversight for the program, and several staff on her team help with preliminary analysis, due diligence, payment tracking, meeting with borrowers, and examining financials annually. Gabriela Robles assists with "identifying organizations that would be more mature and ready for a loan, versus a grant," referring them to Laird.

Currently, none of the staff spend more than 10 percent of their time administering the Fund. The workload depends on program utilization. Laird noted, "Having one third of an FTE would be ideal, but it would also depend on the size of the program. If you only had fund investment, it wouldn't take much to oversee. Small direct investments require more focus."

Key strategies employed

DESIGNATE A PORTION OF INVESTIBLE RESERVES FOR PLACE-BASED INVESTMENTS

St. Joseph Health makes available whichever is greater, 2 percent of its long-term reserves sub account or $50 million. Currently, St. Joseph has about $10 million in loans outstanding to nonprofit and community development financial intermediaries. By effectively leveraging investible assets, these loans extend St. Joseph's mission to improve the health of its local communities.

PROVIDE SECURED AND UNSECURED DIRECT LOANS TO LOCAL NONPROFITS AND BUSINESSES

Currently, about two thirds of the $10 million St. Joseph Health has invested is in the form of direct loans to nonprofits. St. Joseph requires borrowers to secure these loans with collateral.

ALLOCATE TO FINANCIAL INTERMEDIARIES, INCLUDING CDFIS AND OTHER INVESTMENT MANAGERS OFFERING PLACE-BASED PRIVATE DEBT STRATEGIES

Currently, about one third of the $10 million St. Joseph Health has invested is in the form of low-interest loans to community development financial intermediaries. These loans enhance intermediaries' ability to address critical community needs, such as access to affordable housing, healthy food, and federally qualified healthcare centers.

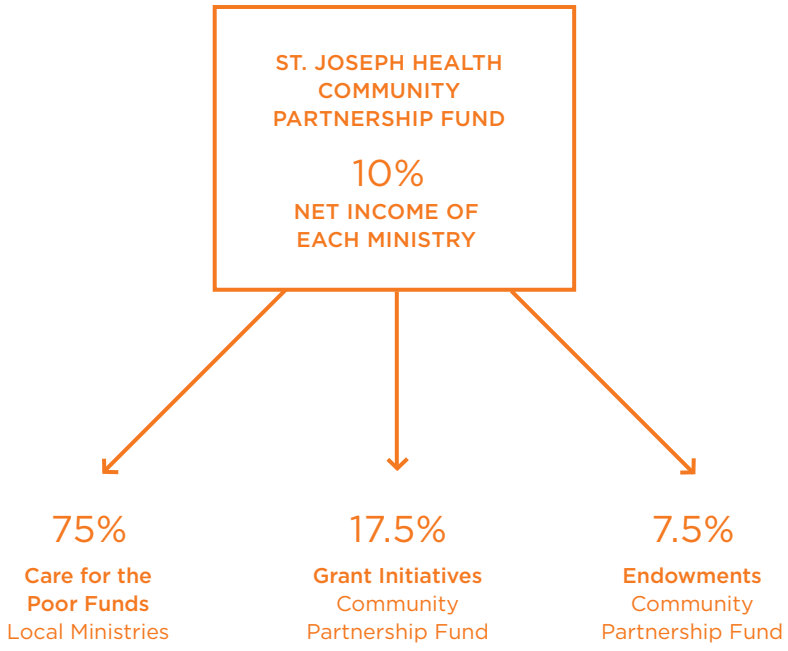
PROVIDE LINKED DEPOSITS TO A FINANCIAL INTERMEDIARY TO ENABLE THEM TO PROVIDE LOANS FOR SPECIFIC PROJECTS

St. Joseph Health has used this investment tool infrequently, but Laird shared the example of a small church that had been unable to secure a loan. Through the Fund, St. Joseph Health posted a certificate of deposit (CD) as collateral with a local bank. The local bank then provided the church the loan. As the church repays the bank, the CD decreases.

ALIGN COMMUNITY BENEFIT WITH PLACE-BASED INVESTING STRATEGIES

In addition to the Fund, St. Joseph Health directs community benefit dollars further upstream and leverages its intellectual resources in response to community identified health needs. St. Joseph Health allows staff paid time to volunteer up to four days a month. This generous volunteer policy gives staff time to serve on nonprofit boards and expands local capacity. Robles shared, "Grants are great, but we also think about human capital on boards. In my role, I identify community needs and match them with executives at our system office or hospital who can help out."

St. Joseph Health requires that all system hospitals return 10 percent of their net income to the Community Partnership Fund. Beyond traditional community health grants, a significant portion of this fund supports St. Joseph's Community Building Initiative and other upstream interventions.[3] These three-year grants help organizations build community capacity, make measurable progress toward identified goals, and develop longer-term sustainability plans. Robles emphasized, "In developing our Community Building Initiative, we had many philosophical conversations about models. Ours is slightly different from most [faith-based] community-focused organizations, but we really seek to create a voice for community change."



Top left: A Community Investment Fund Investment. Top right: Pre-natal health screening. Bottom: Mommy, Daddy & Me class. Photos courtesy of St. Joseph.

Impact

Laird explained, "Our program does both fund investments and direct investments. With the direct lending, it is right in our backyard and we can name organizations that have meaningfully benefited from participating in the program. It has created really great connections to the local community."

She continued, "If we can keep someone healthy by bolstering local nonprofits which help eradicate poverty and disease, then there's a benefit to this type of investment." St. Joseph Health has invested capital, often in the form of loans, in a number of community organizations, including:

- Mercy Housing, which offers affordable housing and supportive services to low-income families, seniors, and people with special needs.
- MOMS Orange County, which provides health coordination, education, and access to community services to help mothers and their families deliver and raise healthy babies.
- Illumination Foundation, which is working to break the cycle of homelessness in Orange County and Southern California.
- THINK Together, which seeks to improve academic outcomes for children and youth living in under-resourced communities.

FOR MORE INFORMATION

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SOURCES

Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

Gabriela Robles, interview by David Zuckerman and Katie Parker, April 15, 2016.

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[1] The *More Resources* section of the online version of this toolkit provides a link to St. Joseph's pre-qualification scan.

[2] A copy of St. Joseph's brochure is included in the *More Resources* section of the online version of this toolkit.

[3] The *More Resources* section of the online version of this toolkit provides more information.

Trinity Health

COMMUNITY INVESTING PROGRAM

LOCATION

Headquartered in Livonia, Michigan (in metro Detroit), Trinity Health serves communities across twenty-two states.

TRINITY HEALTH

- **Employees: more than 97,000**
- **Revenues: $16.3 billion**
- **Investment portfolio: $13.6 billion**

Key strategies employed

- Designate a portion of investible reserves for community investments
- Allocate to financial intermediaries, including including community development financial institutions (CDFIs) loan funds and other investment managers offering place-based private debt strategies
- Align community benefit with place-based investing strategies
- Leverage investments to increase access to higher education

MISSION OF PROGRAM

“The Community Investing Program at Trinity Health is a demonstration of our mission to transform and be a healing presence in our communities. Based on the core value—to stand with and serve those who are poor, especially those who are most vulnerable—the Community Investing Program lends capital to community development financial institutions (CDFIs) which are mission-driven organizations that provide credit, financial and technical services to low-income and underserved people and communities.”

Overview

Trinity Health has been investing in communities using low-interest rate loans for more than a decade through intermediaries called community development financial institutions (CDFIs). The Community Investing Program created a process to leverage Trinity's "strong balance sheet to advance community benefit." To date, Trinity Health has invested more than $35 million through this program, including $25 million with CDFIs. In 2016, Trinity launched the Transforming Communities Initiative, a set of six community multi-sector partnerships that will receive a combination of grants, loans, and technical assistance. For this effort, Trinity will allocate up to $40 million in Community Investment Program funds for projects related to this initiative.

Trinity's approach to investment is centered on their belief that supporting community health and well-being is central to being a people-centered health system. To do this, they invest in CDFIs that support access to:

- healthcare;
- affordable housing and supportive housing;
- business start-up and growth;
- charter schools;
- community facilities;
- healthy food production and access;
- job creation;
- business start-up and growth;
- transit-oriented development.

Background

When Catholic health systems merged to form Trinity Health, many of the smaller hospitals had legacy community investments, mainly with Mercy Loan Fund—a CDFI that builds affordable housing. Trinity Health administration worked to institutionalize these investments, along with shareholder advocacy efforts, through the adoption of a socially responsible investment policy in the early 2000s. Initial outreach efforts to find new investment opportunities included "cold calls" and letters to CDFIs.

Program set-up

Trinity Health's Community Investing Program approximates 1 percent of its operating investment portfolio, authorized by senior management and approved by the board. In general, Trinity Health seeks a 2 percent annual return on community investments. Loan terms are typically three years. With larger CDFIs, Trinity will consider a five-year term, which is the longest approved to date. Trinity Health may consider longer-term loans in the future.

Cathy Rowan, the director of socially responsible investments, manages most of the relationships with CDFIs. She is part of a larger Socially Responsible Investment (SRI) team that is housed in Trinity Health's advocacy department. The location of this management has shifted over the years.

Trinity's Socially Responsible Investment Advisory Group (SRIAG) approves decisions to make loans to CDFIs based on recommendations from the SRI team. The SRIAG and SRI team assist with the community investing loan work of the Transforming Communities Initiative. Treasury department provides support with loan servicing, due diligence, and reviewing financials. The SRIAG provides quarterly reports to the investment committee of the Trinity Health Board of Directors.

Trinity Health invests in CDFIs focusing on underserved communities with an emphasis on the needs of women and children. They look for organizations that do this through one or more of the following:

- support of affordable housing and special needs housing;
- promotion of available childcare for low-income families;
- empowerment of low-income people to create, manage and own enterprises;
- revitalization of urban and rural areas;
- safeguard of the environment, including the sustainability of Earth;
- support of healthy communities.

Trinity seeks to invest 90 percent of available community loan funds in states where there are Trinity Health Ministries. Currently, Trinity has channeled more than 90 percent of loans in its target geography. The remaining balance can be placed in other states and internationally.

Trinity Health has not established specific caps on investment size. Rowan explained, "Overall, we don't want to be the largest investor but we are not afraid to take the lead if there might be a longer term relationship." Trinity's partnership with Finance Fund in Ohio, a CDFI that has a lending program focused on supporting childcare centers, is an example of this.

In September 2014, Finance Fund staff were looking into establishing a fund to increase access to healthy affordable food in underserved areas. At the same time, Trinity Health was shifting their investment goals to address obesity and nutrition issues in the local community. In relation, they decided to double their loan to the Finance Fund, to $1 million at renewal. This loan capital helped fund some of the first healthy food projects in Columbus and Cincinnati. Diana Turoff, CEO and president of Finance Fund, wrote, "This early investment…was key to opening doors to additional investment from foundations, banks and eventually the State of Ohio to launch the statewide Healthy Food for Ohio (HFFO) program in March 2016."[1]

Staffing and budget

Cathy Rowan spends about 20 percent of her time overseeing the program. Jody Wise also works as a full-time consultant, helping the system become more proactive in building connections between hospitals and CDFIs where Trinity has already made investments. A staff person in Treasury Services assists with reviewing financials, providing questions for due diligence, and servicing loans.

Key strategies employed

DESIGNATE A PORTION OF INVESTIBLE RESERVES FOR COMMUNITY INVESTMENTS

Trinity's decision to set aside a portion of investable reserves for community investment was a response to their institutional goal to improve health and well-being in underserved communities. As healthcare reimbursement begins to focus more on community health, Rowan explained, "The business case is the health case. I think with the changes that are transpiring, and the fact that hospitals are becoming responsible for holistically attending to the health needs of their community, there will be an increasing connection to the kind of community people are living in—and needs around jobs, parks, food access, etc.; and that has been the work of community development financing for many years. Community investment can no longer be seen as 'nice to have' and an add on, but as necessary to improve the health of the communities that hospitals serve."

ALLOCATE TO FINANCIAL INTERMEDIARIES, INCLUDING CDFI LOAN FUNDS AND OTHER INVESTMENT MANAGERS OFFERING PLACE-BASED PRIVATE DEBT STRATEGIES

Trinity Health has decided to invest only through CDFIs. As Rowan noted, "The reason we haven't provided direct lending is internal staff capacity. We don't have one full-time person dedicated to do community investing so we rely on CDFIs for developing loan project pipelines, underwriting, and due diligence."

ALIGN COMMUNITY BENEFIT WITH PLACE-BASED INVESTING STRATEGIES

In 2016, Trinity Health rolled out phase one of its Transforming Communities Initiative, which is focused on reducing tobacco use and obesity, and promoting overall healthy living. Through a competitive application process, teams in Trenton, New Jersey; Springfield, Massachusetts; Maywood, Illinois; Silver Spring, Maryland; Boise, Idaho; and Syracuse, New York will receive up to $500,000 annually for up to five years.

