HEALTHCARE ANCHOR NETWORK

CASE STUDY

Trinity Health Community Investment Program

A multi-state and multi-institutional Catholic health care system headquartered in Livonia, Michigan and serving individuals across 25 states

Overall impact metrics:

- $75 million committed to community investments
- $53.7 million in deployed and legally-committed funds to community investment projects (as of April 30, 2022)
- Supported the creation and/or preservation of more than 4,900 units of affordable housing since 2014
- Funded the development of approximately 1.2 million square feet in new community facilities and small business real estate through CDFI general lending since 2018
- Funded CDFI loans that created or retained a combined 2,200 early childhood education and childcare slots since 2018

Overview

As a Catholic health system, community investing, primarily through loans, has been a longstanding practice of Trinity Health dating back to the early 2000s. The purpose of the program is to support projects, or loan pools, that will reduce social and economic disparities that cause unequal health outcomes for minority and low-income communities. These focus areas include but are not limited to: advancing access to higher education; fair and affordable housing; economic development and empowerment; and access to healthy, affordable food.

In 2019, Trinity Health signed onto the Healthcare Anchor Network (HAN) Place-Based Investment Commitment in which Trinity Health committed $75 million to place-based investments. As with other signatories, Trinity Health pledged to deploy the full allocation within five years.

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Program Design: Community Investment Program

Trinity Health's approach to place-based investments utilizes low-interest loans to make indirect investments in local communities through Community Development Financial Institutions (CDFIs) and direct investments through individual community development projects. The Community Investment Program complements traditional philanthropy as well as core patient care services to foster lasting social impact. Community investments are not grants but rather loans made at much more favorable and flexible rates than traditional capital. This enables support to projects that are intended to be self-sustaining but cannot be initially implemented by ways of standard financing.

This investment technique complements and preserves the system's philanthropic resources by supporting endeavors that would not be feasible with grant funding. Because a loan requires annual interest payments as well as repayment of the principal at maturity, many of the funded projects have a revenue generating component or financial return. From a community health perspective, “the opportunity to blend a loan alongside a grant funded project can provide ultimate impact” says Jaime Dircksen, vice president, community health & well-being.

The Trinity Health community investing portfolio provides low-interest loans to 32 different borrowers—ranging from large regional CDFIs to individual organizations implementing single projects in Trinity Health-served communities. Most lending occurs at the 2 percent (simple interest) rate with targeted loan terms of about five years. Trinity Health has found that a five-year loan has provided enough flexibility for the borrower to implement their project while also providing a reasonable check-in period for Trinity Health to review a borrower's progress before considering a loan renewal.

Many of the loans within Trinity Health's portfolio are renewed past their initial terms—provided that the borrowers continue to deliver on the programmatic outcomes that the loan supports. In special circumstances where there is significant collaboration between the local Trinity Health hospital and a project, Trinity Health will make longer-term loans (up to 30 years) to support projects with higher interconnectivity to the local community health strategy and vision.

The Community Investing Program has two primary goals: 1) providing capital to positively impact the Social Influencers [Determinants] of Health that drive positive health outcomes for communities served by Trinity Health and 2) ensuring that loans are made to sustainable programs which can return capital that can be reinvested in future programming. Consequently, a significant amount of staff time and resources are invested in the due diligence process for loans. Particular attention is paid to the specific components of a project and the kinds of resources that are needed to make that project successful. To this end, when it is warranted, Trinity Health has extended its loan terms or lowered its interest rate to make projects more competitive for other external funding sources (e.g., in applying for Low Income Housing Tax Credits).

One of the ways Trinity Health safeguards the original capital is by maintaining a group of trusted partners who can be utilized on an ongoing basis to support multiple projects. Through these partners, the health system is able to assure thorough due diligence and strong management of the investments.

In 2020, Trinity Health updated their general terms and conditions for loans made through the Community Investment Program. The Trinity Health investment strategy committed that all loans be given to organizations that serve "priority communities" in Trinity Health service areas. The system defines priority communities as 1) communities with 40 percent or more Black/Latinx residents and/or 2) communities with 40 percent or more of the residents living in poverty.

Program Implementation: Application Process, Due Diligence, and Approval

The Community Health & Well-Being department at Trinity Health oversees identifying potential loan opportunities for the Community Investment Program. The loan application is a closed application, meaning an organization must be referred to the program by a leader at the Community Health & Well-Being department or by a previous or current partner of the program.

Organizations that have the opportunity to submit an application need to provide information on the size of loan they are requesting, the purpose of the loan, and the metrics by which the organization intends to measure the impact of the loan. The application process also asks the organization to describe how community needs are being prioritized in their development process or within their lending portfolios.

