

Collaborative Approach
to Public Good
Investments (CAPGI):
A Sustainable Financing
Tool For Communities

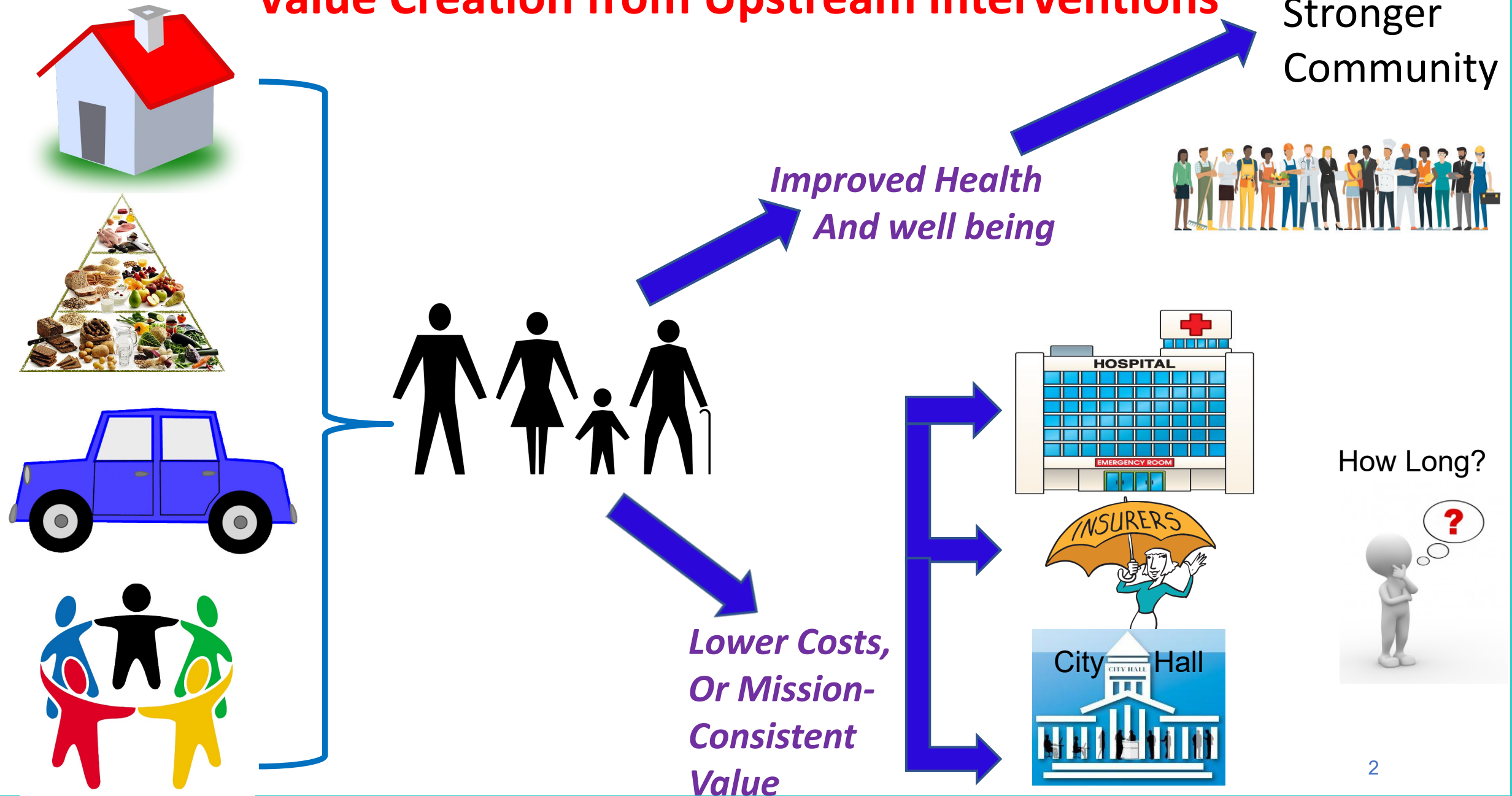
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Value Creation from Upstream Interventions



Free Rider Problem is Impediment to SDOH investment

- Stakeholders know they will benefit if others invest and they do not
- Stakeholders fear some of their spending would benefit others in ways they cannot get credit
- Both of these realizations lead to under-investment upstream

By Len M. Nichols and Lauren A. Taylor

POLICY INSIGHT

Social Determinants As Public Goods: A New Approach To Financing Key Investments In Healthy Communities

DOI: 10.1377/hlthaff.2018.0039
HEALTH AFFAIRS 37,
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<https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.0039>

The Core Idea of CAPGI



\$

FAIR!



