Social Determinants and Local Economic Development: Building Health and Wealth in Communities

The health and community economic development environment is undergoing great change. Public health and community development professionals recognize both the impact ***social determinants*** ("upstream" factors like low-quality jobs, race/ethnicity, and built environments) have on people's health, income and education levels, and the need to address these determinants in a multi-sector, concerted way. Healthy communities, those with clean air, access to nutritious food, well-performing schools, safe neighborhoods and parks, are more likely to be economically vital communities with good jobs, a productive workforce and a stable consumer base.[1] This understanding has led to structured, collaborative and "collective impact" efforts that are working to bring about lasting social change by addressing deeply-rooted, complex social, health and economic problems in communities. As the Affordable Care Act (ACA) transforms the U.S. health system, it is providing guidance to health care institutions, especially nonprofit hospitals, to be more involved in improving population health and economic wellbeing in their communities. The following outlines ways to take advantage of these opportunities to build community health and wealth.

Nonprofit Hospital Community Benefits and Community Health. The increasing cost of health care in the U.S. is considered unsustainable.[2] The ACA aims to decrease costs, but to also drive changes within the operation of the health system as a whole. This involves increasing access to insurance coverage for those who cannot afford it while also promoting evidence-based practices that provide better quality, patient-centered care at lower cost and achieve better health outcomes. The ACA is shifting the focus of the health care industry toward accountability for improving population health in general. The rationale is that a healthier population base will reduce undue demand on the health care system to treat preventable illness (e.g. fewer avoidable visits to emergency rooms), lower costs and improve quality of care.

In particular, the ACA has required nonprofit (or not-for-profit) hospitals and health care systems to more effectively use their "community benefit" status. This gives hospitals the opportunity to address social determinants and drive improvements in population health by also supporting local community economic development. Under section 501 (c) (3) of the federal Internal Revenue Code, nonprofit hospitals are considered "charitable" agencies, thus tax-exempt. To retain this status, however, these hospitals must provide benefit to the community they serve. Before the ACA, nonprofit hospitals and health systems had great leeway in identifying what services and activities could be defined as "community benefit." What resulted, in general, was that the provision of uncompensated care was most often reported as the community benefit delivered. This type of reporting has kept nonprofit hospitals' community benefit efforts centered on handling "downstream" disease and medical conditions, rather than on more cost-effective prevention interventions addressing underlying social determinants of health in their communities.

New Mexico Policies

- For licensure, NM requires for-profit and nonprofit hospitals to provide community benefit services—though not a specified level.
- NM hospitals must report their charity care-related costs.
- NM nonprofit hospitals are not required to conduct community health needs assessments (CHNAs) nor to develop community benefit plans or implementation strategies.
- NM exempts nonprofit hospitals from state income tax, as well as property used for charitable purposes from state property tax. NM organizations exempt from federal income tax are also exempt from gross receipts tax.
- NM nonprofit hospitals are not required to adopt or implement financial assistance policies, though they must provide to patients, on request, information about financial assistance available through the hospital.

Source: The Hilltop Institute. (2016) Community Benefit State Law Profiles at: http://www.hilltopinstitute.org/publications/CommunityBenefitStateLawProfiles-June2016.pdf

[1] Robert Wood Johnson Foundation. (2016) Why Healthy Communities Matter to Businesses at: http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf428899

[2] Barnett, K. & Somerville, M. (October 2012) Hospital Community Benefits after the ACA: Schedule H and Hospital Community Benefit—Opportunities and Challenges for the States.

Community Health Needs Assessments. The ACA now requires nonprofit hospitals to do comprehensive, data-driven community health needs assessments (CHNAs) every three years, along with an implementation plan to tackle prioritized needs with their community benefit resources. In conducting the CHNAs, hospitals must describe their geographic community, its demographics, how the assessment was implemented, how community representatives (especially populations facing disparities) were engaged, how and why priorities were selected and implementation strategies determined, and how the CHNA will be made publicly available. By using the CHNA as an opportunity to collaborate with public health officials, service providers, and community-based collective impact initiatives or coalitions, tax-exempt health care systems can produce a shared document better suited to driving activities that will have greater impact on community health and wealth building. One upshot of doing a CHNA in conjunction with other stakeholder groups (in New Mexico, county/tribal health councils do CHNAs and can partner with their local hospitals) is the recognition that community or regional issues are complex, and that, in this era of reduced budgets and limited resources, difficult for one entity alone—hospital, local government, social service agency—to address. This argues for collective approaches among health, economic and social entities, and sharing of resources and skills to best address the underlying social determinants.