Once received, Trinity Health reviews applications based on their alignment with set criteria for the Community Investment Program including: geographically aligning with Trinity Health's service area; addressing one or more of the root causes of health and economic disparities; demonstrating economic inclusion and community engagement; meeting the previously mentioned priority populations criteria; demonstrating financial stability; engaging the support of local leadership at the local Trinity Health Regional Health Ministry - RHM (a regional network of Trinity Health operated hospitals; ambulatory clinics; Program of All-Inclusive Care for the Elderly (PACE) programs, etc.); and demonstrating broad capital support from a range of lending partners. The applications also go through an extensive internal review process that involves Trinity Health's treasury and legal departments.

Upon a successful review process, Trinity Health's Socially Responsible Investing Advisory Group (SRIAG), which has final approval on loans, is "presented [the] prospectus for the loan approval or renewal about a week ahead of time," according to James Kienker, community investment and resource development administrator. The SRIAG is encouraged to ask questions during the subsequent meeting where the prospective loan is discussed, before the group decides to approve, reject, or modify the proposed loan.

Key Strategies

Trinity Health currently engages in three main forms of investing: 1) general loan pools with Community Development Financial Institutions (CDFIs), 2) direct investments through individual community development projects, and 3) project-specific loan pools with CDFIs in specific markets.

General loan pools with Community Development Financial Institutions (CDFIs)

Historically, the majority of Trinity Health's community investment portfolio has fallen into general loan pools with CDFIs. These general loan pools are investments of between $500,000 to $5 million made to CDFIs that have a strong history of funding community development activities to address the Social Influencers of Health. CDFIs can provide valuable expertise and capacity throughout the investment process, including sourcing, due diligence, and underwriting, thereby providing crucial expertise and organizational infrastructure to help deliver on the goals of the program. The challenge of working with CDFIs is that the funds may be distributed across a number of projects that the CDFI supports as part of a larger strategy, making it difficult to pinpoint the impact of Trinity Health's contribution on a specific project or geography.

Direct investments through individual community development projects

Trinity Health also identifies and selects individual community development projects to invest in directly. Direct investment strategies are more resource intensive for the system as they require in-house expertise and management of the loans as opposed to those managed externally by CDFIs, but they also allow Trinity Health to directly support organizations creating critical positive impacts on the system's priority communities. This means that the system can more directly see the impact of the loan and monitor the success of the investment.

Project-specific loan pools with CDFIs in specific markets

Trinity Health set aside a portion of their investment portfolio for project-specific loan pools with CDFIs in specific markets, which they refer to as a middle ground between direct and indirect investments. To create a project-specific loan pool, Trinity Health identifies a CDFI serving a Trinity Health priority community in which they would like to make multiple investments. Then, Trinity Health works with the CDFI to ensure that those funds are invested specifically in individual projects that Trinity Health identifies as high impact. Kienker describes this strategy as the best of both worlds because the specific project scope of this investment strategy enables Trinity Health to pinpoint the impact of their investments while still allowing the CDFI to handle the fund management and "leverage their expertise and community roots."

Staffing and Leadership

As a multi-state health system, loan dollars reside with Trinity Health's corporate office. Historically, the health system has conducted its community investing work at a system level—maintaining lender-borrower relationships at the national level and cascading those relationships and investments down to its local RHMs. Over the last four years, it has modified this strategy to better leverage the on-the-ground expertise of its local RHM leadership. However, while local leadership is more engaged in the process, the bulk of the staff commitment and accountability to implementing the program remains at the national level.

Community investment is a shared responsibility across three individuals within the Community Health & Well-Being department at Trinity Health—accounting for approximately one full time employee (FTE) of staff time. The bulk of this time commitment is supported through the community investing and resource development administrator position, which has approximately 70 percent of his time allocated to the program's implementation. The director of community investing and community benefit compliance and the vice president of community health & well-being lead the strategic work of the Community Investment Program. In addition to staff who are specifically dedicated to the program, the Community Investing Program also draws on in-kind expertise from throughout Trinity Health—specifically legal, treasury, and program experts on specific projects, such as utilizing Trinity Health's real estate team to help vet a new construction loan.

The Community Investing Program is overseen by the Socially Responsible Investing Advisory Group (SRIAG), which is empowered by the Trinity Health Board of Directors to approve the allocation of

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the $75 million community investing board commitment. The SRIAG meets four to five times a year, typically prior to Trinity Health Board meetings, and reports to Trinity Health's Board of Directors' Investment Subcommittee. The authority to approve community investing loans is delegated to the SRIAG by the Trinity Health Investment Subcommittee per the health system's investment policy.

