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## New Incentives and Opportunities for Hospitals to Engage in Local Economic Development

*By Kimberly Zeuli*

### RESHAPING THE ROLE THAT HOSPITALS PLAY IN THEIR COMMUNITIES

The significance of hospitals to their communities should not be limited to their role as a health-care provider and large employer, especially in distressed inner cities. A few hospitals are leading the field and reshaping the role hospitals play in community and economic development. This article discusses the motivations behind this trend and highlights four hospitals from across the nation that serve as interesting role models. Hospitals that act as intentional drivers of social and economic growth recognize that their competitiveness and sustainability is determined in part by the economic health of their communities.

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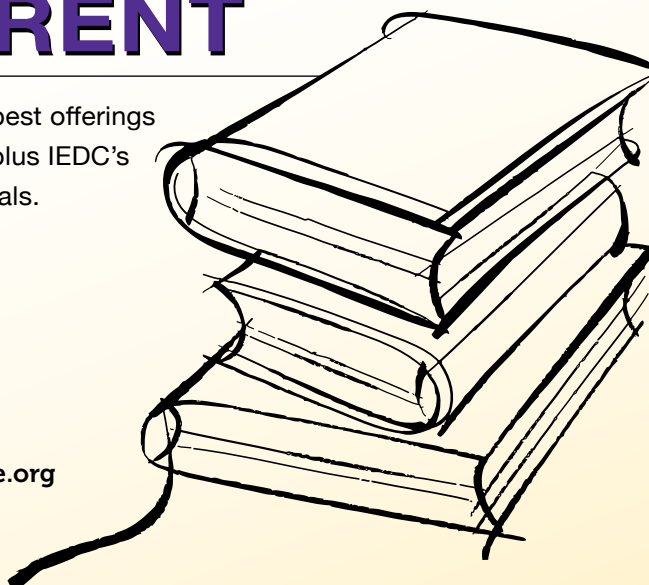


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## OPPORTUNITIES FOR HOSPITALS TO ENGAGE IN LOCAL ECONOMIC DEVELOPMENT

By Kimberly Zeuli

### INTRODUCTION

Many hospitals have deep roots in their communities. Hospitals may close, but they rarely move to another location, which makes them important local economic anchors. They drive growth primarily through employment and purchasing. In 2012, hospitals employed nearly 5.6 million people and spent more than \$757 billion on goods and services from other businesses.<sup>1</sup> Hospitals are particularly important to inner cities: they create more inner city jobs than any other sector.<sup>2</sup> Hospitals are the largest employer in 77 of the largest 100 inner cities.<sup>3</sup>

In addition, some nonprofit hospitals are intentionally expanding their role locally, especially in inner cities, by supporting various economic development initiatives (see Zuckerman 2013). This article discusses the motivations behind this trend and presents three case studies from Minnesota, Maryland, and Ohio that offer models for other hospitals reconsidering their roles in their communities.

### INCENTIVES FOR INTENTIONAL ECONOMIC DEVELOPMENT

Twenty percent of the nation's 1,250 large, nonprofit hospitals are located in an inner city.<sup>4</sup> A number of these hospitals already engage in robust economic development initiatives in their communities. Their commitment is motivated by their mission to public health and, in an increasingly competitive industry, their self-interest in improving local conditions to help attract and retain employees and increase patient satisfaction. Over the



Image courtesy of Mayo Clinic

Hospitals such as Mayo Clinic have strong roots in their communities and are vital to economic growth. Pictured is Mayo Clinic's Gonda Building, located across the street from the site of the original Mayo Clinic building in downtown Rochester, Minnesota. The statues in the foreground depict William Worrall Mayo and Mother Alfred Moes, founders of Saint Marys Hospital from which Mayo Clinic began.

last 15 years, the healthcare field has also moved towards upstream investments that address the social determinants of health such as affordable housing and poverty reduction.

