How Can Businesses Serve as Health Anchors in their Communities?

Research Offers New Insights
Overview

Over the past several years, the Robert Wood Johnson Foundation (RWJF) has worked to build the evidence base for how for-profit businesses can drive a Culture of Health and well-being in communities where their employees and customers live, work, and play. Traditionally, the term “anchor institution” has been used to describe universities, nonprofit hospitals, and foundations who are tied to the community by way of mission, capital investments, or customer base and have made investments to improve community conditions. Businesses often have deep community ties too, but less is known about the extent to which they employ anchor approaches to advance community health and equity. A portfolio of RWJF investments, including a research program managed by AcademyHealth, examined how businesses might fill an “anchor institution” role.

Research Approach:

- Researchers explored how businesses with deep community ties might adopt anchor approaches akin to universities and non-profit hospitals who have made significant financial investments in the health and well-being of neighborhoods where they reside.
- Researchers sought multiple perspectives—from the viewpoints of oil and gas companies to those of for-profit hospitals, and from companies based in lower-income, urban communities to companies rooted in rural manufacturing towns.
- They examined what motivates businesses to invest in community health, the ways in which businesses can invest, and the types of support that are needed to further develop business leaders as key partners in efforts to generate community health and well-being.

Key Takeaways:

- Community health investments generate returns for business, including improvements to human capital, real estate values, and customer acquisition and loyalty.
- Businesses can take several approaches to community health investment—from financing, land donation, and sharing of technical expertise, to workforce development, diversity, equity, inclusion and justice initiatives, and policies that promote public health.
- Philanthropy, government, community economic development, and research institutions have an important role to play in catalyzing business investments in community health.

This document summarizes key findings across this research published in 2021 and 2022. Research grantees included the American Heart Association, Initiative for a Competitive Inner City (ICIC), Mass Economics & RW Ventures, LLC, Northwestern University, Ohio State University, and RAND Corporation.
Businesses that could serve as community health anchors—how many exist?

What comprises community health beyond access to healthcare in clinics and hospitals? Affordable housing, parks and green space, healthy food retail, and quality child care, education, and jobs are part of the equation, too. To better understand the landscape for business investments in community health, researchers first sought to quantify the number of U.S. businesses that could serve in an “anchor institution” role. They conceptually defined such businesses as local fixtures with long-standing operations and sizable employment and revenue who have the capacity to invest in local community development.

One study, which used relative employment and revenue and major real-estate holdings as parameters to identify candidates, found approximately 4,500 potential businesses in the United States who fit this definition. An estimated 30 percent of U.S. counties have at least one business of this nature, ranging from 1 to 47—with four being the average. The highest concentrations of these businesses are located in the Midwestern and Western states. They are present not only in large cities, but in smaller cities, too. An estimated 23 percent of smaller cities (pop. 10,000 to 50,000) have a large business that is deeply anchored in the community. An estimated 25 to 30 percent of these businesses are community hospitals. Other major employment sectors represented include manufacturing, food processing, retail, financial services, and utilities.

Another study, which used more expansive parameters to identify candidates, included all businesses with a corporate headquarters or a workforce of at least 500 employees. They found 13,000 businesses located in lower-income neighborhoods, in cities with populations under 500,000, who could potentially serve in an “anchor institution” role.

Understanding the diversity and vast geographic distribution of these businesses offers a glimpse at their potential to catalyze improved community health across the nation.
Motivations for businesses to invest in community health

What might encourage businesses to make investments in community health? Studies confirmed that businesses have a general interest in the economic success of their region, which can serve as one motivating factor. Other factors which have proven to be effective “motivational sticks” for business investments in community health include a desire to avoid public scrutiny and the need to satisfy government regulatory requirements. Government regulation has been a useful tool for stimulating community investments in low-income areas, on the part of banking institutions, who are subject to the Community Reinvestment Act. Under this rule, banks receive “credit” for qualifying housing, small business, and nonprofit loans. In turn, a bank’s CRA credit rating determines its eligibility to acquire, merge, or open branches. Research findings from one study suggest that government regulation could also be a useful tool for stimulating community health investments by for-profit hospitals. These hospitals, which comprise about 25 percent of the total U.S. hospital market, have the capacity to perform Community Health Needs Assessments (CHNAs) and develop community health improvement plans similar to those required by nonprofit hospitals as a condition of their tax-exempt status under the Affordable Care Act.