The funding requires a full-time liaison to support the efforts and each community partnership is focused on areas of greatest need in their community. The initiative will also include the availability of $40 million in low-interest investment loans to support complementary interventions (e.g. to address food access, housing, and early childhood).[2]

LEVERAGE INVESTMENTS TO INCREASE ACCESS TO HIGHER EDUCATION

Beginning in 2012, President Barack Obama invited undocumented young people to apply for Deferred Action for Childhood Arrivals (DACA) status. Between 2012 and 2015, over 700,000 young people gained DACA status. However, during this same time period only one third of medical schools surveyed had admitted any DACA status students (who are still not eligible for federal loans).[3]

Trinity Health, which owns Loyola University Chicago's Stritch School of Medicine, created a low-interest loan product specifically for seven DACA status students attending Loyola University Stritch School of Medicine. The loan product is designed to provide prospective, financially challenged college students with the opportunity to pursue nursing and other clinical, health-related degrees and, in turn, to strengthen the diversity and quality of Trinity Health staff.

Trinity Health has allocated $5 million from its Community Investing Program for these scholarships.[4] It has also allocated $6 million for scholarships for financially challenged students pursuing health-related degrees at three other academic institutions. Trinity Health lends the money to the universities at a 1 percent interest rate.

Left: Luc's Asian Market received a Healthy Foods Financing Initiative (HFFI) Loan to expand healthy food options and create local jobs. Right: Produce options at Luc's Asian Market. Photos courtesy of Trinity Health.

Impact

To date, Trinity Health has deployed more than $25 million with CDFIs that focus on community and economic development in the communities that the health system serves. Trinity Health tracks impact through the outputs of their investments, such as the number of jobs or businesses created. Stories and anecdotes have been the most powerful way of sharing the success of this strategy, especially with Trinity Health's Board of Directors.

To highlight the kinds of initiatives that Trinity supports, below is a list of projects the institution has given one or more loans to:

- The Finance Fund in Ohio helped to renovate and expand the only licensed childcare center in Noble County, Ohio.
- The Nonprofit Finance Fund, a national CDFI headquartered in New York, helped provide a mortgage loan to finance the construction of a new, 51-bed family shelter in Macomb County, Michigan.
- The Leviticus Fund, a CDFI that funds in the Northeast, provided a construction loan for affordable homeownership project for low-income families in Newark, New Jersey.
- The Corporation for Supportive Housing, a national CDFI, provided a predevelopment loan for a new building providing forty units of permanent supportive housing to homeless and at-risk parenting youth in Chicago, Illinois.

Currently, Trinity Health's Community Investment Program has loans with the following Community Development Financial Institutions:

- Calvert Social Investment Foundation (National, headquartered in Bethesda, Maryland)
- Chicago Community Loan Fund (Illinois)
- Corporation for Supportive Housing (National, with offices in New York, California, Connecticut, Washington DC, Illinois, Michigan, and Ohio)

- Disability Opportunity Fund (National, headquartered in Albertson, New York)
- Florida Community Loan Fund (Florida)
- Finance Fund (Ohio)
- Idaho-Nevada Community Development Financial Institution (Idaho)
- IFF (formerly known as Illinois Finance Fund) (Iowa, Illinois, Indiana, Michigan)
- Leviticus 25:23 Alternative Fund (Connecticut, New Jersey, New York, and additional lending activity in New England)
- Low Income Investment Fund (National, with offices in California, Washington DC, and New York)
- Mercy Loan Fund (National, headquartered in Denver, Colorado)
- National Federation of Community Development Credit Unions (National, headquartered in New York
- National Housing Trust Community Development Fund (National, headquartered in Washington DC)
- Nonprofit Finance Fund (National, headquartered in New York)
- Northern California Community Loan Fund (California)
- Northern Initiatives (Michigan)
- Opportunity Resource Fund (Michigan)
- Partners for the Common Good (National, headquartered in Washington DC)
- The Reinvestment Fund (Mid-Atlantic states, with a national Healthy Food Financing Initiative)
- Rural Community Assistance Corporation (California, Idaho, Oregon)

FOR MORE INFORMATION

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Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

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[2] "Trinity Health Grant Initiative Seeks Community Transformations," Catholic Health Association of the United States, March 15, 2016, *https://www.chausa.org/publications/catholic-health-world/article/march-15-2016/trinity-health-grant-initiative-seeks-community-transformations.*

[3] Elise Foley, "This Medical School's Effort to Help Dreamers Could Benefit Entire Communities," Huffington Post, January 24, 2016, *http://www.huffingtonpost.com/entry/dreamers-medical-school_us_568be522e4b0b958f65ce7ed.ation.*

[4] "Community Investing," Trinity Health, *http://www.trinity-health.org/body.cfm?id=524&iirf_redirect=1.*

3 Strategies

For an **infographic** outlining these strategies,
go to *hospitaltoolkits.org/investment/infographic*

Place-based Investment Strategies

Hospitals and health systems have a range of options for utilizing their investment portfolios to address economic and environmental disparities and improve health and well-being in the communities they serve. Community investment opportunities exist through high-impact place-based investments across asset classes, themes, sectors, and risk/return profiles. This section focuses on place-based investment opportunities across asset classes that produce a financial return and a positive social, economic, or environmental impact within the geography that the health system serves.

Place-based investing enables institutions to activate investment assets traditionally overlooked for their ability to create positive community impact—a prudent institutional strategy as health systems grapple with limited resources yet greater responsibility for patient and community outcomes. In other contexts, and on occasion within this toolkit, this type of investment may be called "community investment," "impact investing," or "mission-related investing."

Health systems new to place-based investing may choose one or two asset classes, themes, sectors, and risk/return profiles to focus on initially. That said, this toolkit recommends moving toward an **integrated capital approach** to place-based investing over time that aligns investments, grants, and technical assistance. Place-based investors often find that the community supports needed—and the investment required to make them sustainable—are not a good fit for the highly compartmentalized and specialized offerings of the mainstream financial system.

These investments may therefore require more patient capital and new approaches to investment analysis and capital deployment. An integrated capital stack might include investments across a range of asset classes, including cash and cash equivalents, fixed income, private equity, private debt, and real assets, as well as grants and human and social capital, such as access to mentors, learning circles, and technical assistance.

In order to achieve even greater impact, health systems should examine how to allocate discretionary operating dollars more deliberately to complement their place-based investment strategies. This section will highlight several innovative examples of how health systems are taking an integrated capital approach to supporting local community economic development, increasing stable and affordable housing, and improving access to healthy and affordable food. These initiatives often leveraging additional resources in the process, either through their own foundations or external philanthropic or government sources.

This toolkit will refer to these complementary practices as "upstream community benefit," since they 1) do not preserve the value of the initial principal allocated to these strategies and 2) are focused on addressing the social, economic, and environmental factors that are the most important drivers of good health and well-being within communities. These practices could be included as part of a nonprofit health system's community benefit reporting.

PLACE-BASED INVESTMENT STRATEGIES

ALLOCATE ASSETS FROM INVESTMENT PORTFOLIO FOR PLACE-BASED INVESTMENTS

- Designate a percentage of investible assets within investment portfolio for place-based investments
- Increase the asset allocation incrementally
- Create a place-based investment asset allocation specifically to complement community benefit strategies
- Fund place-based investment with surplus returns from investment portfolio
- Contribute a fixed amount annually from investment portfolio
- Ensure a minimum available amount
- Create a place-based investment asset allocation to achieve a specific objective

IDENTIFY PLACE-BASED INVESTMENT OPPORTUNITIES ACROSS ASSET CLASSES

- Cash and cash equivalents: deposits in local community development banks and credit unions
- Fixed income: geographically targeted private and public debt investments
- Private equity and venture capital: equity investments in local private enterprises with positive community benefits
- Real assets: investments in local infrastructure, real estate, and commodities with positive social and environmental impacts

UPSTREAM COMMUNITY BENEFIT STRATEGIES

DEDICATE A FUNDING SOURCE

- Create a formula for resourcing upstream community benefit strategies

ADDRESS COMMUNITY HEALTH NEEDS BY ALLOCATING DISCRETIONARY OPERATING DOLLARS TO SUSTAINABLE SOLUTIONS

- Support inclusive, local community economic development
- Increase stable and affordable housing
- Improve access to healthy and affordable food

1 Place-based Investment Strategies

ALLOCATE ASSETS FROM INVESTMENT PORTFOLIO FOR PLACE-BASED INVESTMENTS

To create a sustainable place-based investment program that addresses social determinants of health, an institution should allocate a portion of assets within its investment portfolio accordingly. Health systems have structured asset allocation for place-based investments differently. Here are a few examples:

To create a sustainable place-based investment program that addresses social determinants of health, an institution should allocate a portion of assets within its investment portfolio accordingly.

Designate a percentage of assets within investment portfolio for place-based investments

The most commonly used strategy identified through interviews is to allocate 1 to 5 percent of assets within an investment portfolio for place-based or community investments.

For example, Dignity Health based in San Francisco, California has an investment policy statement outlining that up to 5 percent of its investment portfolio will be allocated for loans to nonprofits that are supporting community health and well-being. Currently, it has deployed slightly less than 1 percent, or nearly $90 million, for these investments.[1]

Health System	Asset Allocation
Dignity Health	5%
Bon Secours Health System	5%
Gundersen Health System	5%
St. Joseph Health	2%
Catholic Health Initiatives	1%
Trinity Health	1%

Increase the asset allocation incrementally

The Board of Directors at Bon Secours Health System, based in Marriottsville, Maryland, has authorized the institution to invest up to 5 percent of its Long-term Reserve Fund (LRF) with community development financial institutions (CDFIs) that serve low- and moderate-income communities. Bon Secours has worked toward achieving this target by annually increasing its asset allocation by approximately $3 million. Since instituting this policy in 2008, Bon Secours has shifted $26 million, or about 2 percent of its $1.1 billion LRF (to date) to support affordable housing, economic development, community facilities, and other projects that benefit the health and well-being of the community members it serves.[2]

Create a place-based investment asset allocation specifically to complement community benefit strategies

Trinity Health, based in Livonia, Michigan, approximates 1 percent of its total operating investment portfolio for community investing through CDFIs. As part of that effort, Trinity Health launched its Transforming Communities Initiative in 2016, through which six community, multi-sector partnerships will receive a combination of grants, loans, and technical assistance. Through that initiative specifically, Trinity Health has made available $40 million from its community investment allocation to support projects that may be developed from those partnerships.[3]

Fund place-based investment with surplus returns from investment portfolio

Dartmouth-Hitchcock Health, based in Lebanon, New Hampshire, created the Population Health Innovation Fund in 2014 to "support the advancement of population health across Dartmouth-Hitchcock Health practice sites and communities."[4] It is resourced with 30 percent of investment portfolio returns that exceed budget targets. This fund, which has grown to more than $14.5 million from its inception, currently provides community grants for activities that align with the system's community benefit priorities.[5] A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.

Contribute fixed amount annually from investment portfolio

In lieu of an active place-based investment strategy, Mercy Health, based in Cincinnati, Ohio, contributes $5 million annually from its portfolio returns to its foundation. The foundation then determines how to grant those dollars within the community. A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.[6]

Ensure a minimum available amount

St. Joseph Health, based in Irvine, California, has a community investment program that provides capital in the form of loans, deposits, or other support to nonprofit entities to promote social good and the development of healthier communities. The fund makes available whichever is greater, 2 percent of St. Joseph's long-term reserves sub account or $50 million.[7]

Create a place-based investment asset allocation to achieve a specific objective

Gundersen Health System, based in La Crosse, Wisconsin, set a goal to produce more power than it consumes from fossil fuel sources by 2014. Recognizing that this objective would require an extraordinary level of investment, it allocated 5 percent of its investment portfolio, or $30 million, to invest in local renewable energy projects. These real assets allowed Gundersen to meet renewable energy targets, create jobs in the communities it serves, and realize above-market returns on its investments.[8]

The advantage of this approach is that it can help an institution take on and achieve bold goals. A potential disadvantage is that without a formal, ongoing place-based investment program dedicated to supporting community health and well-being, approval from senior leadership would be required for each proposed project. This may result in challenges and limitations if leadership changes lead to less support for the initiative.

IDENTIFY PLACE-BASED INVESTMENT OPPORTUNITIES ACROSS ASSET CLASSES

Cash and Cash Equivalents

- Move cash and cash equivalent assets into local banks and credit unions, including US Treasury Department-certified CDFIs, using money market accounts, business checking and savings accounts, and certificates of deposit
- Provide linked deposits to a financial intermediary to enable them to provide loans for specific projects

Deposits in local community development banks and credit unions provide low-risk, local investments that are federally guaranteed up to certain limits. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) for up to $250,000 and typically offer fixed, market-rate returns over varying terms. Certificate of Deposit Account Registry Service, or CDARS, is a national service that enables an organization to place funds in excess of $250,000 with smaller, local financial institutions while maintaining protection of the original deposits through FDIC insurance.[9]

Health systems can utilize either operating or investment dollars for increasing deposits with credit unions and community banks that provide financial resources to underserved communities. This strategy can increase community lending capacity at little additional risk to the health system. Access to capital in low-income communities is a key driver of economic health, which is closely tied in turn to mental and physical health. Neighborhoods that have suffered disinvestment over a long period tend to experience a lower life expectancy than more affluent ones, for example.