Anchors that act as intentional drivers of social and economic growth in their communities are creating shared value. The concept of shared value recognizes that organizations and their communities do well by doing good. As Porter and Kramer write in their seminal article explaining shared value for companies, "A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation

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### RESHAPING THE ROLE THAT HOSPITALS PLAY IN THEIR COMMUNITIES

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opportunities for its citizens.”<sup>5</sup> Anchor organizations that adopt a shared value perspective will put into place operations and policies that simultaneously increase the organization’s competitiveness and improve economic and social conditions.

The Initiative for a Competitive Inner City (ICIC) has been at the forefront of developing the theoretical underpinning of a shared value framework that explores the mutually beneficial roles anchor institutions such as hospitals can play in their communities to expand economic opportunities while also delivering value to the institution. Founded in 1994 by Harvard Business School Professor Michael Porter, ICIC is a national, nonprofit research and strategy organization and a leading authority on U.S. inner city economies. The Anchor Institution Strategic Framework developed by Porter and ICIC defines seven roles an anchor can play in local community development: provider of products or services; cluster anchor; purchaser; employer; workforce developer; real estate developer; and community developer (figure 1).

The Internal Revenue Service (IRS) creates an additional incentive for nonprofit hospitals to support economic development by requiring them to provide (and report) community benefits to remain tax exempt. The average hospital spends 7.5 percent of its budget on community benefits, which may include subsidized direct care, community health improvements and contributions (e.g., supporting childhood immunization efforts and donations to community groups), and health professionals’ education and research.<sup>6</sup> At present, most hospi-

The Patient Protection and Affordable Care Act (ACA), passed in 2010, creates new incentives, and strengthens others, for nonprofit hospitals to expand their community benefits and proactively create healthy communities by catalyzing community and economic development.

tals meet their community benefits requirements chiefly through the provision of subsidized direct care.<sup>7</sup>

The Patient Protection and Affordable Care Act (ACA), passed in 2010, creates new incentives, and strengthens others, for nonprofit hospitals to expand their community benefits and proactively create healthy communities by catalyzing community and economic development. There are two provisions of the ACA, in particular, that encourage these hospitals to revisit their approaches to preventative healthcare. The first is a greater emphasis on community benefits; the second is its treatment of reimbursements for hospital-based care.<sup>8</sup> As more people begin to receive healthcare through ACA, the number of people receiving charity care should decrease, allowing hospitals to shift those funds to other community benefits.<sup>9</sup>

The ACA clarified and standardized the community benefit reporting required by the IRS. It requires hospitals to report community-building activities in eight categories: physical improvements and housing; economic development; community support; environmental improvements; leadership development and training for community members; coalition building; community health improvement advocacy; and workforce development.<sup>10</sup> The ACA also requires hospitals to conduct a Community Health Needs Assessment (CHNA) at least every three years to create more informed community benefit plans and to develop an implementation strategy to meet the needs identified in the assessment. To determine a community’s health needs, the ACA mandates that hospitals consult with multiple stakeholders, including members of “medically underserved, low-income, and minority populations in the community served by the hospital.”<sup>11</sup>

Hospitals are required to report how they will address each community need surfaced in the CHNA in their implementation strategy or justify why they are not addressing a particular need. The CHNA also should include the resources to be deployed by the hospital and how success will be measured. According to Gary Cohen, president of the community health advocacy group Health Care Without Harm, “for the first time hospitals are being challenged to look beyond the four walls of their facilities and understand what is happening in the communities they serve.”<sup>12</sup>

In addition, the ACA makes significant changes to the reimbursement policies of Medicare and Medicaid. Increasingly, hospitals will be paid for keeping people

**FIGURE 1: ICIC’S ANCHOR INSTITUTION STRATEGIC FRAMEWORK**



■ **Direct:** Anchor’s own business activities  
 ■ **Leader:** Lead a joint effort with other organizations  
 ■ **Collaborator:** Use resources and influence in collaboration with a broad range of stakeholders to identify and serve anchor and community needs

Source: ICIC, “Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value,” *Inner City Insights* (June 2011).