Researchers discovered that businesses with executive leadership who viewed “community well-being” as a company value, as part of their company culture, or intrinsic to their company’s success, were more likely to invest. While a “moral imperative” to improve community health resonated with some business leaders, studies indicate that such investments are often commercially motivated, instead. Researchers interviewed business leaders whose companies had made recent investments in the health or well-being of their local community. When asked about their motivations for these investments, executives pointed to several key returns ultimately benefiting the company bottom line. Across the studies, these returns included increased brand recognition and market penetration, increased good will with the public, greater success with employee recruitment and retention, improved employee morale, an improved future local hiring pool, and increased or maintained valuation of place-based assets.
Human capital
For companies with long-standing community ties, investments in workforce development, education, and child and youth initiatives were seen as opportunities to improve the future hiring pool. According to researchers, executives viewed these types of community health investments as “easy business cases,” especially when needing to justify their decisions to board members and shareholders. Consequently, education and workforce development emerged as the top category across all types of community health investments when researchers examined where businesses were most likely to invest.

Business leaders who were interviewed pointed to measurable improvements in employee recruitment, employee retention, and employee morale as a result of their community health investments. In many cases, their employees “felt proud” to work for a business that prioritized community health and well-being. In one study, a for-profit hospital leader drew a connection between anchor approaches and an incentive in their employee benefits package. For every 10 hours of volunteer service provided to a community organization by the employee, the hospital makes a $200 donation to the charity of their choice—up to 50 hours. This unique incentive has helped to attract and retain talent.

Other companies noted that their investments in health-promoting infrastructure, such as affordable housing, healthcare clinics, community facilities, and bike-sharing programs, have made communities more attractive places to live—both for current employees and new recruits.

Real estate
In some cases, companies’ place-based investments have also served to bolster the value of their real estate assets, which can be influenced by local market conditions. This outcome may be particularly true for businesses located in communities where property devaluation and population outflows are of real concern.

Customer acquisition & loyalty
Among executives who did not offer philanthropic or human capital reasons for their community health investments, increased brand recognition and the opportunity to penetrate new markets were powerful motivators. In addition, community members’ feelings of goodwill—generated by community health investments—were viewed as a form of currency that could be used when trying to garner support for public policies or regulatory reforms that would benefit the company financially.
Beyond charitable donations: Six ways to invest in community health

Stakeholders who are not deeply rooted in community economic development or public health often think of charitable donations as the primary way in which businesses can invest in community health. However, there are other opportunities for businesses to bolster the health of their communities that go beyond charitable giving. A sorting of key findings across research studies in the portfolio revealed six strategies: 1) funding and financing; 2) building and land donation; 3) technical assistance; 4) education and workforce training; 5) diversity, equity, inclusion, and justice initiatives; and 6) policies that support public health.

Businesses can address health equity by making place-based investments and taking steps to close the racial wealth gap.
**Funding & financing**

Businesses can address the social determinants of health by making qualified investments toward the construction of affordable workforce housing and community facilities. Such facilities might include grocery stores, healthcare clinics, drug recovery centers, community centers, daycare centers, and supportive housing facilities, such as those which house seniors or veterans transitioning from homelessness. These qualified investments often fulfill the debt or equity requirements in a project’s capital stack or might be used to meet a government program’s matching requirement. Existing investment vehicles include loan funds and tax credit programs, such as the Low-Income Housing Tax Credit (LIHTC) or New Markets Tax Credit (NMTC).

**Building & land donation**

Another way in which businesses can help to lower the cost of construction is to donate the building or land that is needed for a given project. In some cases, businesses might be able to dispose of real-estate properties that they no longer have a need for, such as retired manufacturing plants, corporate campuses, or other office space.

**Technical assistance & expertise**

Large companies can also support community health improvement by donating technical assistance and expertise to nonprofits or micro-enterprises in the community, which in turn provide valuable jobs and services. Such technical assistance might include help with business plan development, marketing, data systems, or funding applications.

**Workforce development & job training**

Another way in which businesses can improve community health is by creating economic opportunity through workforce development and job training programs. Actions could include the development of internal career pathways, the establishment of targeted internship or mentorship programs, active participation in state Workforce Development Boards, or direct funding of career readiness programs. As one business leader noted, preparing workers for the jobs of the future is one issue that cannot be solved without the involvement of corporate leadership.