IRS Requirements and Schedule H. The 2008 Internal Revenue Service Form 990, Schedule H provides a clear set of criteria for not only what constitutes community benefits, but also CHNA methodology, and the manner in which CHNA information is disseminated to the community. Specifically, Schedule H identifies "community building" activities (those that promote population health by addressing root causes of poor health, but which are not the provision of medical care) as part of community benefit. Community building activities include, but are not limited to: physical improvements and housing; economic development; community supports (e.g. child care and food access); built environment improvements; community leadership development; coalition building; workforce development; and health improvement advocacy. States may need to support their health systems by adjusting existing laws and/or leveraging reporting requirements and regulations to clarify or request involvement in community-building actions. Given this community benefit/building option, a nonprofit hospital could expand on its role as a community-based "anchor institution" (institutions established in locales in which they have large economic impact and which tend not to move location) to work with others on community transformation efforts. [*See Linking the Building of Community Wealth to Community Health section for more on this.]*

New Mexico's State Innovation Model. New Mexico, a majority-minority state, has 33 counties, of which 32 are designated Health Professional Shortage Areas, and 28 considered "frontier" (geographically isolated areas with small populations). Two-thirds of the state population live in the six most populous counties, and health care professionals are unevenly distributed, with more serving in economically-advantaged urban locations. Medicaid covers approximately 40 percent of the state's population. The state has 54 hospitals—46 non-federal and six federal, including Indian Health Service facilities, and two state hospitals. Of these hospitals, 29 are located in non-metropolitan areas, and 10 are critical access hospitals. In addition, the state has nine rural health clinics, 17 Federally Qualified Health Centers, and several non-federal, tribally operated clinics to provide primary care health services.[3]

In 2015- 2016, New Mexico, funded by the Centers for Medicare and Medicaid Services, carried out a year-long process involving multiple, diverse stakeholders in both the public and private sectors to design a State Health System Innovation Plan (HSI) to transform the current health system. Acknowledging the huge effect that social determinants

An **Accountable Health Community** (AHC) is a community-based, public-private collaborative answerable for the health and [economic] wellbeing of the population in its defined geographic area. Much like "collective impact" efforts, AHCs include and involve groups from different sectors—health, economic, business, social services, families—to collectively address social determinants and solve a specific community problem, using common measures of success, and implementing agreed-upon, aligned actions to achieve a common goal, while also reducing population disparities.

[3] NMDOH & NM HSD. (April 2016) New Mexico State Health System Innovation Plan at: https://nmhealth.org/publication/view/general/2046/

(lack of public transportation, food deserts, poverty, low education levels, limited social services, etc.) have on the health of people and communities, New Mexico's approach was to transform more than just the upstream-focused health *care* system. The NM HSI design is intended to improve not only alignment of clinical and behavioral healthcare within patient-centered medical homes and hospitals, but also to assimilate these health care systems into broader-based collaborations of public health, social service, business, and other community-centered stakeholders in Accountable Health Communities (AHC). The goal is to more effectively include health care entities into community health and economic development efforts. In particular, hospitals taking on the role as anchor institutions in their communities can find this an effective, efficient process for developing and fulfilling their community benefit role while working in close collaboration with other community-based entities.

Linking the Building of Community Wealth to Community Health. The ACA is transforming the health environment by urging the health care system to include community building as part of their basic business practice. Another movement in the U.S. has also been taking place and is related to these same goals. Often driven by community-based activists, policymakers and business leaders, this effort is aimed at building the economies and wealth of communities in a more fair, equitable and sustainable manner. Cities, especially, are undertaking innovative, collective approaches, adjusting policies and building new institutions to advance local economic development while supporting social justice. Such efforts improve the built environment, create business enterprises in low-income areas and stabilize low-income neighborhoods. This movement is often referred to as "community wealth building." [4]

In this movement, addressing social determinants of health is also key, given that many policies (such as redlining districts to avoid selling homes to certain racial/ethnic groups) and other factors (poor schools, poverty, food deserts), have led to the inequitable distribution of income, wealth, and opportunity among different neighborhoods or regions. The newer community wealth building strategies emphasize community- and/or worker-controlled businesses, realigning local economic institutions to more fairly distribute public and private resources, support for local entrepreneurs, leveraging anchor institutions to sustain the local economy and provide jobs with family-supporting wages and benefits, and collecting, analyzing and using community economic and health data to better address community priorities. The following describes some major strategies undertaken which have positive potential for building community wealth and health.