The SRIAG board consists of both internal Trinity Health leaders and external members, usually numbering between 8 and 10—with 2 to 3 of the members coming from outside the health system, such as from other Catholic health systems or individuals who have significant community development expertise. Generally, most members have finance backgrounds with a community health lens. As knowledgeable individuals in the community investment space, the SRIAG acts to ensure that the Community Investing Program achieves the broad impact envisioned for the program by Trinity Health's Board of Directors.

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Partners

Trinity Health views their partnerships as the key factor in the success of the Community Investment Program. Kienker describes that "[his] general observation over the last four years of working in this space is that money is rarely the problem; it's finding the right partner and projects to make the investments." Trinity Health values lending partners who can become resources at the local level for hospital leadership. The goal is for the CDFI or project partner to bring the community development expertise to the table and the local hospital team to bring the community health focus to the table.

These partnerships make the investments possible because local RHM leadership are not required to have the technical knowledge of how to implement a community development project or how to make a loan. Trinity Health, at the national level, can be focused on allocating the Community Investing Program for broad impact. Its CDFI or project-level borrower can focus on the technical elements of the community development work, and the local RHM leadership can make sure that the resulting project reflects the health and social needs of the community and fits with their overall community health strategy. In addition to providing critical expertise on community development work and loan management, these partners also play a role in identifying potential new loan applicants.

One example of how partnerships contribute to the success of their place-based investments is the Illinois Finance Fund (IFF). IFF is a long-term partner that works in Ohio, Illinois, and Michigan, with local relationships across these states. Dircksen noted that they bring "unique expertise to the table around real-estate development, around being a

CDFI, around research and evaluation" and it is all "coupled under one entity." The assets of this partnership have strengthened the place-based investments because as Kienker adds, they are "very good about filling in the gaps in our knowledge and keeping us informed and up-to-speed on the projects we're working on together." Although bi-monthly meetings provide the communication necessary to facilitate their partnership, Trinity Health also finds that because of the strength and credibility of IFF as a partner, Trinity Health staff can be less involved in the day-to-day work, allowing more attention to other projects. Trinity Health is looking to grow partnerships with similar organizations such as IFF who can provide expertise and capacity for their investments.

While Trinity Health administers its Community Investing Program at a national level, it aims to make its lending process a "community up" activity and considers the community a critical partner in this work. As this investment program is implemented across different geographies within the Trinity Health footprint, it is critical that local leadership—including both Trinity Health and the community—are engaged and harnessed to ensure that neighborhood needs are met.

Program Impact

Broadly, Trinity Health strives to have their investments directly improve health outcomes. As a health system, Trinity Health values equity and accessibility among the characteristics that make up a healthy life, including healthcare, housing, and food. Some examples of these impacts would be increased life expectancy for members of historically disinvested communities, increased financial, emotional, and physical well-being, and "better management of chronic health conditions," says Kienker. Trinity Health utilizes the Trinity Health Datahub, a resource that aggregates information from numerous public databases on the social determinants of health. This resource is able to contextualize where in the continuum their community members are situated regarding some of the key vital signs of health.

Currently, key metrics for evaluating the Community Investment Program's success includes the amount of dollars committed and deployed in loans, as well as others like the number of affordable housing units or scholarships created. Borrowers typically propose the metrics that they think will best align with high-level priorities. Thus, borrowers specify how progress will be tracked in alignment with Trinity Health's priorities. Dircksen says, "One of the challenges with outcomes when you are investing through a CDFI is that you can't say our money did 'X.'"

Overall impact metrics:

- Two scholarship loan funds have provided a combined $2.1 million in scholarship aid to 750 students pursuing health professions degrees since 2014.
- As of the 2022 annual community investing census, $40.8 million of Trinity Health's community investments are supporting a priority population (minority and/or economically poor), a priority community (either 40 percent Black/Latinx community or 40 percent living in poverty), or a high priority community (both 40 percent Black/Latinx community with at least 40 percent of the population living in poverty).
- Trinity Health's CDFI partners that have received loans from the community investing program have invested a total of $285 million in high priority ($216 million) and priority ($69 million) ZIP codes since 2018—leveraging Trinity Health's investments ($53.7 million) by a ratio of over 5 to 1.