**Diversity, equity, inclusion & justice initiatives**

As economic drivers, businesses are well-positioned to help close the racial wealth gap by establishing practices that effectively increase racial diversity among their suppliers, contractors, and staff hires. Research indicates that some businesses have started to move toward a new model of Corporate Social Responsibility (CSR) that views racial economic inclusion as a best business practice. Such efforts not only help to fulfill a company’s Diversity, Equity, Inclusion, and Justice (DEIJ) goals, but can also serve to strengthen a region’s economic competitiveness.

**Policies that support public health**

Lastly, research shows that businesses can play a key role in community health improvement by supporting state and federal public health policy goals. One study looked at the effects of business closures on COVID-19 case counts early on in the pandemic. Researchers found that the closure of businesses was linked with a significant decrease in the rising incidence of positive COVID-19 cases after a 40-day closure. A reduction in cases was observed with short-term and partial closures, too, thus indicating that even a moderate decrease in employee gathering activity—if done quickly—can slow the spread of contagious disease. Subsequently, researchers found that U.S. counties with at least one business serving in an anchor role had higher vaccination rates, even after accounting for political and racial differences. This finding reinforces the notion that businesses have the capacity to positively affect vaccination rates, too.
Creating the infrastructure needed to catalyze new investments

How many large for-profit companies with deep community ties have made ongoing investments aimed at community health improvement? According to one study, fewer than half. A detailed scan of 108 businesses across the United States found that 48 percent had made an annual contribution of $50,000 or more toward a community development or health initiative. Researchers uncovered several common barriers to making investments in community health. Business leaders cited difficulty with forging new partnerships; a desire to stick with current charities; a lack of expertise in community health-related topics; company policies that prohibit a focus on politically charged topics—including health; resource constraints; and a lack of investible projects. Businesses also mentioned the lack of widely accepted metrics that could be used to demonstrate a return on community health investments for their shareholders.

Greater organizational involvement on the part of philanthropy, government, community economic development, and research institutions is needed to make corporate-community partnerships successful and to overcome the aforementioned barriers listed above. Each sector has a foundational role to play in building the infrastructure needed to catalyze new business investments in community health. Key components of this infrastructure include relationship building; education and advising; supporting policies and programs that create financial incentives for businesses to invest in health; and developing standardized measures of impact.

Our Actions Can Catalyze Business Investments in Community Health

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<td>Community Developers</td>
<td>Develop standardized impact measures</td>
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Grounded in the research, below are specific actions identified across the studies that key stakeholders can take to further develop businesses as valuable community health partners and increase their adoption of anchor approaches.

**Build relationships with businesses**
- Invite business leaders to serve on the boards of community nonprofits, hospitals, and foundations.
- Establish a local business coalition with community health improvement aims.
- Include business leaders in pre-development stage planning.

**Educate and advise businesses**
- Convene regular briefings for business leaders on community health issues and community health investment opportunities.
- Establish a peer-learning network of community engaged corporate leaders.
- Offer advisory services to help establish corporate foundations with community health improvement as a key focus area.

**Support policies and programs that create financial incentives for businesses**
- Provide matching funds for corporations who invest in community health improvement initiatives.
- Advocate for policies and programs that support business investments in community health, such as tax credit programs and regulatory reforms.

**Develop standardized impact measures that businesses can use**
- Convene a roundtable focused on ROI measures related to community health improvement.
- Assist business leaders in the development of an evaluation framework and Key Performance Indicators (KPIs) for community health investments.

As companies grapple with rising costs and workforce shortages, we must remember that health and economic well-being are inextricably linked. Private sector investment in community health is urgently needed, and the time to act is now.
References


About the author

Ela Rausch, Ph.D., (ela.rausch@ottorausch.com) provides consultation to nonprofit, for-profit, and government organizations on the design and implementation of research studies, evaluation and measurement practices, and strategic initiatives. She is a strong supporter of efforts to improve community health through cross-sector knowledge and collaboration. She has served as a key advisor on several projects where community economic development and health intersect, including research for the Robert Wood Johnson Foundation's 2013 Commission to Build a Healthier America. Prior to consulting, she led the Federal Reserve Bank of Minneapolis’s healthy communities initiatives for a decade.

For more information about the research, visit the Understanding and Supporting Anchor Businesses to Build a Culture of Health program page at AcademyHealth online.
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