Support for Employee-Owned Businesses or Cooperatives. Research has shown that democratic employee ownership of businesses, employee stock ownership plans and/or worker-cooperatives tend to generate and sustain stable employment, promote workers' welfare, provide family-supporting compensation, and produce profits. These types of businesses tend to remain in their communities, without outsourcing jobs, while the local business enterprises retain larger percentages of profits that remain in the local neighborhoods. Cooperatives, in particular, are founded on the notion of maintaining their bottom-line, but also sharing profits with their members and improving the quality of life in their community versus maximizing and returning profit to outside and corporate investors. These types of enterprises need local government and industry supports, including technical assistance centers that can advise business owners on how to sell or transfer their business to employees, and/or banking institutions to help finance employee-owned businesses with below-market rate loans.

Leveraging Funding for Community Wealth Building. Local government, business and/or anchor institutions can strategically leverage public and private dollars to sustain growth in communities by promoting economically-targeted investments with the potential for both financial and social returns. These investments may be in public infrastructure (safe streets, housing) that employers want for their employees; providing management assistance and equity-like grants to incubate and/or fast track home-grown social enterprises; aiding individual wealth building tactics such as helping people without bank accounts open one;

[4] Democracy Collaborative. (September 2014) Policies for Community Wealth Building at: http://democracycollaborative.org/cwbpolicy

implementing banking ordinances that hold community-based financial institutions publicly accountable; and increasing responsible, low-interest lending and investment in underserved, low-income and minority communities. Besides banks, community investment funds have been utilized to provide below-market capital or low-interest loans to projects in under-resourced communities. For example, the Pennsylvania Fresh Food Financing Initiative leverages private investment funds to finance projects that eliminate food deserts and open grocery stores in low-income neighborhoods. In the Albuquerque Integration Initiative, a credit union partners with local affiliates, such as La Montañita coop market, to offer a capital program through which La Montañita can sponsor low-interest loan applications for its own community-level associates. Redirecting pension fund investments to social, economic and health-promoting projects is another innovative method of providing the resources for economic development and the public good.

Hospitals as Anchor Institutions to Build Community Wealth. An anchor institution, such as a regional health care system or hospital, is vital to its community's health, wellbeing and economic vitality. An anchor institution, often the largest employer in the area, has large purchasing and procurement power with local services, and may be a major land owner. Since hospitals operate all day, every day, and employ large numbers of people with varied levels of experience, skills and education, they have a stake in improving the local public education system and supporting workforce development. Anchor hospitals, because of their needs for technology and expertise, may be the stimulus for a high-tech enterprise sector, and by buying from local firms, these institutions help the local economy retain a higher percentage of dollars spent. Hospitals can also help sustain a local food-based economy while directly contributing to the health of the population. A collaboration of Presbyterian Healthcare Services, Bernalillo County Health Council and community partners provides the Healthy Here Mobile Farmers' Market, giving more than 600 low-income, racially-diverse residents in Albuquerque affordable, nutritious fruits and vegetables, and education in food preparation. Some large-scale health systems are providing financing for affordable housing or redevelopment projects in their neighborhoods.

As noted above, nonprofit hospitals are required to implement, with community stakeholders, a CHNA and an implementation plan. This work, when performed by the hospital, as the anchor institution, with community economic development stakeholders, opens the possibility for integrating local economic asset mapping into the CHNA. While considering health-related issues and social determinants, the CHNA could also identify major industries, the availability of, or gaps in the local supply chain, the educational pipeline, STEM learning capacity, research and development potential, business performance, workforce strengths and weaknesses, infrastructure needs, access to capital and investment, and standard of living measures within the community. The data collected, analyzed and used will be essential to planning for both health-promoting interventions and economic development strategies.

Moving Forward. The policy, community and health environments represent multiple opportunities for transforming both health and economic systems to improve the quality of life for more people. Several health care systems are taking on anchor institution roles to improve their communities through subsidizing affordable housing, prescribing walking trails and social services for patients, promoting farmers markets and community gardens, and becoming involved in community-based collective impact or AHC efforts. Some, like Presbyterian Healthcare Services, have set up distinct departments dedicated to improved use of community benefits. Those promoting equity-based initiatives to build community wealth and reduce the impact of negative social determinants can pro-actively reach out to health care systems, as the collaborations between these sectors can do much to mutually reinforce their own goals, as well as achieve common ones.

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