healthy, not just for immediate interventions. “We are moving to a health system and payment system that will place far greater emphasis on improving and maintaining people’s health,” says Edward Gerardo, director of community commitment and social investments at Bon Secours Health System. “It’s not just the immediate interventions of hospitals, but the intermediate ones, that will make those direct interventions more likely to succeed.”<sup>13</sup>

## HOSPITALS LEADING THE WAY

### *Mayo Clinic: Rochester, MN*

Rochester is synonymous with the Mayo Clinic, which has been a landmark institution in this small Midwestern city since it was opened in 1889 by the Sisters of St. Francis and Dr. William Worrall Mayo and sons.<sup>14</sup> The Mayo Clinic is acutely aware of their community connections, especially because of their long history in Rochester. In thinking about their community outreach, Mayo believes “being a good corporate citizen is not just the right thing to do; it also benefits our patients, our employees and the wider community.”<sup>15</sup> Mayo invests millions each year in hundreds of local community organizations working on health and wellness, education, youth enrichment, housing, workforce development, and human services.<sup>16</sup> A few examples of additional community building efforts are highlighted below.

In the 1990s, as Mayo and other businesses grew, Rochester’s housing became increasingly unaffordable for many of the Clinic’s employees. As a result, in 1999 the Rochester Area Foundation reached out to Mayo to help start and partner on First Homes, a community land trust, with the goal of building 875 units in five years. Rochester Area Foundation invested \$1 million and Mayo invested \$7 million to help start the trust.<sup>17</sup> In total, it cost \$19 million to build the homes, which were built by a number of local builders: \$9 million came from private sources, \$5.4 million came from local government, and \$4.6 million came from state government.

By 2007, First Homes reached its goal of building 875 units. The average purchasing price of the homes is \$100,000. Mayo employees have purchased 38 per-



*DMC rendering*

cent of the homes built.<sup>18</sup> Mayo chose not to restrict its funds to build homes that could only be bought by their employees because they believed Rochester’s affordable housing shortage was a problem that needed a solution for the entire community. Mayo employees also participate on the boards of both First Homes and the Rochester Area Foundation.<sup>19</sup>

In January 2013, Mayo Clinic announced a 20-year, \$5 billion economic development initiative and expansion effort known as Destination Medical Center (DMC).<sup>20</sup> DMC is a public-private partnership between Mayo Clinic, the city of Rochester, Olmsted County, and the state of Minnesota. The funding for DMC is comprised of over \$5.5 billion in private investment by Mayo and other private donors and parties, and a proposed \$585 million from state and local jurisdictions.<sup>21</sup> DMC’s goal is to secure Rochester as a global medical destination so that as Mayo Clinic expands and grows, Rochester can continue to sustain that growth.

The DMC proposal focuses on expanding Mayo’s facilities and services, creating new private amenities to meet visitor expectations, creating better housing options for Clinic employees and Rochester residents, and improving the public infrastructure to support the expected hundreds of thousands of new visitors to Rochester each year.<sup>22</sup> The Mayo Clinic currently has the largest reach nationally and internationally of any medical system in the country, and with the development of the DMC they seek to secure the Mayo Clinic as a premier global medical destination, building upon the nearly 1.2 million patients from more than 135 countries served in 2012.

Mayo also fosters innovation and entrepreneurship in Rochester through Mayo Clinic Ventures, established in the mid-1980s. It is a business unit within the Mayo Foundation for Medical Education and Research, which is Mayo Clinic’s nonprofit arm. Mayo Clinic Ventures has three strategic priorities: technology transfer, local economic development, and investment funds.<sup>23</sup> Mayo Clinic

*Credit – First Homes*



*First Homes home exterior*

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Ventures manages two seed funds, is part of the evaluation process for an enterprise seed fund, and is on the investment committee for Mayo's venture capital fund, called the Venture and Growth Fund. The Venture and Growth Fund is the largest fund; Mayo Clinic Treasury Services provides up to \$100 million annually for this fund.