ProMedica, based in Toledo, Ohio, and located throughout twenty-seven counties in northwest Ohio and southeast Michigan, also serves its local communities by leveraging its sizable balance sheet and its leadership position as one of the largest employers within the region. Historically, ProMedica supported local and regional banks, investing in sixteen regional banks and diversified treasury management services. This effort is unique as most healthcare systems bank with only one or two institutions. The banking strategy has helped ProMedica build local relationships in the counties it serves, maintain credit in those communities, and better manage risk during economic downturns like the Great Recession.

In 2015, ProMedica launched a pilot project to position additional deposits of $250,000 to $3 million with smaller community banks, using CDs through the CDARS program noted above. ProMedica's directive to the banks is to redeploy the deposits to create loans in those communities, with an emphasis on job creation, new and/or expanded businesses, and new community services or programs. The banks report key metrics quarterly, including how the funds were utilized. Matching services to banks' capabilities avoids duplication of services and ensures the strategy remains efficient for ProMedica. ProMedica sees this strategy as a powerful way to use its resources to benefit the communities it serves, all the while meeting its fiduciary responsibilities with no additional staffing.[10]

ProMedica's directive to the banks is to redeploy the deposits to create loans in those communities, with an emphasis on job creation, new and/or expanded businesses, and new community services or programs.

Other health systems have invested cash in local banks and credit unions. Dignity Health currently has more than $400,000 in community credit unions. Catholic Health Initiatives, based in Englewood, Colorado, has also used this strategy, purchasing a certificate of deposit (CD) in HOPE, a community development credit union and certified CDFI serving the Mid-South.[11]

Health systems can also link specific CDs to projects at a CDFI bank or credit union. St. Joseph has used this investment tool on occasion. Lisa Laird, vice president for investments and cash management, shared the example of a small church that needed a loan but did not qualify. Using its Community Investment Fund, St. Joseph posted a CD as collateral with a local bank. The local bank then provided the church with the loan. As the church makes payment to the bank, St. Joseph's CD becomes smaller each year it matures.[12]

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIS)

Community development financial institutions (CDFIs) are mission-driven financial institutions that serve communities and individuals that mainstream financial institutions consider either too risky or not credit worthy enough for financing. CDFIs leverage funding from private and public sources to finance businesses and projects—including small businesses, microenterprises, nonprofit organizations, commercial real estate, and affordable housing—in financially underserved communities. There are four primary kinds of CDFIs: community development banks, credit unions, loan funds, and venture capital funds.

There are multiple vehicles through which health systems can invest with CDFIs, across asset classes, including:

- money market accounts and certificate of deposits at banks and credit unions;
- promissory notes, which typically come in the form of unsecured senior debt with recourse to the CDFI's balance sheet and offer fixed, market-rate returns over varying terms; and,
- equity investments in local businesses through co-investing alongside a CDFI or investing in a community development venture capital fund.

A number of organizations support the CDFI industry and can provide additional resources, including:

- The National Community Investment Fund is a leading information resource for CDFI and other mission-oriented banks.
- The National Federation of Community Development Credit Unions is a leading resource for CDFI credit unions.
- Opportunity Finance Network is the leading national network for community development loan funds.
- The Community Development Venture Capital Alliance is a leading resource for CDFI venture capital and private equity funds.
- The CDFI Fund, an agency housed in the US Department of Treasury, maintains a list of certified CDFIs throughout the country.[13]

Health systems featured in this toolkit with investments in CDFIs include Bon Secours Health System, Catholic Health Initiatives, Dignity Health, St. Joseph Health, and Trinity Health.

FIXED INCOME

Private Debt

- Allocate to financial intermediaries, including CDFI loan funds and other investment managers offering place-based private debt strategies
- Provide secured and unsecured direct loans to local nonprofits and businesses
- Provide loan guarantees to a nonprofit organization for specific projects
- Align place-based loans to complement community benefit strategies

Numerous health systems allocate a portion of their fixed income assets to community-focused financial intermediaries, including CDFI loan funds and investment managers offering place-based private debt strategies. There are also investment managers and other platforms that are providing debt capital to organizations and projects with geographically targeted, positive social, economic, and environmental impact.

Although Mercy Health does not have an official place-based investment program, it embraces opportunities to invest locally when they arise. In partnership with the Cincinnati Chamber of Commerce, it has invested $100,000 in a local private debt fund that will make low-interest loans to minority-owned small businesses that are capped out of federal small business administration programs.

This fund was created because access to capital during this interim stage of business growth was a need within the minority-owned business community in Cincinnati. Ten investors each invested $100,000 into this fund and the local chamber administers it. The rate of return for investors ranges from 2 to 4 percent.

Molly Murphy, former chief investment officer at Mercy Health, explained, "One of the pushbacks we often encounter here is that this is a lot of extra work and due diligence for a small amount of money. It does seem like a small amount, but when working with [a local partner like the] Chamber of Commerce, they can only do what they are ready for. You have to be ready to do the small things so they become bigger and have more impact."[14]

By providing secured and unsecured direct loans directly to nonprofit organizations, health systems can provide access to capital and overhead that is cheaper than financial intermediaries and serve as a lender of last resort—filling a gap in the market created by traditional lender practices. This strategy also allows health systems to target more strategically the impact of investments and minimize the financial burden for the borrower. Finally, this approach allows a health system to invest in communities where there is limited lending activity or little to no CDFI presence.

Dignity Health and St. Joseph Health utilize this strategy. Pablo Bravo, vice president of community health at Dignity Health, explained the benefit of this approach, "When organizations come to us, they come to us because they have a project that requires gap-financing that we may be able to fill. We also engage organizations to let them know if they take on certain projects, we are willing to provide capital."

Lisa Laird at St. Joseph reflected, "Our program does both fund investments and direct investments. With the direct lending, it is right in our backyard and we can name organizations that have meaningfully benefited from participating in the program. It has created really great connections to the local community."

A loan guarantee is a promise by one party (the guarantor)—in this case, a health system—to assume the debt obligation of a borrower if that borrower defaults. Of Dignity Health's $100 million allocation for its community investment program, $10 million is specifically designated for loan guarantees. Although Dignity has only made one loan guarantee to Mercy Housing for affordable housing construction, this instrument expands the resources at Dignity's disposal to address market gaps that prevent communities from having access to this needed health-improvement strategy.[15]

"You have to be ready to do the small things so they become bigger and have more impact."

Molly Murphy, Mercy Health

"For us, it is not risky because we have relationships with most of our direct borrowers. We know them, we know the services they provide to the community, we have someone on their board, and know how they will be paying us back."

Lisa Laird,
St. Joseph Health

As noted above, an integrated capital approach that aligns investments, grants, and technical assistance may be required to create the conditions for health and well-being in all communities. Coordinating these resources will help ensure more effective and sustainable solutions. In 2016, for example, Trinity Health initiated the first phase of its Transforming Communities Initiative, which aims to connect grants, loans, technical support, and evaluation over a five-year period to address pressing community health challenges.

The initiative is focused on reducing tobacco use and obesity and promoting overall healthy living. Through a competitive application process, teams in Trenton, New Jersey; Springfield, Massachusetts; Maywood, Illinois; Silver Spring, Maryland; Boise, Idaho; and Syracuse, New York will receive up to $500,000 annually for at least the next five years. The funding requires a full-time liaison to support the efforts, and each community partnership is focused on areas of greatest need in their community. The initiative will also include the availability of $40 million in low-interest loans to support complementary interventions (e.g. to address food access, housing, and early childhood issues).[16]

Direct versus Indirect Investing

Health systems have the option of financing local businesses and nonprofits through underwriting investments directly, or indirectly through community development financial intermediaries and impact investment managers. The primary difference between direct and indirect investing is the staff resources necessary. Laird, who oversees St. Joseph's direct lending to nonprofit borrowers, explained, "If you only had [CDFI] fund investments then that wouldn't take much to oversee. Small direct investments take more manpower."

Working with financial intermediaries such as CDFIs and fund managers allows health systems to engage in place-based investment without undertaking the same depth of due diligence associated with direct investment. Although institutions can direct intermediaries to target their capital to specific geographies, even within commingled funds—such as RBC's Access Capital Community Investment Fund or Community Capital Management's CRA Qualified Investment Fund—indirect investment does not allow an institution as much direct control over investments. Therefore, it might be more difficult to align place-based investments with other financial and human capital supports the health system may be providing in the community.

Ed Gerardo, director of community commitment and social investments at Bon Secours, explained, "The big trade-off in this is that we are not able to direct those investments to particular projects. We do not have the capability to vet specific project opportunities outside our healthcare expertise. We rely on the intermediary's evaluation and respect their determinations. Our assurance is that risk is substantially reduced and we look for a more modest financial return of about 2 percent. Our requirement of the intermediary is that they place and utilize the funds within our local geography."[17]

Alternatively, direct investment strategies create the potential for greater alignment, but require increased internal capacity to conduct the due diligence and financial analysis needed to make responsible investments without the support of a financial institution. For example, many CDFI-certified loan funds offer low-risk unsecured, senior debt notes with recourse to their balance sheets. With direct investment, the health system is taking on increased risk. But this is not always the case. As Laird emphasized, "For us, it is not risky because we have relationships with most of our direct borrowers. We know them, we know the services they provide to the community, we have someone on their board, and know how they will be paying us back."

PRIVATE EQUITY AND VENTURE CAPITAL

- Commit capital to impact investment private equity funds or community development venture capital funds that target geographies that overlap with the health system's service areas
- Make direct equity investments in local, sustainable, minority-owned, and/or employee-owned businesses in the community
- Purchase stock in community development banks or related enterprises

Place-based private equity and venture capital is characterized by investments made in funds or directly into privately held companies that improve economic, environmental, and/or social conditions in local communities. These investments can be either market-rate or concessionary.

Of any asset class, private equity and venture capital investors typically have the greatest amount of influence over the management of a company. Investors usually hold board positions and can reinforce the importance of maximizing positive impact through engagement with corporate leadership. Private equity and venture capital investors often provide expertise, mentorship, and other resources to support the success of high impact companies.

Allocating to a financial intermediary, typically an investment manager or a CDFI, allows healthcare systems to outsource the expertise and intensive due diligence associated with investing in place-based private equity and venture capital strategies.

Direct private equity investments require more internal resources to undertake extensive due diligence on prospective investees, but returns may typically be higher and the ability to influence corporate management may also be greater.

Gundersen Health System utilized this strategy to help retain Logistics Health Incorporated (LHI), a veteran-owned, local business that employs veterans. During a period of rapid growth, LHI became one of the largest employers in La Crosse, Wisconsin and its founder one of the largest investors and benefactors in the community. When the company needed growth capital to expand but could not find local investors, the growing likelihood was that the business would be acquired by a company that would relocate it outside of La Crosse.

To retain this business in La Crosse, then-CEO of Gundersen, Dr. Jeff Thompson, pushed his team to come up with a solution. Ultimately, Gundersen made an equity investment in LHI of tens of millions of dollars. Leveraging the expertise of some of its board members—including one that was a banker and another an accountant—along with the knowledge of his own staff, Thompson recalled, "We did our due diligence. We'd have to stay invested for three years and it did tie up some assets. It wasn't a unanimous decision of the board."

Thompson positioned this decision internally as aligned with the institution's mission to improve the health and well-being of the patients and the communities it served by ensuring an important employer stayed and continued to support the local economy. "This was a growing company with a strong track record and it was well-run. Turns out, we were able to sell in sixteen months, not three years. When we sold, we drove a hard bargain since we didn't have to sell." Gundersen had two non-negotiable conditions in the sale: remain and grow in La Crosse.[18]

Direct private equity strategies can also provide capital to increase responsible lending by local banks in low-income communities. For example, Dignity Health owns $500,000 in preferred common stock in two community banks, allowing those banks to more effectively provide services in low-income communities, where larger banks do not offer these same services.[19]

Former CEO Jeff Thompson positioned this decision internally as aligned with the institution's mission to improve the health and well-being of the patients and the communities it served by ensuring an important employer stayed and continued to support the local economy.

REAL ASSETS

- Allocate to investment managers offering sustainable, place-based real assets strategies, which may range from commercial or residential real estate investment to farmland and timberland, or clean energy infrastructure
- Make direct investments in local real assets that contribute to community health and well-being

Real assets offer health systems an opportunity to invest in physical assets, such as real estate, farmland, forestland, and infrastructure that contribute to improving community health, well-being, and economic prosperity. Health systems can invest via intermediaries or directly by purchasing physical assets outright.

Investing in local renewable energy projects offers an opportunity to improve environmental health, diversify the portfolio, and potentially receive above-market rates of return.

