The Story of Ourlandia
And How It Explored a Tax Credit to Keep Its People from Suffering

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NASEM Roundtable on Population Health | December 7, 2017
1. Tax credits are used extensively, but not for population health

2. A basket of population health interventions offers impressive opportunities to improve health and lower cost—but there is no functioning “market” for them

3. Tax credits offer one way of developing this market further

4. Some tax credits are effective; others are not—design is paramount

5. There’s an opportunity to redeploy funds to give taxpayers a bigger bang for their buck
The Problem:
Our People are Suffering
Too many of our babies are born underweight; too many are dying.
Too many of our children are being poisoned by lead

The thousands of U.S. locales where lead poisoning is worse than in Flint

By M.B. Pell and Joshua Schneyer | Filed Dec. 19, 2016, 2 p.m. GMT

A Reuters examination of lead testing results across the country found almost 3,000 areas with poisoning rates far higher than in the tainted Michigan city. Yet many of these lead hotspots are receiving little attention or funding.
Opioids are ravaging our communities

National Overdose Deaths
Number of Deaths Involving Opioid Drugs

Source: National Center for Health Statistics, CDC Wonder
But effective non-clinical solutions exist

An evidence-based prenatal care intervention for teens, for a $513 per person cost:
- Saves taxpayers $644
- Saves participants $255
- Reduces infant mortality
- In a one-year time frame

Research shows that every dollar of lead poisoning prevention very conservatively returns $18, including:
- $1 saved in health care costs
- Earnings up by $15
- Tax revenue up by $2.50
- 30 cents saved in special education costs
- 175,000 fewer crimes, with 20 cents saved

There’s an evidence-based opioid use intervention that for a $356 per person cost:
- Saves $840 in health care costs
- Increases labor earnings and income taxes by over $1,800
- Increases life span
- In a two-year time frame
So why aren’t we investing more in these solutions?

• We don’t care (*no, we care*)
• We weren’t aware of the effectiveness of interventions (*we are now!*)
• The benefits are spread across many beneficiaries, so no single beneficiary wants to pay
• The payback period is too long
• Insufficient funding—mostly grants
Could tax credits be used to fund population health interventions such as these?
Aren’t Tax Breaks Just Boondoggles?

“There’s some yogurt in the break room fridge that’s going green. I think we can get a tax credit for that!”

Senior Tax Breaks – Pay $0 Income Tax on $100,000 Income
You Earned It. You Keep It!

MEDICAL TAX BREAKS: AN UNTAPPED ADVANTAGE

The cost of care is climbing, and the health sector is a source of greater public attention than ever before. Get educated about your options regarding tax relief for medical expenses.

Tax Incentives for Oscar-Nominated Films (2015)

<table>
<thead>
<tr>
<th>Movie</th>
<th>Budget (millions)</th>
<th>Incentives</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Sniper</td>
<td>$60</td>
<td>CA: 20% of qualified expenditures</td>
<td>Morocco &amp; California</td>
</tr>
<tr>
<td>Birdman</td>
<td>$18</td>
<td>30% refundable tax credit on expenses</td>
<td>New York</td>
</tr>
<tr>
<td>Boyhood</td>
<td>$4</td>
<td>Incentives up to 22.5% of eligible spending</td>
<td>Texas</td>
</tr>
<tr>
<td>Grand Budapest Hotel</td>
<td>$26.9</td>
<td>Reimbursements up to 20% of production costs</td>
<td>Germany</td>
</tr>
<tr>
<td>Imitation Game</td>
<td>$14</td>
<td>Cash rebate up to 25% of qualifying expenditures</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Selma</td>
<td>$20</td>
<td>AL: 25% of expenditures, 35% of payroll, GA: 30% of expenditures</td>
<td>Alabama &amp; Georgia</td>
</tr>
<tr>
<td>Theory of Everything</td>
<td>$15</td>
<td>Cash rebate up to 25% of qualifying expenditures</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Whiplash</td>
<td>$3.3</td>
<td>20% of qualified expenditures</td>
<td>California</td>
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Sources: Budgets and locations via IMDB, Hollywood Reporter, and Frankfurter Rundschau. Incentive information from various government film offices.
What’s a Tax Credit?

One form of tax policy known as “tax expenditures”—a fancy word for **tax breaks**:

- Tax deductions—reduction of certain expenses from taxable income
- Tax exclusions—reduction of certain income from taxable income
- Tax credits—dollar for dollar reduction on tax liability
Tax expenditures are heavily used

At the federal level:
• More than 200 different types of tax breaks
• Claimed on 169 million returns
• More than $1.5 trillion in 2017

Exhibit 1. Revenues, Tax Expenditures, and Selected Components of Spending in 2017

Tax expenditures, projected to total more than $1.5 trillion in 2017, cause revenues to be lower than they would be otherwise and, like spending programs, contribute to the deficit.
State tax expenditures are similarly expansive.
Few tax credits for population health/social determinants of health interventions

- **Federal:**
  - Low income housing
  - Earned Income Tax Credit
- **Massachusetts:** Lead abatement
- **New Hampshire:** Opioid program coordination
- **Arizona:** Poverty
- **Colorado:** Early childhood education

*But, nothing that enables the funding of local portfolios for health and well-being*
How do tax credits work?