Mayo Clinic Ventures invests in 4-6 deals per year through the Venture and Growth Fund. They usually invest from \$250,000 to \$2 million in venture investments and around \$2 to \$20 million in growth investments.<sup>24</sup> The other three funds support ideas and entrepreneurs in the seed stage to develop Mayo research ideas into new technologies. All of Mayo Clinic Ventures' investments are focused on businesses that provide strategic value to Mayo and have a high probability of success. In total, Mayo Clinic Ventures has equity stakes in 93 companies, of which 35 started in Minnesota.<sup>25</sup> This enhances the supply base of new businesses that support patient treatment at Mayo.

In partnership with the Rochester Area Economic Development, Inc. (RAEDI) and the city of Rochester, Mayo Clinic Ventures also founded the Mayo Clinic Business Accelerator in early 2013. Rochester City Council authorized \$100,000 in sales tax funding for RAEDI, and Mayo Clinic contributed \$100,000. The office space was already owned by the City of Rochester.<sup>26</sup> The accelerator currently provides space to 12 companies and four venture capital firms, as well as The City of Rochester, RAEDI, Mayo Clinic Ventures, and Mayo Clinic Treasury Services, which are all strategic corporate partners. The latter three also serve as business advisors.<sup>27</sup>

While there are no formal criteria for acceptance into the accelerator, the companies in the accelerator are early-stage and most are pre-revenue. Many of the accelerator's companies are in healthcare-related industries such as medical device development and healthcare IT.<sup>28</sup> While Mayo Clinic Ventures doesn't have any funds directly invested in the accelerator, they will invest in accelerator companies. For example, one of the accelerator's companies, Ambient Clinical Analytics, which creates Electronic Medical Records data analytics software, received start-up capital from one of Mayo Clinic Ventures' seed-stage funds, and is now one of the companies they invest in through the Venture and Growth Fund.<sup>29</sup>

#### ***Bon Secours Health System: Baltimore, MD***

There are eight nonprofit hospitals operating in Baltimore's inner city.<sup>30</sup> One of them, Bon Secours Hospital,

is located in the distressed West Baltimore neighborhood in the urban core of Baltimore. Established by Catholic nuns in 1919 as a charitable institution,<sup>31</sup> the hospital has helped provide essential healthcare to local residents. But more recently, the hospital has also proactively engaged in programs with the intent of raising the standard of living in its community. They did this in part because they want to address the social determinants of health and in part out of "enlightened" self-interest.

Bon Secours Hospital faced employee recruitment and retention challenges in Baltimore due to the distressed condition of the neighborhoods surrounding the hospital, which had been declining throughout the 1970s and 1980s. In addition, poor quality housing was a health concern for local residents. In response, in 1995 the hospital, through its housing development arm, decided to purchase 31 vacant row homes and a vacant school building near the hospital. Bon Secours then launched Operation ReachOut, a community coalition, to identify community concerns in West Baltimore, advise Bon Secours on how to manage the purchased housing, and create a family support center in the neighborhood in the school building.

By 1997, Operation ReachOut evolved into Operation ReachOut Southwest, a nonprofit CDC comprised of community businesses, churches, residents, partner organizations, and neighborhood associations. Bon Sec-



*Bon Secours row homes*

Credit - Bon Secours COMMUNITY WORKS



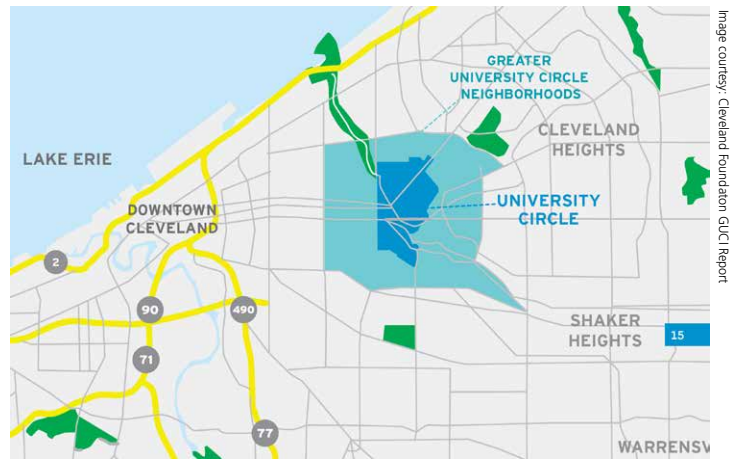
ours partnered with this group to create a 20-year revitalization plan for Southwest Baltimore in 1997, with the following areas of focus: economic development, health, education, public safety, physical planning, and youth and seniors.<sup>32</sup> Many of Bon Secours' community efforts and programs, run through its non-profit subsidiary, Bon Secours Community Works, are done in partnership with Operation ReachOut Southwest.<sup>33</sup>