Investing in local renewable energy projects offers an opportunity to improve environmental health, diversify the portfolio, and potentially receive above-market rates of return. Through its Envision initiative, in 2014, Gundersen Health System in La Crosse, Wisconsin, became the first health system in the world to produce more energy from renewables than it consumes from fossil fuel sources.

It accomplished this goal over six years through leveraging approximately 5 percent of its long-term savings, or about $30 million, to invest in energy efficiency measures and local renewable energy projects. Senior Vice President Mark Platt shared, "We chose to look at these investments not in terms of other medical competing needs, but in comparison to how those dollars would be invested in the market…Our investment portfolio is pretty conservative. We chose instead to invest in local energy projects that have a greater return and improve community health."

Gundersen leadership could have chosen to achieve this goal by purchasing clean energy from other communities. Instead, they made an intentional decision to prioritize this investment in their own community. To do so, they considered both financial return and community impact. Jeff Rich, CEO of Envision LLC (a subsidiary of Gundersen established to lead its sustainability efforts) remarked, "We focused on four things: 1) making care more affordable for our patients, 2) improved community health, 3) job creation, and 4) the environment."

Gundersen's investments directly and in partnership helped support the creation of two wind turbines, a biomass boiler, a landfill gas project, two dairy manure digesters, a geothermal heat pump, and several solar projects. Executing these investments would not have been possible without two-full time program staff leading the projects' implementation and internal support from Gundersen's legal, finance, marketing, communications, accounting, and external affairs departments. Support from senior leadership was key throughout. The Gundersen Health System case study in this toolkit provides additional information on this important example.[20]

Another example is Nationwide Children's Hospital (Nationwide) in Columbus, Ohio. It has been supporting affordable housing development in the neighborhoods surrounding its health system for several years. As it has deepened its understanding around the importance of stable housing for community health and well-being, it has shifted the type of dollars it has committed to this work. Nationwide chooses to make project-specific investments around long-term plans for the particular neighborhood rather than setting a dollar amount.

Initially, working in partnership with many local community development actors and the City, it allocated an initial $2 million from operating dollars set aside to implement priorities within its strategic plan. Following that commitment, it allocated dollars from its shared savings earned through its accountable care organization and continued funds from operating dollars to the point that a total of $10 million of hospital funds have been used with approximately $20 million from other partners to move forward specific projects.

Most recently, it has explored how it can leverage its large endowment investment portfolio within the local real estate market for a specific project on improving low-income rental stock in the target neighborhood. To begin, Nationwide is examining the portion of its overall portfolio allocated to real estate and deploying a sufficient amount to a nonprofit real estate company to develop approximately fifteen affordable rental housing units/annum locally over the next five years. In this way it can maximize its impact on a key determinant of health and well-being, while earning a healthy rate of return through rents that will pay interest and long-term principal curtailment.[21]

2 Upstream Community Benefit

As a result of the need for an integrated capital approach that aligns investments and grants, health systems should examine how to more deliberately allocate discretionary operating dollars to complement place-based investment strategies in order to achieve greater impact. Here we highlight a few innovative examples of how health systems are taking this next step, helping create a sustainable community economic development infrastructure in low-income communities.

DEDICATING A FUNDING SOURCE

Create a formula for resourcing upstream community benefit strategies

Similar to place-based investment programs, the ability to have a secure source of flexible funding to allocate toward long-term upstream community benefit strategies will determine the sustainability and impact of those commitments over time—and their ability to effectively complement the place-based investment strategies explored above. Health systems have adopted a variety of formulas for deciding on the community benefit allocation for community building efforts, including:

- **Percentage of prior year audited expenses:**
  Each Dignity Health hospital contributes .05 percent of prior year audited expenses for community grants that align with priorities identified in the local facilities' community health needs assessment (approximately $4 million annually).[22]
- **Percentage of net income:**
  St. Joseph requires that 10 percent of net income be allocated to the Community Partnership Fund. Three-quarters of those contributions support Care for the Poor programs selected locally by each hospital; 17.5 percent support Community Partnership Fund initiatives; and, the remaining 7.5 percent is added to the Fund's endowment to help ensure the sustainability of future programs that assist low-income and underserved populations.[23]
- **Allocation from long-term investment portfolio:**
  As discussed previously, Mercy Health and Dartmouth-Hitchcock Health have utilized investment portfolio returns to create a pool of grant dollars to address community needs.

The ability to have a secure source of flexible funding to allocate toward long-term upstream community benefit strategies will determine the sustainability and impact of those commitments over time.

ADDRESS COMMUNITY HEALTH NEEDS BY ALLOCATING DISCRETIONARY OPERATING DOLLARS TO SUSTAINABLE SOLUTIONS

Support inclusive, local economic development

A thriving local economy is a key component of a healthy community. The Evergreen Cooperatives in Cleveland, Ohio, represent a model of economic inclusion that seeks to leverage the purchasing power of University Hospitals, Cleveland Clinic, and other significant nonprofit and public employers to incubate new businesses that will hire hard-to-employ, low-income residents. A vital component of the model is a revolving loan fund housed under a nonprofit holding company. The nonprofit helps incubate new businesses, leveraging significant outside resources, including New Markets Tax Credits, HUD108 loans, and other federal resources. University Hospitals and Cleveland Clinic, contributing $1.25 million and $250,000 respectively, along with a number of other philanthropic and anchor partners, helped seed this multi-million-dollar loan fund.

Over time, the cooperative businesses pay down their debt to the loan fund, allowing it to finance additional businesses. Currently, more than 100 people are employed at the three companies created to date. Ongoing philanthropic support from the Cleveland Foundation was also critical to ensuring the businesses had enough resources to reach profitability and be sustainable.[24]

Responding to the need for job creation and business development in the communities it serves in Richmond, Virginia, Bon Secours Health System partnered with Virginia Local Initiatives Support Corporation (LISC)—a local affiliate of a national community development intermediary—to launch the Supporting East End Entrepreneurship (SEED) initiative in 2011. Over four years SEED granted more than $400,000 ($100,000 a year) to support locally owned businesses and recently committed to providing another $150,000 in 2015.[25]

The Evergreen Cooperatives in Cleveland, Ohio, represent a model of economic inclusion that seeks to leverage the purchasing power of University Hospitals, Cleveland Clinic, and other significant nonprofit and public employers to incubate new businesses that will hire hard-to-employ, low-income residents.

Increase stable and affordable housing

As the link between improved health outcomes and safe, affordable housing is increasingly understood, health systems around the country have explored their role in addressing this key determinant of health. Through loans to financial intermediaries such as CDFIs or direct loans and loan guarantees to nonprofit housing providers, Dignity Health, Catholic Health Initiatives, St. Joseph Health, Trinity Health, and Bon Secours Health System have supported providers that build and renovate affordable, supportive, and transitional housing.

Other health systems have used discretionary operating dollars through community benefit allocations or philanthropic resources from their foundations to leverage additional philanthropic and public dollars to support affordable housing development. In almost all of these instances, health systems have utilized local collaborations, including partners such as city governments, community development organizations, community foundations, the United Way, and state housing agencies to realize these projects.

For example, in partnership with Rochester Area Foundation, Greater Minnesota Housing Fund, Minnesota Housing Finance Agency, and the United States Department of Agriculture's Rural Development, Mayo Clinic provided $7 million for the $13 million community land trust, First Homes, in Rochester, Minnesota. First Homes, administered by the Rochester Area Foundation, launched in 2001 and aims to permanently preserve affordable housing for community members as well as Mayo Clinic employees. First Homes has constructed more than 875 units of housing and represents the state's largest-ever community-based assisted-housing program.[26]

A non-exhaustive list of other health systems that have provided operating dollar or philanthropic support for affordable or supportive housing include: Nationwide Children's Hospital in Columbus, Ohio; Florida Hospital in Orlando, Florida; Bon Secours Health System in Baltimore, Maryland; Swedish American Hospital in Rockford, Illinois; St. Joseph's Hospital Health Center in Syracuse, New York; and St. Mary's Health System in Lewiston, Maine.[27]

Improve access to healthy and affordable food

Driven to improve the health and well-being of the communities it serves, ProMedica began exploring non-clinical solutions for the high local rates of obesity. In December 2015, ProMedica partnered with philanthropist Russell Ebeid, establishing the Ebeid Institute for Population Health to improve access to healthy food, deliver nutritional education, and provide job training. The cornerstone of the Institute is a 6,500-square-foot, full-service grocery store that offers healthy, affordable food to low-income neighborhoods in Toledo. The store, owned and operated by ProMedica, prioritizes sourcing from local vendors and hires hard-to-employ residents.

The Institute will also soon house a Financial Opportunity Center (FOC), jointly operated by local branches of the United Way and LISC (Local Initiatives Support Corporation), a national community development intermediary. In addition, ProMedica has established a local job-training program at the Institute to create a workforce pipeline for community residents into health system employment. ProMedica's comprehensive community engagement plan includes creating a Community Advisory Committee with neighborhood stakeholders and establishing a Population Health Steering Team for the Institute. This operational planning team brings together internal champions from ProMedica and outside industry experts.

ProMedica has also emerged as an advocate for Toledo, helping spearhead revitalization and economic development downtown. The Promedica case study in this toolkit provides additional information.[28]

"Collaboration is key to the success of place-based investment initiatives. We all must act, but if we're really going to have a positive impact on community health needs, one institution cannot do this alone."

Pablo Bravo,
Dignity Health

The Power of Partnership

The impact of all of these strategies can be amplified through partnership and collaboration with other key local actors, such as place-based foundations, local governments and other nonprofit and public anchor institutions. As Bravo emphasized, "Collaboration is key to the success of place-based investment initiatives. We all must act, but if we're really going to have a positive impact on community health needs, one institution cannot do this alone. We need actors across the spectrum of community development— from businesses and banks to health systems and foundations, to the public and nonprofit sectors—to partner and share vital resources in order to ensure ongoing success of community investment."[29]

TOOLS FOR GETTING STARTED

Refer to the *Tools for Getting Started* at the end for further resources on designing a place-based investment program including:

DIVING IN: Ideas for where to get started

READINESS CHECKLIST: Do a basic assessment of where your institution is at

BIG QUESTIONS: Getting clarity on what matters for your mission

WORKSHEETS: Tools for assessing your current investments, deciding your approach, managing your portfolio, allocating assets, and creating forms and templates

OVERCOMING BARRIERS: Promising solutions to common challenges

[1] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[2] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[3] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

[4] Dartmouth-Hitchcock Health Population Health Innovation Project Proposal application.

[5] Laura Landy, "Using Systems Change to Create a New Health Ecosystem," ReThink Health, July 11, 2016, Note: will be appropriately formatted and cited in final version. *http://www.rethinkhealth.org/the-rethinkers-blog/using-systems-change-to-create-a-new-health-ecosystem/?utm_medium=email&utm_campaign=20160722_SIEemail&utm_source=newsletter.*

[6] Molly Murphy, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 14, 2016.

[7] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[8] Mark Platt, Jeff Rich and Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

[9] CDARS, *www.cdars.com.*

[10] Kate Sommerfeld, interview with David Zuckerman and Katie Parker, April 4, 2016.

[11] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[12] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[13] For a list of currently certified CDFIs, see: CDFI Fund, CDFI Certification, US Department of Treasury, 2016, accessed July 27, 2016, *https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx*. As of June 30, 2016, there were 1,021 federally certified CDFIs, with at least one CDFI located in every US state.

[14] Molly Murphy, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 14, 2016.

[15] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[16] Betsy Taylor, "Trinity Health Grant Initiative Seeks Community Transformations," Catholic Health Association of the United States, March 15, 2016, *https://www.chausa.org/publications/catholic-health-world/article/march-15-2016/trinity-health-grant-initiative-seeks-community-transformations.*

[17] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[18] Mark Platt, Jeff Rich and Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

[19] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[20] Mark Platt, Jeff Rich and Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

[21] Kelly Kelleher, phone interview by David Zuckerman, September 1, 2016.

[22] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[23] Gabriela Robles, interview by David Zuckerman and Katie Parker, April 15, 2016.

[24] An in-depth case study of the Evergreen Cooperatives can be found in the More Resources section of the online version of this toolkit. see: REDF, "Evergreen Cooperatives," Impact to Last: Lessons from the Front Lines of Social Enterprise, San Francisco, CA: REDF, 2015, *redf.org/wordpress/wp-content/uploads/2015/12/Evergreen-Case-Study-FINAL.pdf;*

[25] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[26] David Zuckerman, Hospitals Building Healthier Communities: Embracing the anchor mission, The Democracy Collaborative, (College Park, MD: 2013), 62.

[27] David Zuckerman, Hospitals Building Healthier Communities: Embracing the anchor mission, The Democracy Collaborative, (College Park, MD: 2013), 49-51

[28] Kate Sommerfeld, interview with David Zuckerman and Katie Parker, April 4, 2016..