• Operate like a giant rebate program
• Subsidize private investment
• Increase ROI to private investors, thereby stimulating supply and/or demand
Opioid program example

Costs

$356 pp

Benefits

$379 taxpayers health care savings

$383 health insurer savings

$7,542 All other financial and social benefits

With a 50% tax credit

Costs

$178 pp

$379 taxpayers health care savings

$383 health insurer savings

$7,542 All other financial and social benefits

Source: WSIPP
Design is paramount: some tax credit programs achieve their objectives, others do not.

<table>
<thead>
<tr>
<th>Effective Federal</th>
<th>Not So Effective State</th>
</tr>
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</table>
| • Solar Investment Tax Credit  
  • LIHTC | Iowa’s charitable tax credit for community foundations |
| • Work Opportunity Tax Credit  
  • Cellulosic ethanol credit | Business incentives |
Key Design Questions

1. Is there a taxpayer?
2. Is there a market for population health?
3. How big should the subsidy be?
4. What are the distributional impacts?
5. What does it take to administer?
6. How do we know its achieving its aims?
**Opportunity:** redeploying investment funds of questionable returns

$45 billion annually state/local business incentives

“Incentives do not have a large correlation with a state’s current or past unemployment or income levels, or with future economic growth.”

2017 UpJohn Institute

“State enterprise zone programs have generally not been effective at creating jobs...it is hard to make the case that [they] have furthered distributional goals of reducing poverty in the zones...”

2015 Federal Reserve Bank of San Francisco
Key Conclusions

1. Tax credit programs are feasible
2. Pay careful attention to design
3. Opportunity to redeploy funds for greater impact
Tax Credit Prototypes
Healthier Workforce Tax Credit
The Healthier Workforce Tax Credit
A Tax Credit for Self-Insured Employers to Broaden their Investments in Health

1. Taxpayer: Self-insured employers
2. Market: $6 billion employee wellness programs
3. Size of tax incentive:
   • Dependent on ROI to employer
   • 50% tax credit
4. Distributional impacts: Limited to those who are employed and their families
5. Administration: Fairly simple

6. Accountability:
   • Employers choose from a portfolio of state-certified interventions with demonstrated ROI
   • Caps and sunsets
   • Reporting
Why could this idea work?

- An estimated 100 million Americans are covered by self-funded employer plans
- Business incentive for keeping health costs down—directly affects cash flow
- Increases ROI—tax credit reduces the cost of the intervention
Potential challenges

There is no perfect tax credit

• Employers likely prefer short-term investments

• Will not reach full population, just covered employees and their families

• Employers select the interventions, which may or may not align with community needs
What would success look like?

In a perfect world of perfect tax credits….

- Lower health care costs for employer and employee
- Reduced absenteeism and increased productivity
- Prevention of chronic disease
- Overall healthier workforce in a region and increased economic productivity
- Reduced social expenditures to the state and higher tax revenues
The People’s Choice
Health Investment Credit
The People's Choice Health Investment Credit
*A Tax Credit for Donations to Wellness Funds*

1. **Taxpayer:** Individuals and corporations
2. **Market:** $360 billion charitable donation
3. **Size of tax incentive:**
   - Charitable giving increases with tax breaks
   - Individuals: 50% increasing 3% over 5 years to max of 62%
   - Corporations: 40% increasing over 5 years to 52%
4. **Distributional impacts:** Donations may vary by wealth of community
5. **Administration:** Straightforward—through tax returns, but requires state certification
6. **Accountability:**
   - State certified interventions
   - Donations to Wellness Funds operated by certified Accountable Community for Health
   - Sunsets
   - Reporting
Potential challenges

• **Unequal distribution across state:** some regions may be more civically-minded than others

• **Reliant on other infrastructures:** ACHs, Wellness Funds, state government

• **Reliant on donor behavior** and ability to market the value of contributing to wellness funds to diverse taxpayers

• **Maintaining sustainability:** will a graduated tax credit work?
Why charitable tax credits? What would success look like?

Opportunity

• States are already operating similar, targeted programs
• Charitable giving is ROBUST + Growing
  • Puerto Rico
  • Millennials are set to inherit trillions in generational wealth

What success would look like:

• Achieve better health outcomes
• Reduce health care costs
• Solidify a sustainable backbone resource
• Equity: Local and INCLUSIVE control

Americans donated an estimated $358.38 billion to charity in 2014; the highest total in Giving USA’s report 60-year history
Key Conclusions

1. Tax credit program is feasible
2. Effectiveness is highly contingent on design
3. Population health offers opportunity for higher returns than current tax credit investments
4. Opportunities at state level
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<tr>
<th>Source of funds</th>
<th>Taxes</th>
<th>Tax Credits</th>
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<tr>
<td>$$ owed to government</td>
<td></td>
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<tr>
<td>Participation</td>
<td></td>
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<tr>
<td>Design</td>
<td></td>
<td></td>
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<tr>
<td>Who invests</td>
<td></td>
<td></td>
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<td>Revenue predictability</td>
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<td>Use of funds</td>
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<tr>
<td>Decision-making for use of funds</td>
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<tr>
<td>Amenable to portfolio</td>
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<tr>
<td>Potential scope of interventions</td>
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<tr>
<td>Review</td>
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