As of September 2013, Bon Secours Community Works had converted over 640 vacant lots into green spaces, removed 700 tons of waste from the neighborhoods, and provided over 60 home improvement grants totaling over \$775,000 to homeowners for residential improvement projects. Bon Secours believes that the improvements in the neighborhood have, in part, lowered the barriers to staff recruitment and retention as well as increased the demand for elective procedures.<sup>34</sup> As of March 2014, Bon Secours owned 648 housing units: 530 for disabled seniors, and 119 for families. The family housing, located in 59 row homes, is located close to the hospital and includes the 31 initially purchased.<sup>35</sup> In the future, Bon Secours is looking to roughly double their number of units.<sup>36</sup> Before Bon Secours started fixing up abandoned properties in the target area, 67 of the area's 101 units were vacant.<sup>37</sup>

Bon Secours also invests in local businesses by shifting procurement locally to support the growth of West Baltimore and Baltimore City businesses. In 2011, six percent of Bon Secours' total procurement, or \$2.4 million, went to 87 suppliers located in the hospital's West Baltimore neighborhood. For the city of Baltimore as a whole, including the West Baltimore neighborhood, Bon Secours spends \$14.9 million, or 37 percent of its total spending, with 337 local suppliers.<sup>38</sup>

In 2012, Bon Secours spent 12 percent of its total operating expenses (\$14 million) on community benefits. By comparison, most hospitals in Maryland devoted between two percent and six percent of operating expenses to community benefits.<sup>39</sup> These initiatives are integrated into a larger comprehensive program, launched in 2008 called the Bon Secours Building Healthy Communities Initiative, which seeks to respond to the social determinants of health including poor housing and environmental factors. The Initiative includes six other communities around other hospitals in their system: Downtown St. Petersburg, FL; Argillite, KY; Northwest Bronx and Upper Manhattan, New York City, NY; Sterling, Greenville, SC; East Ocean View, Norfolk, VA; and Church Hill and East District, Richmond, VA.<sup>40</sup>

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Greater University Circle Initiative Target Area.

### **Cleveland Clinic and University Hospitals Case Medical Center: Cleveland, OH**

Cleveland Clinic and University Hospitals Case Medical Center, the two largest employers in Cleveland, are located in University Circle, a district adjacent to Cleveland's distressed downtown. While University Circle boasts 17 major institutions, including a remarkable concentration of arts and cultural institutions, it is surrounded by seven residential neighborhoods characterized by blight, high poverty, and high unemployment.

In 2005, the Cleveland Foundation brought together several University Circle anchor organizations, including the Clinic and University Hospitals, to support a collaborative redevelopment initiative in the neighborhoods surrounding University Circle. Although each hospital carries out their own individual community-building programs similar to Mayo and Bon Secours (see Zuckerman 2013), the focus of this case study is on their involvement in the Greater University Circle Initiative (GUCI), which offers an alternative model of hospital engagement.<sup>41</sup> The insights that follow are drawn primarily from the Cleveland Foundation's 2013 report – *Cleveland's Greater University Circle Initiative: A Partnership between Philanthropy, Anchor Institutions and the Public Sector*.

GUCI was created to leverage the economic strength of the area's large institutions to promote dialogue about the future of the surrounding neighborhoods and to catalyze and fund projects that transform both the built environment and the lives of residents. GUCI is focused on four strategic outcomes: institutional partnerships, physical development (transportation and real estate development), economic inclusion (buy, hire, and live local), and community engagement (empowering local residents to guide revitalization).