[29] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

4

Laying the Foundations

1 Tracking Dollars

Examining current investment practices and the culture of your institution

Often the best place for a health system to begin the process of building a place-based investment program is by assessing its current asset allocation and investment choices. Diving into the specific investments of the existing portfolio can be very enlightening. This process of inquiry can catalyze and strengthen a culture for place-based investment; if there is already internal buy-in, an abbreviated portfolio review may be sufficient.

Reviewing the contents of your portfolio with an eye for place-based investment is a critical step toward understanding your proximity to your community impact goals. It may be helpful to work with an investment advisor or service provider with robust sustainable and community investment experience and capacities, taking a detailed look across asset classes to identify:

1. Current investments that create or reinforce the health problems that your institution is working to solve
2. Place-based investments already present in your portfolio
3. Opportunities to work with current investment managers to shift allocations or create new products that meet your place-based investment needs

The exercise of scrutinizing your portfolio against your place-based investment goals fosters a culture of community impact and sustainability within your investment office and the institution more broadly.

INSTITUTIONAL CULTURE

- What are the values and goals of your institution?
- How can investments support your institution's health promotion objectives?
- Are you currently invested in companies or financial instruments that create or reinforce health problems that your institution is working to address?
- Who can support and/or build momentum for place-based investment internally?

INVESTMENT PORTFOLIO

- What is in the existing portfolio?
  - Has the portfolio been inventoried to identify investments at cross-purposes with the mission of your institution?
  - Has the portfolio been inventoried to identify existing place-based investments?
  - Are there investment managers in your portfolio who can help you reallocate to place-based investments or establish new place-based investment products?

- What is the asset allocation and how can it be adjusted to incorporate a place-based investment carve-out?
- What is the desired annual rate of return for unrestricted assets?

BANKING AND CASH MANAGEMENT

- Does your institution have relationships with local community banks or credit unions?
- What opportunities exist for shifting deposits to additional local community banks and credit unions?

OVERSIGHT AND INVESTMENT MANAGEMENT

- What are your investment advisors' capabilities around sustainable, responsible, and impact investing?
- To what extent is your investment staff educated and experienced in sustainable, responsible, and impact investing?
- What are the capacities and offerings of your existing investment managers around place-based investing?
- What is the role of governance in setting or evaluating investment priorities or goals?
- To what extent is your board educated on place-based investing?
- Is there a dedicated place-based investment committee?

POLICY AND GOVERNANCE

- What is the primary role of the investment portfolio in supporting health system operations?
- Are there Environmental, Social, and Governance (ESG) criteria for the portfolio?
- Does the institution have policy for sustainable, responsible, or impact investing?
- Do the institution's policies permit place-based investment allocations?

2 Deciding Your Approach

What is your purpose or mission as a place-based, community investor?

It is important to identify your goals and motivations for pursuing place-based investment, as these will guide your process for designing and implementing a strategy. For example, are you pursuing place-based investment to:

- More effectively address social determinants of health?
- More effectively address imperatives identified in community health needs assessment reports?
- Help fill a gap in the marketplace?
- Expand resources for community economic development investment?
- Improve corporate social responsibility?
- Promote access to jobs, housing, food, arts/education, and healthcare among low-income and/or diverse communities?
- Understand the market ecosystem that serves your community?
- Address a specific community need with a targeted intervention?
- Another reason?

Summarize your goals as a place-based investor:

Advice from the Field

Pablo Bravo, vice president of community health at Dignity Health, explained the primary purpose of their $100 million community loan fund:

"The board allocated a certain percentage of our investment portfolio to create a community investment program in order to improve factors upstream that impact health negatively. Our board decided this was a strategy to solve some of the healthcare issues in low-income communities determined by access to housing, job creation, safety, parks, healthy foods, and other social determinants of health...When organizations come to us, they come to us because they have a project that requires gap-financing that we may be able to fill. We also engage organizations to let them know if they take on certain projects, we are willing to provide capital."[1]

DEVELOPING YOUR STRATEGY

Dignity Health's approach to community investment has shifted from an initial focus on investment strategies and intermediaries to one that prioritizes identifying impact goals and specific themes, which in turn inform the strategies pursued. All of its investments are guided by key principles:

DIGNITY HEALTH EXAMPLE

KEY PRINCIPLES

- Target resources to low-income communities
- Invest in the revitalization of urban or rural areas
- Empower low-income people to create, manage, and own enterprises
- Demonstrate a commitment to healthy communities
- Safeguard the environment

PLACE-BASED INVESTMENT THEMES

- Economic development
- Affordable housing
- Renewable energy
- Arts and education
- Alternatives to predatory lending
- Healthcare access (commu nity health centers/Federally Qualified Healthcare Centers)

INVESTMENT VEHICLES

- Secured and unsecured loans
- Line of credit
- Loan guarantees
- Linked deposits (credit unions and community banks)
- Equity capital
- Real assets

What key principles will guide you? What place-based investment themes will you focus on? What investment vehicles will you use?

KEY PRINCIPLES	PLACE-BASED INVESTMENT THEMES	INVESTMENT VEHICLES

How do your investment choices align with or promote the priorities outlined in your Community Health Needs Assessments? Your population health goals? Your sustainability goals? Your diversity and inclusion goals?

_____

_____

3 Managing your Place-based Investment Portfolio

Designing your team and governance structure

Who will be responsible for managing place-based investment decisions?

The decision about who will manage place-based investments is driven by a number of factors: 1) your place-based investment approach, 2) internal competencies, and 3) committed resources.

Advice from the Field

Cathy Rowan, director of socially responsible investments, manages most of Trinity Health's relationships with community development financial institutions (CDFIs): "If a health system invests in this strategy and hires one dedicated staff person, there are many people with incredible capacity in both sustainable finance and community development. Having someone on staff with sustainable and impact investment expertise who also understands the mission of the organization is key."[2]

What approach to place-based investment will your health system pursue: direct investing in specific projects or working through financial intermediaries and investment managers?

DIFFERENT MODELS FOR STAFFING A DIRECT INVESTMENT PROGRAM

- **Full-time position**
  From 2002 to 2015, Pablo Bravo, vice president of community health at Dignity Health, oversaw the community investment portfolio as one of his primary responsibilities. In 2015, a program analyst was hired to assist Bravo. Bravo's responsibilities include drafting loan agreements and sharing them with the legal department; the analyst helps with the work leading up to this stage: preparing memos, handling much of the due diligence, providing financial information, and ensuring that borrowers submit monitoring reports.[3]
- **Part-time positions within different departments**
  At St. Joseph Health, Lisa Laird, vice president for cash and investments, and Gabriela Robles, vice president of community partnerships, and their support staffs manage the different responsibilities required for their community investment program. For all of them, it is a small portion of their total job responsibilities. Laird recommended allocating at least one-third of a full time employee's total work time to implement a direct investment program successfully.[4]
- **Outsourced**
  This role can also be outsourced to an investment advisor or service provider with expertise in advising on direct place-based investing.

INVESTING VIA INTERMEDIARIES

- **Part-time position within different departments**
  At Trinity Health, Cathy Rowan, director of socially responsible investments, spends about 20 percent of her time overseeing the program. Jody Wise, a socially responsible investment consultant, has helped Trinity Health become more proactive in building connections between local hospitals and specific CDFIs where Trinity Health has made investments. A staff person in treasury services assists with financials, due diligence, and loan servicing.[5]
- **Outsourced**
  Historically, Catholic Health Initiatives (CHI) managed its mix of direct and indirect investments internally between community outreach and treasury. In 2015, they decided to work with Partners for the Common Good, a CDFI focused on creating tools to grow community development finance and steer investment towards high social impact organizations.[5] Partners helps CHI with back-office administration and identifying investing opportunities, although CHI still completes the final financial review.[7]

Which department/s in the institution will manage place-based investments?

There are a number of competencies required to implement a place-based investment program. Investment analysis expertise alone is not sufficient. Research for this toolkit found that a number of key competencies are especially in-demand for institutions running successful place-based investment initiatives (see the chart on the following page).

Advice from the Field

"A successful community investment program really benefits from having a staff member who understands financial analysis, impact investment, community or public health, and partnership and trust building. Ideally, this person should also be adept at building relationships across many different internal teams and garnering support from senior leadership so the program has the backing it needs. If you can't find one person to fill all these roles, then you can leverage cross-system expertise and capacity to successfully carry out community investment," explained Pablo Bravo, vice president of community health at Dignity Health, who oversees their $100 million community investment portfolio.[8]

COMPETENCIES REQUIRED	STAFF PERSON RESPONSIBLE
Be able to identify potential borrowers and other investment opportunities	
Successfully build and maintain relationships with borrowers and other investees	
Provide investment due diligence	
Analyze environmental, social, and governance risks in investment due diligence	
Service loans	
Track monitoring reports	
Create standard form documents	
Have knowledge of health equity, community health, population health, and/or community health	
Experience in sustainable, responsible, and impact investment	

Describe who will be the lead responsible for managing place-based investments?

GOVERNANCE STRUCTURE

What is the internal approval process for authorizing place-based investments?

Example:

STAGE	ROLE	RESPONSIBILITIES	FREQUENCY
1	Place-based investment staff	Manage place-based investments by identifying opportunities and providing due diligence and financial analysis	Ongoing, quarterly, biannually, annually
2	Advisory committee	Review and confirm/reject place-based investment staff recommendations	Quarterly, biannually, annually
3	Executive staff	Approve investment decisions	Quarterly, biannually, annually
4	Board investment committee	Provide final approval of investment decisions (optional) Receive annual updates Authorize place-based investment policy	Quarterly, biannually, annually

STAGE	ROLE	RESPONSIBILITIES	FREQUENCY
1			
2			
3			
4			

A place-based investment policy should be instituted through governance to formalize the program as part of the institution's official investment strategy. Bon Secours Health System's policy is included as a sample in the *More Resources* section of the online version of this toolkit. The next resource in this toolkit section provides examples for how health systems have allocated assets for place-based investments.

4 Allocating Assets

How will assets be allocated from the investment portfolio for place-based investments?

To create a sustainable place-based investment program that addresses social determinants of health, an institution should allocate a portion of assets within its investment portfolio accordingly. This decision will determine the sustainability and scale, and ultimately the impact, of this strategy.

Hospitals and health systems have structured these allocations differently. Here are a few examples:

DESIGNATE A PERCENTAGE OF ASSETS WITHIN INVESTMENT PORTFOLIO FOR PLACE-BASED INVESTMENTS

The most commonly used strategy identified through interviews is to allocate 1 to 5 percent of assets within an investment portfolio for place-based or community investments.

For example, Dignity Health based in San Francisco, California has an investment policy statement outlining that up to 5 percent of its investment portfolio will be allocated for loans to nonprofits that are supporting community health and well-being. Currently, it has deployed slightly less than 1 percent, or nearly $90 million, for these investments.[9]

Health System	Asset Allocation
Dignity Health	5%
Bon Secours Health System	5%
Gundersen Health System	5%
St. Joseph Health	2%
Catholic Health Initiatives	1%
Trinity Health	1%

INCREASE THE ASSET ALLOCATION INCREMENTALLY

The Board of Directors at Bon Secours Health System, based in Marriottsville, Maryland has authorized the institution to invest up to 5 percent of its Long-term Reserve Fund (LRF) with community development financial institutions (CDFIs) that serve low- and moderate-income communities. Bon Secours has worked toward achieving this target by annually increasing its asset allocation by approximately $3 million. Since instituting this policy in 2008, Bon Secours has shifted $26 million, or about 2 percent of its $1.1 billion LRF (to date) to support affordable housing, economic development, community facilities, and other projects that benefit the health and well-being of the community members it serves.[10]

CREATE A PLACE-BASED INVESTMENT ASSET ALLOCATION SPECIFICALLY TO COMPLEMENT COMMUNITY BENEFIT STRATEGIES

Trinity Health, based in Livonia, Michigan, approximates 1 percent of its total operating investment portfolio for community investing through CDFIs. As part of that effort, Trinity Health launched its Transforming Communities Initiative in 2016, through which six community, multi-sector partnerships will receive a combination of grants, loans, and technical assistance. Through that initiative specifically, Trinity Health has made available $40 million from its community investment allocation to support projects that may be developed from those partnerships.[11]

FUND PLACE-BASED INVESTMENT WITH SURPLUS RETURNS FROM INVESTMENT PORTFOLIO

Dartmouth-Hitchcock Health, based in Lebanon, New Hampshire, created the Population Health Innovation Fund in 2014 to "support the advancement of population health across Dartmouth-Hitchcock Health practice sites and communities."[12] It is resourced with 30 percent of investment portfolio returns that exceed budget targets. This fund, which has grown to more than $14.5 million from its inception, currently provides community grants for activities that align with the system's community benefit priorities.[13] A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.