CAPGI Helps Stakeholders Find Fair and Effective Prices to Pay for Intervention

- Private Solutions to “Free-Rider” problem (VCG) possible under 2 conditions
 - Operational local stakeholder coalition
 - “Trusted Broker”
- Those conditions are widespread today
- Key elements of CAPGI model:
 - Reveal willingness to pay to the trusted broker *only*
 - If aggregate value > cost, we help TB assign fair prices so that surplus is shared
 - Contributions and Sustainability are based on enlightened self-interest

How CAPGI would amend VCG

- To make upstream SDoH investments sustainable, we think we need to add two conditions or “Fairness Constraints” to the basic VCG framework
- These **Fairness Constraints** are:
 - **1. no one pays more than they bid, everyone shares in the surplus**
 - **2. each stakeholder shares the available surplus in equal proportion**
 - In addition, local coalitions may want to agree to additional fairness rules (before bidding)
- So CAPGI = VCG + our Fairness Constraints

A THEORY OF FAIRNESS, COMPETITION,
AND COOPERATION*

ERNST FEHR AND KLAUS M. SCHMIDT

Quarterly Journal of Economics, August 1, 1999

Fairness as a Constraint on Profit Seeking:
Entitlements in the Market

By DANIEL KAHNEMAN, JACK L. KNETSCH, AND RICHARD THALER*

American Economic Review, 76(4): (Sept. 1986)

Example of Pricing for Upstream Investments

Cost: \$180 for Complex Case Management by CHWs and Social Workers



= \$200

Value Expressed



Insurers

Initial Bid: \$110



Hospitals

Initial Bid: \$50



Non-Vendor
CBOs

Initial Bid: \$40

Sum of Bids (Collective Valuation) = \$110 + \$50 + 40 = \$200

But We only Need \$180 to Cover the Cost

so

We need 90% (180/200) of Total

We can allow 10% "Discount" to All Bidders

Note: **Fairness Constraints**
Satisfied!!

Prices Assigned



Insurers

Price Charged: \$99
(\$11 less than Bid)



Hospitals

Price Charged: \$45
(\$5 less than bid)