In less than a decade, GUCI has achieved many successful outcomes. It has stimulated hundreds of millions of dollars of new investment in the neighborhoods of Greater University Circle, established a new workforce training institute, completed a mixed-use development, and expanded public transportation to more effectively



Evergreen Laundry

connect anchor institutions to surrounding neighborhoods. In addition, it established the unique Evergreen Cooperative Corporation. Evergreen establishes new ventures, structured as worker-owned cooperatives, in industries where anchors are trying to purchase locally but lack suitable suppliers.

The cooperatives aim to provide living-wage jobs and wealth creation opportunities for neighborhood residents. The employee owners must invest \$3,000 in the cooperative through a minimal payroll deduction.<sup>42</sup> In return, they govern the organization, receive a fair wage, and share in annual profits. Each cooperative also returns 10 percent of its earnings to the development fund to provide financing for new co-ops.

Evergreen's first co-op was Evergreen Commercial Laundry, which has the capacity to clean 10-12 million pounds of linens a year, and employs about 45 people. Its second venture was Evergreen Energy Solutions. That business started out installing solar panels and has expanded into home weatherization, rehabilitation, and LED lighting projects. The newest Evergreen company is Green City Growers Cooperative,<sup>43</sup> which opened in February 2013. It operates a 3.25 acre hydroponic greenhouse and employs 28 people. Both hospitals have pledged themselves as customers to the cooperatives as they launch.

In support of its institutional partnership strategy, GUCI established a collaborative leadership structure. GUCI convenes representatives of 11 University Circle institutions as part of its Leadership Group. Cleveland Foundation serves as the lead partner of GUCI and the Leadership Group provides the primary oversight over GUCI. The Group meets quarterly to set project priorities and report on progress toward goals, with dedicated Cleveland Foundation staff providing administrative support. GUCI is funded by grants and donations from participating institutions. University Hospital, for example, contributed \$250,000 in seed money to GUCI when it was launched and millions more to various programs since then. Today, GUCI has over 50 funders and partners.

## WHAT ROLE FOR ECONOMIC DEVELOPMENT PROFESSIONALS?

While there are more hospitals engaged in intentional economic development than the four profiled here, very few have such comprehensive and strategic strategies. Most hospitals limit their activities to those included in their pre-ACA community benefit activities (including charitable care), employee volunteer efforts, and charitable donations. In addition, there are still hundreds of hospitals that are not yet proactively working to improve the social and economic conditions of their communities. Economic development professionals can help shape the economic and community development role hospitals play in their communities through three sets of actions: motivation, guidance, and implementation support.

### Motivation

Economic development professionals can help spur a hospital to action in their community, or expand their efforts, by developing a shared-value business case that resonates with hospital leadership. This sentiment is echoed in the recent report on the Greater University Circle Initiative: "More than ever before, leaders in Cleveland understand that the health of University Circle is integrally tied to the vitality of its adjacent neighborhoods – and this, more than any other factor, underlies the Initiative's success."<sup>44</sup>

The business case should include the benefits to the community as well as the benefits to the hospital. New research by ICIC identifies four streams of benefits to anchors from community building activities: (1) the process for approving and completing real estate development projects is streamlined when it is shaped by community input and aligns with economic development plans; (2) increased demand for non-elective procedures and high patient satisfaction ratings; (3) improved and expanded local supplier networks can increase operational efficiency and innovation; and (4) employee attraction and retention, which helps hospitals remain competitive by capturing and retaining "top talent".

The Anchor Institution Strategic Framework discussed here can be a useful tool to both frame the seven roles a hospital can play to comprehensively address social and economic conditions in their community and help large organizations identify efforts already underway across the organization. The community benefits department

### ACRONYM CHART

Acronym	Full Spelling
ACA	Patient Protection and Affordable Care Act
CHNA	Community Health Needs Assessment
DMC	Destination Medical Center
GUCI	Greater University Circle Initiative
ICIC	Initiative for a Competitive Inner City
IRS	Internal Revenue Service
RAEDI	Rochester Area Economic Development, Inc.

may not always know what the real estate development department is planning, for example. ICIC used this tool effectively with Cleveland Clinic to help them assess their existing initiatives and perform a gap analysis based on community needs. Including “best-practice” examples and outcomes from world-class hospitals, such as Mayo and Cleveland Clinic, will provide additional compelling evidence.