CONTRIBUTE FIXED AMOUNT ANNUALLY FROM INVESTMENT PORTFOLIO

In lieu of an active place-based investment strategy, Mercy Health, based in Cincinnati, Ohio, contributes $5 million annually from its portfolio returns to its foundation. The foundation then determines how to grant those dollars within the community. A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.[14]

ENSURE A MINIMUM AVAILABLE AMOUNT

St. Joseph Health, based in Irvine, California, has a community investment program that provides capital in the form of loans, deposits, or other support to nonprofit entities to promote social good and the development of healthier communities. The fund makes available whichever is greater, 2 percent of St. Joseph's long-term reserves sub account or $50 million.[15]

CREATE A PLACE-BASED INVESTMENT ASSET ALLOCATION TO ACHIEVE A SPECIFIC OBJECTIVE

Gundersen Health System, based in La Crosse, Wisconsin, set a goal to produce more power than it consumes from fossil fuel sources by 2014. Recognizing that this objective would require an extraordinary level of investment, it allocated 5 percent of its investment portfolio, or $30 million, to invest in local renewable energy projects. These real assets allowed Gundersen to meet renewable energy targets, create jobs in the communities it serves, and realize above-market returns on its investments.[16]

The advantage of this approach is that it can help an institution take on and achieve bold goals. A potential disadvantage is that without a formal, ongoing place-based investment program dedicated to supporting community health and well-being, approval from senior leadership would be required for each proposed project. This may result in challenges and limitations if leadership changes lead to less support for the initiative.

Describe how assets will be allocated from the investment portfolio for place-based investments?

5 Creating Forms and Templates

Hospitals and health systems have developed a variety of resources and materials to implement their place-based and community investment programs. Examples of these resources are included below. *After each example form/document, please find a reference to institutions that have provided templates that are available in the More Resources section of the online version of this toolkit, http://hospitaltoolkits.org/investment/more-resources/*

LOAN APPLICATION

The application that an interested party would complete requesting a direct loan.

Dignity Health templates available online.

STANDARD FORM DOCUMENTS

The contract created between the lender and borrower.

St. Joseph Health templates available online.

DUE DILIGENCE/MONITORING VISIT AGENDA

Document that guides due diligence and monitoring conversations with potential and existing borrowers.

Bon Secours Health System template available online.

COMMUNITY INVESTMENT BROCHURES

Document that provides information to interested borrowers.

Dignity Health and St. Joseph Health examples available online.

CREDIT MEMO TEMPLATES

Internal document for preparing the narrative rationale for loan.

Dignity Health template and examples available online.

RISK CONTROLS

Guidelines that determine maximum investment based on size of borrower.

Included in Bon Secours Health System case study in this toolkit.

PRE-QUALIFICATION SCAN

Initial scan to determine loan applicability.

St. Joseph Health example available online.

FINANCIAL MONITORING TEMPLATES

Analyses tools or "metrics" to evaluate a potential borrower's current financial condition and future repayment projections based on cash flow.

Establishing terms and conditions for a loan portfolio is a key step. Here are a few health system examples:

HEALTH SYSTEM	TYPES OF BORROWER	RATE OF RETURN RANGE	AVERAGE RATE OF RETURN	DURATION OF LOAN	TYPE OF LOAN	MINIMUM LOAN AMOUNT
Bon Secours Health System	Intermediary	0-2.5%	2.25%	3 years	Interest only; semiannual	$100,000
Catholic Health Initiatives	Intermediary	2-4%	2-3%	5 years	Principal and interest	$100,000
Dignity Health	Direct to nonprofit or intermediary	0-5%	3.2%	1 to 7 years	Interest only	$50,000
St. Joseph Health	Direct to nonprofit or intermediary	No set rate	2%	5 years	Interest only	$50,000
Trinity Health	Intermediary	0-2.5%	2%	3 to 5 years	Interest only	$100,000

Consider community loan terms and conditions for your place-based investment program:

HEALTH SYSTEM	TYPES OF BORROWER	RATE OF RETURN RANGE	AVERAGE RATE OF RETURN	DURATION OF LOAN	TYPE OF LOAN	MINIMUM LOAN AMOUNT

Advice from the Field

Ed Gerardo, director of community commitment and social investments at Bon Secours Health System recommends, "having conversations with other organizations to see how they structure their community and place-based investment programs, their policy statements and their guidelines…if a health system committed someone with finance or lending experience and did this kind of research, they could develop a program in relatively short order."[17]

LEARN FROM PEERS

The following contacts work in place-based and community investment at their institutions and can provide additional resources and information not already referenced or included in the *More Resources* section of the online version of this toolkit.

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6 Moving to Impact

Communicating wins, building relationships, monitoring borrowers, and scaling impact

BUILD RELATIONSHIPS

How will your institution identify community wealth building opportunities in your community?

EDUCATE INTERNAL AUDIENCES TO HELP CROWD-SOURCE OPPORTUNITIES

- How will the program be communicated to those from the health system who are actively engaged in the community?
- Will there be a website, brochure, or other information readily available?
- What type of education will be provided to Board members?

Pablo Bravo, vice president of community health at Dignity Health, offered, "Building awareness of your community investment program, both internally and externally, is critically important to the success of the program. Awareness raising can elicit new partnerships that lead to investment opportunities that might not have otherwise surfaced."[18]

START WITH EXISTING PARTNERS

- Who are your current community partners?
- What are their revenue models, growth plans, and what is their access to capital?
- Are they knowledgeable about local community economic development opportunities?

Health systems across the country are evaluating how they can strengthen their partnerships with community organizations to better serve local health needs. An initial step towards place-based investing is to initiate conversations with existing and potential nonprofit partners on their growth needs, their ability to access capital, and ways in which the health system can address capital gaps through investments, not grants.

In the process, the health system can help map the capital and growth needs of the nonprofit and community development sector that serve communities in their service areas. This knowledge helps inform cross-sector strategies, as healthcare, public health, social services, and community economic development seek to collaborate more effectively.

BUILD NEW RELATIONSHIPS

Many existing health system community partners do not have revenue models that allow them to effectively utilize investments. To find projects that can address critical community health needs while also earning a target rate of return, many health systems will need to build new relationships with organizations that focus on community and inclusive economic development.

TYPE OF ORGANIZATION	LOCAL ORGANIZATIONS OF THAT TYPE THAT SERVE AREA OF NEED	NEED ADDRESSED
Community development financial institutions		Access to capital for affordable housing, small business development, federally qualified healthcare centers, childcare centers, and other investments in low-income communities.
Credit unions or community banks		Access to capital for small business and homeownership
Local business chamber		Access to capital for small, diverse, cooperatively owned, and/or employee-owned businesses
Community development corporations		Provide affordable housing and equitable real estate, commercial, and small business development
Nonprofit affordable housing organizations and community land trusts		Provide and maintain affordable housing
Nonprofits addressing poverty		Improve anti-poverty measures and social services
Other inclusive economic development support networks		Access to capital for nontraditional businesses
Partners interested in local renewable energy projects		Increase local economic development and reduce negative environmental impacts
Other anchor institutions and local or national philanthropic organizations		Scale local impact of investments in community economic development

More information, including on national best practices and support networks, about many of these types of organizations, such as community development corporations, community development financial institutions, and community land trusts, as well as for other anchor institutions, can be found at *community-wealth.org* and *democracycollaborative.org.*

COMMUNICATE WINS

How will you tell the story of community health improvement?

After identifying one or two compelling place-based investment opportunities, find ways to communicate the impact stories to key audiences at your institution and within the local community. These stories are critical for growing support for place-based investment within your institution, among hospitals and health systems nationally, and among investors more broadly.

MONITOR BORROWERS

MAINTAIN LOAN INTEGRITY

What steps will you take to ensure loans do not become grants?

Setting a precedent of forgiving a loan is a poor practice and Ed Gerardo, director of community commitment and social investments at Bon Secours Health System, emphasized the importance of this distinction, "Occasionally an organization will request that a loan be forgiven and turned into a grant. We are not willing to do that since these are investments for us."[19]

MINIMIZE SURPRISES WITH BORROWERS

How will you monitor the relationships with borrowers on an ongoing basis?

To aid with ongoing due diligence, St. Joseph Health requires that most direct loan recipients have a St. Joseph staff person serving on the organization's board. This practice also helps strengthen relationships between the system and local nonprofits, allowing the borrower to benefit from a committed partner and for St. Joseph to learn about any potential issues with repaying the loan early on.[20]

TRACKING PLACE-BASED INVESTMENT INTERNALLY

How will you clearly identify community investment loans as such for auditors?

It is important that a health system establish defined terms for investments. Ross Darrow, director of treasury services at Bon Secours Health System, explained that auditors will want to know that these dollars will be recovered. Without a clear timeline for doing so, auditors may account for an investment as a grant.

SCALING IMPACT

What comes next? How does your health system take a more active role in local economic development to increase the pipeline of investible and equitable local projects?

In seeking to leverage investment portfolios to benefit local communities, health systems face a range of high impact opportunities across asset classes, themes, sectors, and risk/return profiles. The strategies included in this toolkit represent many of the strategies currently being employed by healthcare systems across the country, including shifting cash and cash equivalents to local community banks and credit unions, or investing in low-risk fixed income products offered by community development financial intermediaries that are providing key financial services and resources to underserved communities.

Yet other asset classes, such as private equity, venture capital, real estate, and fixed income, offer compelling opportunities to invest in local community health and well-being, allowing health systems to take a total portfolio approach to aligning investments with community impact. The healthcare sector has significant opportunity to seek more targeted place-based investment strategies that can help move the needle on critical social, economic, and environmental conditions for low-income and diverse communities.

In 2016, Bon Secours broadened its community investment policy to consider investment vehicles beyond loan funds. As Darrow explained their approach, "We went through a period of getting our feet under us, learning what vehicles are available. We spent time internally socializing the idea of expanding beyond loans prior to doing so. Our plan is to start small and expand as the organization grows more comfortable and we find additional avenues that reach our social and financial goals."[21]

[1] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[2] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

[3] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[4] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[5] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

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[7] Jennifer Neppel and Diane Jones, phone interview by David Zuckerman and Katie Parker, December 10, 2015.

[8] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[9] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[10] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[11] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

[12] Dartmouth-Hitchcock Health Population Health Innovation Project Proposal application.

[13] Laura Landy, "Using Systems Change to Create a New Health Ecosystem," ReThink Health, July 11, 2016, *https://www.rethinkhealth.org/the-rethinkers-blog/using-systems-change-to-create-a-new-health-ecosystem/*

[14] Molly Murphy, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 14, 2016.

[15] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[16] Mark Platt, Jeff Rich and Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

[17] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[18] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[19] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[20] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[21] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

5 Return on Investment

Return on Investment

MEASURING PERFORMANCE AND IMPACT OF PLACE-BASED INVESTING

To assess the financial, social, economic, and environmental impact of a place-based investment strategy, hospitals and health systems could consider tracking a number of indicators.

Several established impact frameworks exist to help assess the impact of investments including:

- National Community Investment Fund's BankImpact tool, which provides financial data and Social Performance Metrics on all US banks.[1]
- GIIRS Ratings, supported by the nonprofit B Lab and which aims to provide comprehensive and comparable ratings of a company or fund's social and environmental impact.[2]
- Aeris Impact Ratings, which aims to provide the only comprehensive, third-party assessment of community development financial institution (CDFI) loan funds.[3]
- IRIS Metrics, which are designed to measure the social, environmental, and financial performance of an investment.[4]
- GRI Standards, which aim to provide the first global standards for sustainability reporting on a range of economic, environmental, and social impacts.[5]

Place-based Investment Outputs and Outcomes

Establish output and outcome measures that show results from community economic development and sustainability investments

In addition, tracking positive environmental, social, and economic outputs and outcomes specifically within your health system's geographic footprint can help demonstrate the business impact of these investments beyond simply the financial return.

Outputs

- Increased lending in low- and moderate-income communities
- Increased investment in healthy, affordable food infrastructure in low- and moderate-income communities
- Increased investment in local businesses that provide living wage jobs in low-income communities
- Increased investment in Federally Qualified Healthcare Centers (FQHCs) or community health centers
- Increased resources for community and economic development, arts and culture, and/or education improvements

Outcomes

- Increased access to healthy, affordable food
- Increased number of local, living wage jobs
- Improved financial sustainability of community partners
- Increased local tax revenue from community economic development investment
- Increased number of affordable daycare providers
- Reduction in unnecessary, costly utilization of medical services
- Reduction in emergency room visits
- Reduction in obesity, diabetes, and asthma incidence rates
- Reduction in health disparities within community
- Reduction of post-surgical readmission rates
- Reduction in lead poisoning and other negative community health indicators
- Reduction in institutional energy costs
- Reduction in specific environmental pollutants
- Reduction in carbon footprint

Example from the Field

Mark Platt, senior vice president at Gundersen Health System based in La Crosse, Wisconsin shared, "We chose to look at these investments not in terms of other medical competing needs, but in comparison to how those dollars would be invested in the market...Our investment portfolio is pretty conservative. We chose instead to invest in local energy projects that have a greater return and improve community health."

Financial Performance Measures

Establish a benchmark to guide your community economic development and sustainability investments

Appropriate financial benchmarks will depend upon target rates of return for your place-based investment program. If your program targets market-rate returns, then a standard benchmark for the relevant asset class should be used. For example, consider benchmarking returns from investments in community development financial institutions (CDFIs) and direct lending to traditional benchmarks for fixed income, money market, or cash equivalents.