However, Trinity Health's newer project-based loan pools have enabled them to track impact at a more nuanced level. With a project-based loan pool, it is easier to trace the impact of a loan to a specific set of three to four projects rather than trying to determine the impact of a much larger CDFI loan pool, which can have hundreds of individual loans. Project-based loan pools also allow Trinity Health to connect its local resources to the handful of projects that are being supported by a pool—leading to opportunities where, for example, a Trinity Health RHM is able to provide additional wrap-around health services to residents of a supportive housing development.

One Trinity Health direct project investment is an affordable housing project in which the system made a $4 million loan commitment at a 2 percent interest rate for 30 years to create McAuley Park Housing Development in Atlanta, Georgia. This project will develop affordable housing in addition to expanded clinical space for Mercy Care, which is a safety net system within Trinity Health's St. Joseph's Health System (SJHS). This loan helps bridge the financial needs of the affordable housing project, which is predominantly funded through a Low-Income Housing Tax Credit (LIHTC) award. This project will create 170 housing units in addition to expanding Mercy Care's clinical capacity.

Another example of loans made through the Community Investing Program is a pair of identically structured higher education loans made to Boise State and Fresno State. The universities received loans of $3 million and $2 million respectively, each with a 1 percent interest rate. Both loans were invested through the respective universities' endowments, which are broadly invested in the market. Ultimately, the dollars raised from the difference between the earned rate of return for the funds and the 1 percent interest payment owed to Trinity Health is utilized for scholarships to students, with a specific focus on first generation college students.

At Boise State, for example, $738,687 of loan earnings have been generated since 2014, which have provided 412 scholarships to 377 students, with an additional $391,000 for 104 scholarships in progress for the 2021-2022 academic year. Recipients have included 197 first generation college students. An additional benefit is that Boise State is considered a pipeline for attracting future employees for the local Trinity Health hospital system, St. Alphonsus Health System, as their local hospital leadership sits on the healthcare school board.

Lessons Learned and Takeaways

Expand Existing Partnerships to Help Address Scaling Timeliness Concerns

One particular challenge that Trinity Health faced in implementing the Community Investing Program is the expansion process. Place-based investments cannot expand rapidly, so scaling up a community investment program is a timely process. Trinity Health takes approximately 18 to 24 months to transition from a project concept to the execution of that project. The creation of the project loan pool with Illinois Finance Fund, for example, took more than two years to develop.

As Trinity Health strives to expand the program to $67.5M by the end of FY24, it is faced with the challenge of scaling its loan portfolio responsibly—ensuring that supported projects meet the previously-described criteria of being programmatically impactful and sustainable. To address this challenge, Trinity Health is building on existing partnerships to reduce the amount of due diligence runway needed to launch new projects and loan pools. In contrast to building a large number of new partnerships, strengthening relationships with existing partners leverages preexisting, reliable lines of communication between the system and partner, and ensures the partner can understand and address the strategic goals of the health system.

Create Internal Buy-in by Having Robust Internal Communications and Engagement about Impact Investment Strategies and by Focusing Investments as Locally as Possible

It is easy to talk about place-based investments conceptually, but actually explaining and breaking down the process of a health system engaging in this work allows Trinity Health's team members to be involved. Dircksen notes that, "Once people are engaged with this work, the 'light bulb' clicks." Engagement is what will ensure these investments can stick culturally and be sustainable over time. After recognizing that localizing investments is a difficult and time-consuming process, Dircksen adds that it is important that "a health system strives to invest through loans that are serving its own community members" and that is why "Trinity Health strives to make investments local, or even 'hyper-local.'" This local and hyper-local investment approach allows the system to draw clear connections between the investments and the health system's mission by positively impacting community members and community health.

Partner with Organizations that Identify with the Values of Impact Investing to Increase Ease of Investment Process

Partnerships that really identify with the mission of place-based investments are imperative to success. Kienker states that when quality partners are highly engaged and "walk with us" in the processes of place-based investments, the work becomes significantly easier. These partners are key to ensure riskier projects succeed and that there are dedicated individuals willing to work locally.

Sources

Additional information about Trinity Health's Loan Terms can be accessed by HAN members on our community member platform.

Additional information about Trinity Health's Community Investing Program Value Matrix can be accessed by HAN members on our community member platform.

Trinity Health defines priority communities as communities served by Trinity Health that "(1) [have] a population that is 40% or more Black/Latinx, and/or (2) The median earnings for 40% or more of the population is 200% of the federal poverty guideline or 80% of area median income." Communities that meet both of these criteria are considered "high priority" and receive the strongest consideration for investment.

Jaime Dircksen and James Kienker, interview by Claire Brawdy, Ed Gerardo, and Mia Williams, Healthcare Anchor Network, October 29, 2021.