Mayo and Cleveland Clinic credit their community building initiatives with improving their patient and employee satisfaction and therefore their overall competitiveness. Mayo Clinic is consistently ranked as one of the nation’s best hospitals for patient satisfaction and its commitment to employees has helped the Clinic secure *Fortune Magazine’s 100 Best Companies to Work For* 11 years running.<sup>45</sup> Cleveland Clinic found that in addition to the community improvements that benefit the hospital, their participating in GUCI allowed them to get feedback year-round that helped shape their operations.<sup>46</sup>

The challenge in many communities will be identifying the right contact person at the hospital, especially when they are part of larger healthcare systems. Ideally, one would be able to meet with the hospital CEO, but if this is infeasible, a good place to start is with someone in the community benefit or community outreach/engagement departments. Supplier diversity staff are also helpful contacts and often participate in local economic development networks.

Foundations and health advocacy organizations, such as Community Catalyst, The Hill-top Institute and Health Care Without Harm, can be effective partners given their extensive knowledge of hospitals and the ACA requirements. The Cleveland Community Foundation is a great example of the leadership foundations can play in motivating anchor initiatives because of their convening power.

### Guidance

Economic development professionals can guide a hospital’s economic development initiatives through community advisory boards and CHNAs. They will be able to provide hospitals with insights into community needs, future plans, local organizational capacity, and existing community initiatives to avoid duplication. They should also be able to offer examples of what types of initiatives are possible from other hospitals. Two useful resources for finding additional hospital case studies are ICIC’s online library of best practices ([www.icic.org](http://www.icic.org)) and various reports by Democracy Collaborative (<http://democracy-collaborative.org>).

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Bon Secours credits their success in part to the community advisory board and steering committee they established to inform their initiatives and guide development in the neighborhood. They include neighborhood residents, local nonprofits, city-wide planning and housing associations, and pro-bono legal and architectural service providers. When Bon Secours began its community development initiatives, they quickly learned that they would not be successful if they continued to make unilateral decisions. They made a commitment to more inclusive planning efforts with the community.<sup>47</sup>

Initial GUCI planning involved not only the anchor institution leaders, but also staff from government agencies, community development corporations, and neighborhood community groups. The input from these various groups helped refine GUCI work plans by determining where GUCI could fill gaps in local capacity.<sup>48</sup> Mapping the unified development plans created a turning point for the Initiative. As stated in the Cleveland Foundation report, “Institutions that had long confined their thinking to development within individual property boundaries now saw a path to working together toward larger and more connected goals.”<sup>49</sup> GUCI still incorporates input from these various groups through its Leadership Group and community engagement efforts.

In Rochester, the DMC created an economic development agency with a board consisting of members of the medical community, city, and county, including RAEDI, to help guide its community development plan.<sup>50</sup> In addition, community input is gathered through a series of open meetings to ensure that the input is representative of the entire Rochester community.<sup>51</sup>

As noted here, the ACA requires hospitals to conduct a CHNA at least every three years to create more informed community benefit plans that include input from multiple stakeholders. Economic development professionals could be important informants in their local hospital’s CHNA and implementation partners. Hospitals, and the healthcare advocacy groups mentioned earlier, can provide information on hospital community benefit plans, activities, and benchmarks.

### Implementation Support

Economic development professionals should help inform the new community benefit implementation plans required by ACA. They can lend their expertise on how to most effectively implement new programs, the root causes behind some of the social determinants of health (poverty, crime, poor housing, etc.), and ensure that the



plans are aligned with community economic development priorities. This type of alignment, which is embodied in GUCI, maximizes the impact of economic development initiatives. As just one example, to support GUCI, the Cleveland Planning Commission designated Greater University Circle as an official planning area in 2007.