Examples from the Field

Ross Darrow, director of treasury services for Bon Secours Health System based in Marriottsville, Maryland explained, "The money we use for this comes out of our fixed-income allocations, so we look at it as a fixed income substitute."

Lisa Laird, vice president of cash and investments at St. Joseph Health based in Irvine, California shared, "The community investment portfolio will have an overall target of the money market rate. It earns much more than the money market rate right now."

"It's a three year blended CPI [consumer price index]. Right now we are higher than the CPI. The interest rate ranges from 0 percent to 5 percent. We try to make sure that we're on target," noted Pablo Bravo, vice president of community health at Dignity Health based in San Francisco, California.

Long-term Business Impacts from Community Investment

In addition to financial measures and output and outcomes indicators, there are long-term impacts to consider. Although these are more difficult to measure, they are vital to the financial health of your institution and to the overall health of the communities and patients you serve.

- Achieve a more diversified and impactful investment portfolio
- Become the provider of choice for your community
- Align sustainability, diversity and inclusion, and community benefit priorities
- Improve employee morale through stronger community connections
- Build strong community and local government relations
- Position your institution for the long-term shift from "volume to value"

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Appendix

MORE RESOURCES

For a detailed appendix including sample policies, contracts, and templates from the health systems profiled, contact information for practitioners, and further reading and research on place-based investing, go to:

http://hospitaltoolkits.org/investment/more-resources/

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Interviewees & Advisory Committee

We are grateful to the many healthcare practitioners and leaders that took time from their busy schedules to share their knowledge fully and provide their feedback and input in reviewing drafts of this toolkit. In addition, we appreciate the time and energy of those who served on our advisory committee, guiding us in the right direction to create a strengthened resource for the field.

LIST OF INTERVIEWEES

Eric Bashaw, Gundersen Health System
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Ed Gerardo, Bon Secours Health System
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Sally Kraft, Dartmouth-Hitchcock Health System
Lisa Laird, St. Joseph Health
Molly Murphy, Mercy Health
Barb Petee, ProMedica
Mark Platt, Gundersen Health System
Jeff Rich, Gundersen Health System
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John P. Weidenhammer, *Board Member, Reading Health System*

Tools for Getting Started

Simple Policy FIxes

SMALL PROJECTS WITH BIG IMPACT

1. **Build a relationship with a financial intermediary, such as a community development financial institution (CDFI)**
2. **Allocate assets from investment portfolio for place-based investments**
3. **Connect capacity building with direct lending**
3. **Switch to an investment advisor with expertise and capacity pertaining to sustainable, responsible, and impact investing**

BUILD A RELATIONSHIP WITH A FINANCIAL INTERMEDIARY, SUCH AS A COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI)

In pursuing local equitable, social, or environmental investments, health systems have taken different paths to building relationships with financial intermediaries. One potential first step toward place-based investment involves grantmaking—for example, by administering a grant to a financial intermediary, such as a nonprofit CDFI, to establish a loan-loss reserve fund for projects in the community.† This strategy allows a health system to establish a working partnership, observe how the intermediary functions, and evaluate the leveraging of resources.

Another approach involves making a place-based investment via a financial intermediary. Here, a health system becomes familiar with the borrower-lender relationship, while mitigating risk by working via a proven entity. A health system can move forward with this practice while formal governance policies are being developed for an intentional place-based investment strategy. In this approach, the health system should establish clear terms for the investment. Ross Darrow, director of treasury services at Bon Secours Health System based in Marriottsville, Maryland, explained that auditors will want to know that these dollars will be recovered. Without a clear repayment timeline, auditors may mischaracterize an investment as a grant.[1]

† A loan-loss reserve fund enables financial institutions to lend capital at a lower interest rate or with more flexible terms than they might normally do by reducing risk in the event of a loan default.

ALLOCATE ASSETS FROM INVESTMENT PORTFOLIO FOR PLACE-BASED INVESTMENTS

To create a sustainable place-based investment program that addresses social determinants of health, an institution should allocate a portion of assets within its investment portfolio accordingly. Health systems have structured asset allocation for place-based investments differently. Here are a few examples:

Designate a percentage of assets within investment portfolio for place-based investments

The most commonly used strategy identified through interviews is to allocate 1 to 5 percent of assets within an investment portfolio for place-based or community investments.

For example, Dignity Health based in San Francisco, California has an investment policy statement outlining that up to 5 percent of its investment portfolio will be allocated for loans to nonprofits that are supporting community health and well-being. Currently, it has deployed slightly less than 1 percent, or nearly $90 million, for these investments.[2]

Health System	Asset Allocation
Dignity Health	5%
Bon Secours Health System	5%
Gundersen Health System	5%
St. Joseph Health	2%
Catholic Health Initiatives	1%
Trinity Health	1%

Increase the asset allocation incrementally

The Board of Directors at Bon Secours Health System has authorized the institution to invest up to 5 percent of its Long-term Reserve Fund (LRF) with community development financial institutions (CDFIs) that serve low- and moderate-income communities. Bon Secours has worked toward achieving this target by annually increasing its asset allocation by approximately $3 million. Since instituting this policy in 2008, Bon Secours has shifted $26 million, or about 2 percent of its $1.1 billion LRF (to date) to support affordable housing, economic development, community facilities, and other projects that benefit the health and well-being of the community members it serves.[3]

Create a place-based investment asset allocation specifically to complement community benefit strategies

Trinity Health, based in Livonia, Michigan, approximates 1 percent of its total operating investment portfolio for community investing through CDFIs. As part of that effort, Trinity Health launched its Transforming Communities Initiative in 2016, through which six community, multi-sector partnerships will receive a combination of grants, loans, and technical assistance. Through that initiative specifically, Trinity Health has made available $40 million from its community investment allocation to support projects that may be developed from those partnerships.[4]

Fund place-based investment with surplus returns from investment portfolio

Dartmouth-Hitchcock Health, based in Lebanon, New Hampshire, created the Population Health Innovation Fund in 2014 to "support the advancement of population health across Dartmouth-Hitchcock Health practice sites and communities."[5] It is resourced with 30 percent of investment portfolio returns that exceed budget targets. This fund, which has grown to more than $14.5 million from its inception, currently provides community grants for activities that align with the system's community benefit priorities.[6] A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.

Contribute fixed amount annually from investment portfolio

In lieu of an active place-based investment strategy, Mercy Health, based in Cincinnati, Ohio, contributes $5 million annually from its portfolio returns to its foundation. The foundation then determines how to grant those dollars within the community. A similar strategy could support seeding a place-based investment fund, which would continue to grow and be self-sustaining over the long term.[7]

Ensure a minimum available amount

St. Joseph Health, based in Irvine, California, has a community investment program that provides capital in the form of loans, deposits, or other support to nonprofit entities to promote social good and the development of healthier communities. The fund makes available whichever is greater, 2 percent of St. Joseph's long-term reserves sub account or $50 million.[8]

Create a place-based investment asset allocation to achieve a specific objective

Gundersen Health System, based in La Crosse, Wisconsin, set a goal to produce more power than it consumes from fossil fuel sources by 2014. Recognizing that this objective would require an extraordinary level of investment, it allocated 5 percent of its investment portfolio, or $30 million, to invest in local renewable energy projects. These real assets allowed Gundersen to meet renewable energy targets, create jobs in the communities it serves, and realize above-market returns on its investments.[9]

The advantage of this approach is that it can help an institution take on and achieve bold goals. A potential disadvantage is that without a formal, ongoing place-based investment program dedicated to supporting community health and well-being, approval from senior leadership would be required for each proposed project. This may result in challenges and limitations if leadership changes lead to less support for the initiative.

CONNECT CAPACITY BUILDING WITH DIRECT LENDING

To facilitate ongoing due diligence, St. Joseph requires most direct loan recipients to appoint a St. Joseph staff person to the organization's board. This practice also strengthens relationships between the system and local nonprofits, encouraging further collaboration and partnership.

To promote this practice and encourage nonprofit board service generally, St. Joseph Health has a generous policy offering staff paid time to volunteer up to four days a month. Gabriela Robles, vice president of community partnerships, explained, "Grants are great, but we also think about human capital on boards. Another role I have is identifying the needs and matching them with an executive at the system office or one of our hospitals."[10]

SWITCH TO AN INVESTMENT ADVISOR WITH EXPERTISE AND CAPACITY PERTAINING TO SUSTAINABLE, RESPONSIBLE, AND IMPACT INVESTING

Investment advisors provide institutional investors with key services, from developing investment policy statements and crafting asset allocation strategies, to aiding with portfolio construction and conducting investment due diligence. A survey by TIAA Global Asset Management found that more than a third of investment advisors lack the internal expertise to adequately evaluate responsible investment strategies, while more than half wrongly believe responsible investment underperforms.[11]

It is therefore necessary that health systems pursuing place-based investing, and responsible investing more broadly, choose investment advisors that have adequate internal expertise and capacities to support and guide these efforts. When this is not the case, advisors can be impediments to advancing impactful place-based investment strategies.

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[1] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[2] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[3] Ed Gerardo and Ross Darrow, interview by David Zuckerman and Katie Parker, Marriottsville, MD, December 16, 2015.

[4] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

[5] Dartmouth-Hitchcock Health Population Health Innovation Project Proposal application.

[6] Laura Landy, "Using Systems Change to Create a New Health Ecosystem," ReThink Health, July 11, 2016, *https://www.rethinkhealth.org/the-rethinkers-blog/using-systems-change-to-create-a-new-health-ecosystem/*

[7] Molly Murphy, interview by David Zuckerman and Katie Parker, Cincinnati, OH, January 14, 2016.

[8] Lisa Laird, interview by David Zuckerman and Katie Parker, May 9, 2016.

[9] Mark Platt, Jeff Rich and Jeff Thompson, interview by David Zuckerman and Katie Parker, La Crosse, WI, March 16-17, 2016.

[10] Gabriela Robles, interview by David Zuckerman and Katie Parker, April 15, 2016.

[11] Marlene Y. Satter, "Socially Responsible Investing: Advisors, Investors Don't Get It," BenefitsPro, May 31, 2016, *http://www.benefitspro.com/2016/05/31/socially-responsible-investing-advisors-investors.*

Quick Practice Upgrades

SMALL PROJECTS WITH BIG IMPACT

1. **Foster working relationships between community outreach and investment staff**
2. **Move cash and cash equivalent assets into local banks and credit unions**
3. **Engage key nonprofit partners on their long-term plans and investment needs**
4. **Join impact investment networks and engage in collaborative community investment initiatives**

FOSTER WORKING RELATIONSHIPS BETWEEN COMMUNITY OUTREACH AND INVESTMENT STAFF

One approach is to hire a staff person to serve as a connector and align the health system's community health and investment priorities. Cathy Rowan, director of socially responsible investments for Trinity Health based in Livonia, Michigan, sees this role as crucial to implementing a place-based investing program: "There are many people with incredible capacity in both sustainable finance and community development. Having someone on staff with sustainable and impact investment expertise who also understands the mission of the organization is key."[1]

Additionally, collaboration among relevant departments within a health system is a powerful way to leverage internal expertise and expand the scope of knowledge and capacity needed for successful place-based investing. Community health and outreach staff have highly relevant knowledge around community needs and maintain important local relationships—these assets can inform the investment decision-making process and maximize place-based impact. In order to set impact goals, identify, screen, and analyze place-based investment opportunities, and report progress to senior leadership, health systems can form community investment committees or working groups with representation from departments focused on community health and investment priorities.

Pablo Bravo, who oversees a $100 million community investment portfolio as vice president of community health at Dignity Health, based in San Francisco, California, explained: "A successful community investment program really benefits from having a staff member who understands financial analysis, impact investment, community or public health, and partnership and trust building. Ideally, this person should also be adept at building relationships across many different internal teams and garnering support from senior leadership so the program has the backing it needs. If you can't find one person to fill all these roles, then you can leverage cross-system expertise and capacity to successfully carry out community investment."[2]

MOVE CASH AND CASH EQUIVALENT ASSETS INTO LOCAL BANKS AND CREDIT UNIONS

Including US Treasury Department-Certified community development financial institutions (CDFIs), using money market accounts, business checking and savings accounts, and certificates of deposit.

Access to capital in low-income communities is a key driver of economic health, which in turn is closely tied to mental and physical health. Neighborhoods suffering long-term disinvestment tend to experience lower life expectancies than more affluent areas, for example. Health systems can shift operating or investment portfolio dollars into credit unions and community banks that lend more frequently and responsibly within underserved communities.