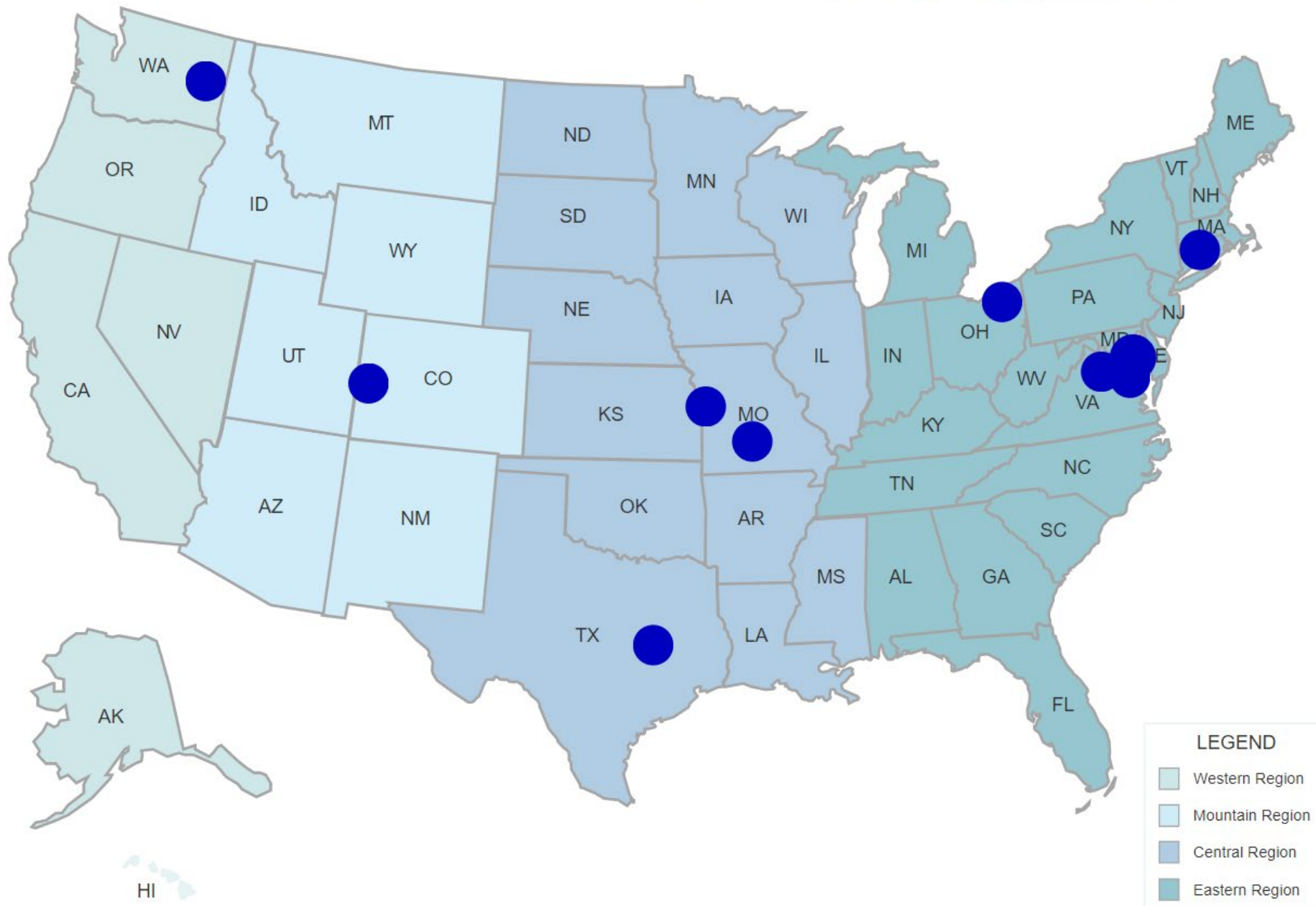
Non-Vendor
CBOs

Price Charged: \$36
(\$4 less than bid)

= \$180

Total Collected = \$180 = Cost of Intervention = \$180, but *VALUE delivered = \$200*

Communities Participating in CAPGI 2020



CAPGI Locations and SDOH Foci

- Spokane, WA-----• Permanent Supportive Housing (PSH)
- Grand Junction, CO-----• Case Mgt. for SI seniors in Section 8 housing
- Waco, TX-----• Behavioral Crisis Response System
- Anne Arundel County, MD-----• Behavioral Crisis Response System
- Kansas City, KS/MO-----• Upstream for high-risk of re-admission
- Springfield, MO-----• Family Connect
- **Cleveland, OH-----**• **Medically Tailored Meals**
- DC-----• Navigation redesign to improve BRCA outcomes
- Hartford, CT-----• Improving parents' ability to manage asthmatic children
- Eastern Virginia-----• Reduce readmissions

CAPGI Locations and Trusted Brokers

- Spokane, WA----- • Better Health Together
- Grand Junction, CO----- • Quality Health Network
- Waco, TX----- • Prosper Waco
- Anne Arundel County, MD----- • Partnership for Youth, Children, and Families
- Kansas City, KS/MO----- • Managed Services Network
- Springfield, MO----- • Local philanthropy or Health Department
- **Cleveland, OH----- • United Way of Greater Cleveland**
- DC----- • Consortium of organizations
- Hartford, CT----- • United Way of North Hartford
- Eastern Virginia----- • Virginia Center for Health Innovation

Challenges So Far

- COVID-19
- Health care sector generally wary of being only investor
- Probably need Medicaid “permission”
- Novel interventions have less credible evidence of impact

QUESTIONS?

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<https://capgi.urban.org>