The Mayo Clinic's efforts are also aligned with Rochester's economic development plans and the Clinic partners with the RAEDI on several initiatives. RAEDI is spearheading the development of a five-year growth strategy, the Rochester Area Journey to Growth Plan, that is focused on growing sectors other than health but still capitalize on the DMC. According to Gary Smith, RAEDI's president, "40 percent of Rochester's economy is dependent on Mayo, and we want to make sure that as Mayo grows that percentage doesn't grow as well."<sup>52</sup>

Economic development professionals may have the greatest impact when new hospitals are being built. The new Martin Luther King, Jr. Medical Campus in Los Angeles is an illustrative example. The county supervisor Mark Ridley-Thomas recognized the importance of the hospital to the distressed Watts community where a former hospital was built after the Watts race riots but ultimately failed. The county wanted to leverage their more than \$400 million dollar investment in the hospital to create economic opportunities for local residents. To do so required integrating community input and multiple local planning efforts into a single vision.

By 2010 a master plan for the area and a technical assistance report had been completed, but there was no implementation plan. ICIC partnered with the hospital working group to develop a roadmap for implementation. ICIC applied its anchor institution strategic framework to analyze opportunities for the hospital to invest in its community. Key stakeholders were convened to develop a shared understanding of priority projects and priorities for workforce development, local hospital purchasing to support small business growth, and real estate development. The hospital is under construction and they are moving forward on the implementation plan.

## CONCLUSION

The movement of the healthcare field towards addressing the social determinants of health creates new opportunities for economic development professionals to partner with local hospitals to expand their intentional community and economic development initiatives. The ACA provides additional incentives for this type of partnership, making this an opportune time to start new conversations with hospitals about the role they can play in improving their communities, especially when they are located in distressed inner cities.

The Mayo Clinic, Bon Secours, Cleveland Clinic, and University Hospitals have paved the path by taking new approaches to the creation of community benefits, spurring economic growth and helping to create healthy communities with a variety of initiatives. Their comprehensive initiatives include making workforce development more effective, growing local businesses by shifting procurement, improving housing options and reducing blight, and expanding public transportation. In the case of new hospitals, such as MLK in Los Angeles, it meant imagining a new type of hospital that not only provides essential health care but also creates shared economic opportunity.

By making valuable and long-lasting contributions to the social, economic, and physical health of their neighborhoods, they're helping to ensure their own economic futures, as well as the health of their communities. This type of shared value can be used to help motivate other hospitals to expand their community building efforts. As the four hospitals profiled in this article show, by embracing shared value strategies and engaging in community projects that address many of the social determinants of health, hospitals can improve the health of their patients, reduce readmissions, attract top talent, and strengthen their overall competitiveness in the market. ④

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## ENDNOTES

- <sup>1</sup> American Hospital Association, *Economic Contribution Often Overlooked*, February 10, 2014, accessed December 4, 2014, <http://www.aha.org/research/policy/2014.shtml>.
- <sup>2</sup> Sources: US Census Bureau Zip Code Business Patterns, 2011; ICIC's SICE database; ICIC analysis.
- <sup>3</sup> Sources: American Hospital Association Annual Survey data, 2011; US Census Bureau Zip Code Business Patterns, 2011; ICIC's SICE database; ICIC analysis.
- <sup>4</sup> Sources: American Hospital Association Annual Survey data, 2011; US Census Bureau County and Zip Code Business Patterns, 2011; ICIC's SICE database; and ICIC analysis. There are 5,401 hospitals in the U.S., of which 514 (9.5 percent) are located in inner cities.
- <sup>5</sup> Michael E. Porter and Mark R. Kramer, "Creating Shared Value," *Harvard Business Review* (January 2011).
- <sup>6</sup> Gary J. Young et al., "Provision of Community Benefits by Tax-Exempt U.S. Hospitals," *The New England Journal of Medicine* 368, no. 16 (April 18, 2013).
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