This simple strategy can increase lending capacity in the community at little additional risk to the institution. Interest rates at community banks and credit unions are comparable to traditional banks, and deposits are federally insured up to $250,000. Certificate of Deposit Account Registry Service (CDARS) is a national program that enables an organization to place funds in excess of $250,000 with smaller, local financial institutions while maintaining protection of the original deposits through Federal Deposit Insurance Corporation (FDIC) insurance.[3]

ProMedica, based in Toledo and located throughout twenty-seven counties in northwest Ohio and southeast Michigan, also serves its local communities by leveraging its sizable balance sheet and its leadership position as one of the largest employers within the region. Historically, ProMedica supported local and regional banks, investing in sixteen regional banks and diversified treasury management services. This effort is unique as most healthcare systems bank with only one or two institutions. The banking strategy has helped ProMedica build local relationships in the counties it serves, maintain credit in those communities, and better manage risk during economic downturns like the Great Recession.

In 2015, ProMedica launched a pilot project to position additional deposits of $250,000 to $3 million with smaller community banks, using certificates of deposit through the CDARS program noted above. ProMedica's directive to the banks is to redeploy the deposits to create loans in those communities, with an emphasis on job creation, new and/or expanded businesses, and new community services or programs.

The banks report key metrics quarterly, including how the funds were utilized. Matching services to banks' capabilities avoids duplication of services and ensures the strategy remains efficient for ProMedica. ProMedica sees this strategy as a powerful way to use its resources to benefit the communities it serves, all the while meeting its fiduciary responsibilities with no additional staffing.[4]

ENGAGE KEY NONPROFIT PARTNERS ON THEIR LONG-TERM PLANS AND INVESTMENT NEEDS

Health systems across the country are evaluating how they can strengthen their partnerships with community organizations to better serve local health needs. An initial step toward place-based investing is to initiate conversations with existing and potential nonprofit partners on their growth needs, their ability to access capital, and ways in which the health system can address capital gaps through investments, not only grants. In the process, the health system can help map the capital and growth needs of the nonprofit and community development sector that serve communities in their service areas. This knowledge helps inform cross-sector strategies, as healthcare, public health, social services, and community economic development seek to collaborate more effectively.

According to Bravo at Dignity Health, the community investment program aims not to displace existing capital providers but to fill gaps in financing that stall essential local projects: "When organizations come to us, they come to us because they have a project that requires gap-financing that we may be able to fill. We also engage organizations to let them know if they take on certain projects, we are willing to provide capital."[5]

JOIN IMPACT INVESTMENT NETWORKS AND ENGAGE IN COLLABORATIVE PLACE-BASED INVESTMENT INITIATIVES

An easy step toward place-based investing is joining investor networks dedicated to sustainable, responsible, or impact investment. Examples include the Global Impact Investing Network (GIIN); the UN-backed Principles for Responsible Investment (PRI); US SIF: The Forum for Sustainable and Responsible Investment; and, for faith-based health systems, the Interfaith Center on Corporate Responsibility (ICCR). These networks guide members in pursuing sustainable, responsible, or impact investment, and they also organize collaborative initiatives that help grow the space. Investor members can also develop new initiatives together.

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[1] Cathy Rowan, interview by David Zuckerman and Katie Parker, Bronx, NY, January 29, 2016.

[2] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

[3] CDARS, *www.cdars.com.*

[4] Kate Sommerfeld, interview with David Zuckerman and Katie Parker, April 4, 2016.

[5] Pablo Bravo, phone interview by David Zuckerman and Katie Parker, March 18, 2016.

WORKSHEET

Readiness Checklist

Do a basic assessment of where your institution is at, and identify the steps you need to take to implement a place-based investment approach to improve community health and well-being.

LEADERSHIP

- [ ] Leadership and governance have communicated institutional support
- [ ] Investment staff and treasury department are supportive of program
- [ ] Dedicated staff have been identified to manage institutional objectives
- [ ] A business case for place-based investment is developed, institutionalized, and communicated

INVESTMENT POLICY

- [ ] Governance authorizes Environmental, Social, and Governance (ESG)/Socially Responsible Investing (SRI) policy, which includes guidance or directives on place-based investment
- [ ] Investment portfolio integrates ESG/SRI criteria into investment decision-making across asset classes
- [ ] Current investments are examined for alignment with institutional objectives
- [ ] Place-based investment carve-out is integrated into asset allocation
- [ ] Dedicated operational resource stream is created for community benefit interventions aligning with place-based investments

PARTNERSHIPS AND COMMUNITY ENGAGEMENT

- [ ] Community development organizations and intermediaries focused on improving social, economic, and environmental conditions in targeted communities have been identified
- [ ] Community stakeholders are included in the design, selection, and promotion of place-based investments
- [ ] Partnerships are developed with other large employers to tackle community-wide challenges, such as access to affordable housing, healthy food, childcare, and/or primary care

DATA AND PROGRAM INFRASTRUCTURE

- [ ] Areas of place-based investment focus are identified
- [ ] Key principles and criteria for guiding place-based investments are outlined
- [ ] Investments can be tracked and monitored internally and by auditors
- [ ] Loan application, standard form documents, and other program materials are created
- [ ] Desired rates of return, duration, and type of investments are formalized

STAFFING AND INTERDEPARTMENTAL INFRASTRUCTURE

- [ ] Full- or part-time staff provide administrative, financial service, and legal support
- [ ] Full- or part-time staff contribute mission, community health, or health equity perspective
- [ ] Full- or part-time staff support relationship building and identifying investment opportunities

DIVERSITY, INCLUSION, AND SUSTAINABILITY GOALS

- [ ] Percentage of institutional investments benefit communities of color
- [ ] Percentage of institutional investments benefit residents of low-income communities
- [ ] Percentage of institutional investments support sustainability objectives

DECISION-MAKING STRUCTURE

- [ ] Institutional "home" for program is identified, such as an interdepartmental place-based investment working group or committee
- [ ] Place-based investment staff identify opportunities and undertake due diligence
- [ ] Advisory committee reviews recommendations from place-based investment staff
- [ ] Executive staff approve recommendations for place-based investment
- [ ] Governance provides final approval of investment decisions (optional)

BOARD AND GOVERNANCE

- [ ] The CEO and senior management regularly review place-based investment status reports
- [ ] Governance regularly reviews place-based investment status reports, including narratives and financials
- [ ] Hospital leadership participates in governance of community development financial intermediaries and other inclusive economic development partner organizations
- [ ] Leadership participates in governance of nonprofit borrowers

MARKETING THE PROGRAM

- [ ] A public-facing place-based investment brochure is developed and disseminated
- [ ] A website exists explaining the program
- [ ] Leadership and community-facing staff at local facilities understand and promote the program
- [ ] Key community leaders are aware of the program

SCALING LOCAL IMPACT AND BUILDING COMMUNITY WEALTH

- [ ] Recurring evaluative process expands impact and scope of program
- [ ] Institution assists in mapping gaps in access to capital within the service area
- [ ] Institution assists with addressing capital gaps in low-income communities
- [ ] Employees can participate in place-based investment and socially responsible investment through their individual retirement accounts and/or pension investments

Big Questions Worksheet

GETTING CLARITY ON WHAT MATTERS FOR YOUR MISSION

Where? What area do you want to impact?

FACTORS TO CONSIDER

- Where does your patient population come from? Where do your patient populations with the greatest health needs reside?
- What populations do you want to reach?
- What areas do current or potential partners and intermediaries already work in?
- Are there any high-poverty zip codes in your service area? Are there any zip codes with significant health disparities?
- Are there areas you serve that lack significant health-producing determinants, like access to healthy food, primary care, arts and education, or affordable housing?
- Have specific areas of need been identified in your strategic plan or community health needs assessment?
- Which areas do local banks and credit unions most actively serve? Which areas most lack access to capital?

NOTES

Who? What does "community" mean to your institution?

FACTORS TO CONSIDER

- How is "community" defined in your mission statement? Your strategic plan? Your community health needs assessment?
- Are there any particular populations identified in your community health needs assessment as underserved or with health disparities?
- Are there specific chronic health conditions that most merit attention? What are upstream interventions that might be effective means of addressing these health conditions?

- What are the demographics of your surrounding area? Are there immigrant populations? Are immigrants able to access health services in their native language?
- Which populations struggle the most with unemployment or underemployment?
- Which populations lack access to economic and environmental conditions that produce good health, like access to healthy and affordable food, affordable housing, and a clean environment?
- What is the state of the local economy?
- What is the state of community infrastructure (schools, health clinics, parks, etc.)?
- Do you have a large reentry (or formerly incarcerated) population?

NOTES

Why? Mission alignment? Long-term business impact? Both?

FACTORS TO CONSIDER

- What are community and economic development needs in the areas that you serve? How do these needs impact people's health?
- How does community investment support the financial sustainability of your institution?
- Is diversity identified as a priority for your institution? How could place-based investment benefit diverse populations?
- Is sustainability identified as a priority for your institution? How could place-based investment support sustainability, both inside and outside of your institution?
- How does place-based investment increase the impact of your community benefit or grant-supported activities?
- Does your institution participate in any collaborative economic revitalization efforts? How could collective place-based investment address community health needs that no individual partner could do alone?

NOTES

Overcoming Barriers

PROMISING SOLUTIONS TO COMMON CHALLENGES

✕ Challenge	✓ Solution
We cannot commit resources to hire a full-time employee to manage a place-based investment portfolio.	Leverage strength of different internal departments, such as investment, treasury, legal, community outreach, community benefit, and sustainability. *Examples: St. Joseph Health, Bon Secours Health System, Trinity Health, Catholic Health Initiatives*
We lack internal capacity to monitor individual, direct loans to borrowers, or make direct investments in other asset classes.	Utilize financial intermediaries, such as community development financial institutions (CDFIs) and investment managers to invest in local community economic development. *Examples: Bon Secours Health System, Trinity Health, Catholic Health Initiatives*
We have limited resources and/or knowledge to create the applications, forms, and other analysis tools for a place-based investment program.	Consult *Laying the Foundations* section of this toolkit, and reach out to institutional contacts identified in that section for additional templates, guides, and advice. Models exist! *Examples: Dignity Health, St. Joseph Health, Bon Secours Health System, Trinity Health, Catholic Health Initiatives*
We are not familiar with CDFIs or other financial intermediaries that serve the geography of our patients, or none exist.	Review resources that help identify CDFIs that serve your geography, including CDFI Fund, Opportunity Finance Network, National Federation of Community Development Credit Unions, National Community Investment Fund, Community Development Venture Capital Alliance, and others. If there are none, explore how your institution could engage in direct investment and bring together stakeholders for a project, or think about how to fill that access-to-capital gap over the long term. Engage in a conversation with a national CDFI and with investment managers to see if they are willing to target investments in your geography. *Examples: Dignity Health, St. Joseph Health*
Financial intermediaries in our service areas are 1) not targeted enough with our dollars, 2) cannot link investments to health sufficiently, and/or 3) their loans have interest rates that are too high.	Focus on institutional direct lending as a place-based investment portfolio strategy, and seek to align lending with specific community benefit priorities and support. *Examples: Dignity Health, St. Joseph Health, Trinity Health*

✕ Challenge	✓ Solution
Financial intermediaries or particular place-based investment strategies we have considered lack a robust track record.	Consider loosening diligence requirements for place-based investment intermediaries; think of place-based investment intermediaries in the context of an emerging manager program, or create such a program if one does not exist.
We are unsure about how to design and fund a place-based investment program.	Consult *Laying the Foundations* section of this toolkit and reach out to institutional contacts identified in that section for additional templates, guides, and advice. *Examples: Dignity Health, St. Joseph Health, Bon Secours Health System, Trinity Health, Catholic Health Initiatives*
We do no not have a long-term investment portfolio.	Place operating accounts and short-term cash holdings with community banks and credit unions and partner with a local conversion health foundation, or other community or placed-based foundation, to encourage them to leverage their assets for impact to address community health needs. *Example: ProMedica*
Our governance and leadership are unwilling to settle for a rate of return less than the historical average of the investment portfolio.	Focus on market-rate return projects that also create positive local impact and address social, economic, and environmental issues in a non-predatory manner, such as local renewable energy production or investments to help create and retain local businesses. *Example: Gundersen Health System*
Our place-based investments are not creating sufficient impact.	Partner with local philanthropy, government, and other nonprofit and public anchor institutions to scale local impact. *Example: Dignity Health*
We have had difficulty maintaining ongoing, additional due diligence for direct borrowers.	Require that most direct loan recipients have a health system staff person on the organization's board, strengthening relationships between the system and investees, which can encourage further collaboration and partnership. *Example: St. Joseph Health*
Our annual funding allocation for place-based investment or community benefit is inconsistent.	Establish fixed investment portfolio allocation, operating revenue, or expense formula for place-based investment and/or community benefit strategies. *Examples: Dignity Health, St. Joseph Health, Bon Secours Health System, Trinity Health, Catholic Health Initiatives, Mercy Health, Dartmouth-Hitchcock Health, Nationwide Children's Hospital*
We are not sure what skills are required to manage a place-based investment portfolio.	Consult peer institutions who have hired dedicated place-based investment or environmental, social, and governance (ESG) investment professionals and inquire about ideal competencies. Search for someone with knowledge and experience in investment, ESG, community health and economic development, and relationship building. *Example: Dignity Health*