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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



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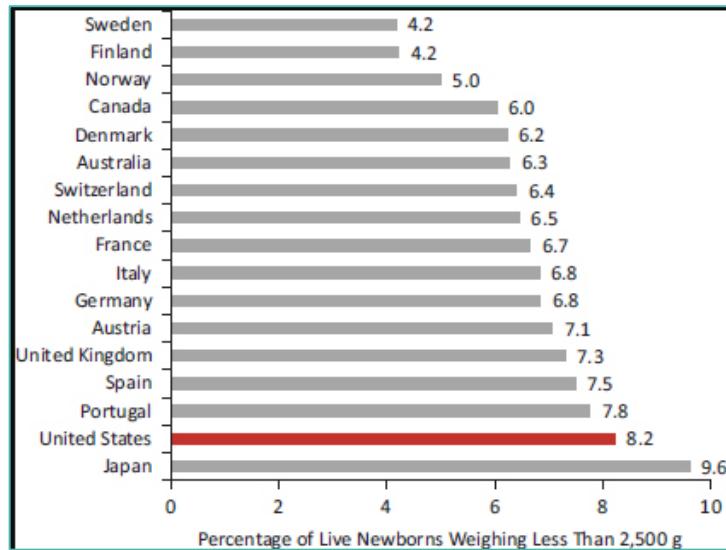
1. Tax credits are used extensively, but not for population health
2. A basket of population health interventions offers impressive opportunities to improve health and lower cost—but there is no functioning “market” for them
3. Tax credits offer one way of developing this market further
4. Some tax credits 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



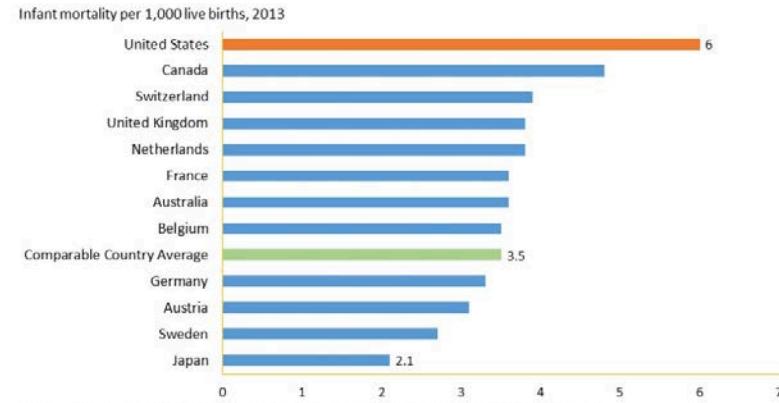
The Problem:

Our People are Suffering

Too many of our babies are born underweight; too many are dying



Infant mortality is higher in the U.S. than in comparable countries



Source: OECD (2013), "OECD Health Data: Health status: Health status indicators", OECD Health Statistics (database), doi: 10.1787/data-00349-en (Accessed on August 6, 2015). And National Vital Statistics System, National Center for Health Statistics, Centers for Disease Control and Prevention. Notes: Comparable countries are defined as those with above median GDP and above median GDP per capita in at least one of the past 10 years. In cases where 2013 data were unavailable, data from the last available year are shown. 2013 data for the U.S. are from the National Vital Statistics System.

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.

How lead affects childrens' health

Brain

Any exposure is linked to lowered IQ, ADHD, hearing loss, and damaged nerves. Acute exposures can cause convulsions, loss of body movement, coma, stupor, hyperirritability, & death.

Heart

Studies suggest that adults who endured lead poisoning as children had significantly higher risks of **high blood pressure** 50 years later.

Hormones

Lead disrupts levels of vitamin D, which can **impair cell growth, maturation, and tooth and bone development**.

Blood

Lead inhibits the body's ability to make hemoglobin, which can lead to anemia. This reduces oxygen flow to organs, causing **fatigue, lightheadedness, rapid heartbeat, dizziness, & shortness of breath**.

Stomach

Severe lead exposure can create intense **abdominal pain** and cramping.

Kidneys

Chronic exposures can cause chronic inflammation, which can lead to **kidney failure, bloody urine, fever, nausea, vomiting, drowsiness, coma, weight gain, confusion, rash, and urinary changes**.

Reproductive System

A moderate exposure can not only **lower sperm count** but

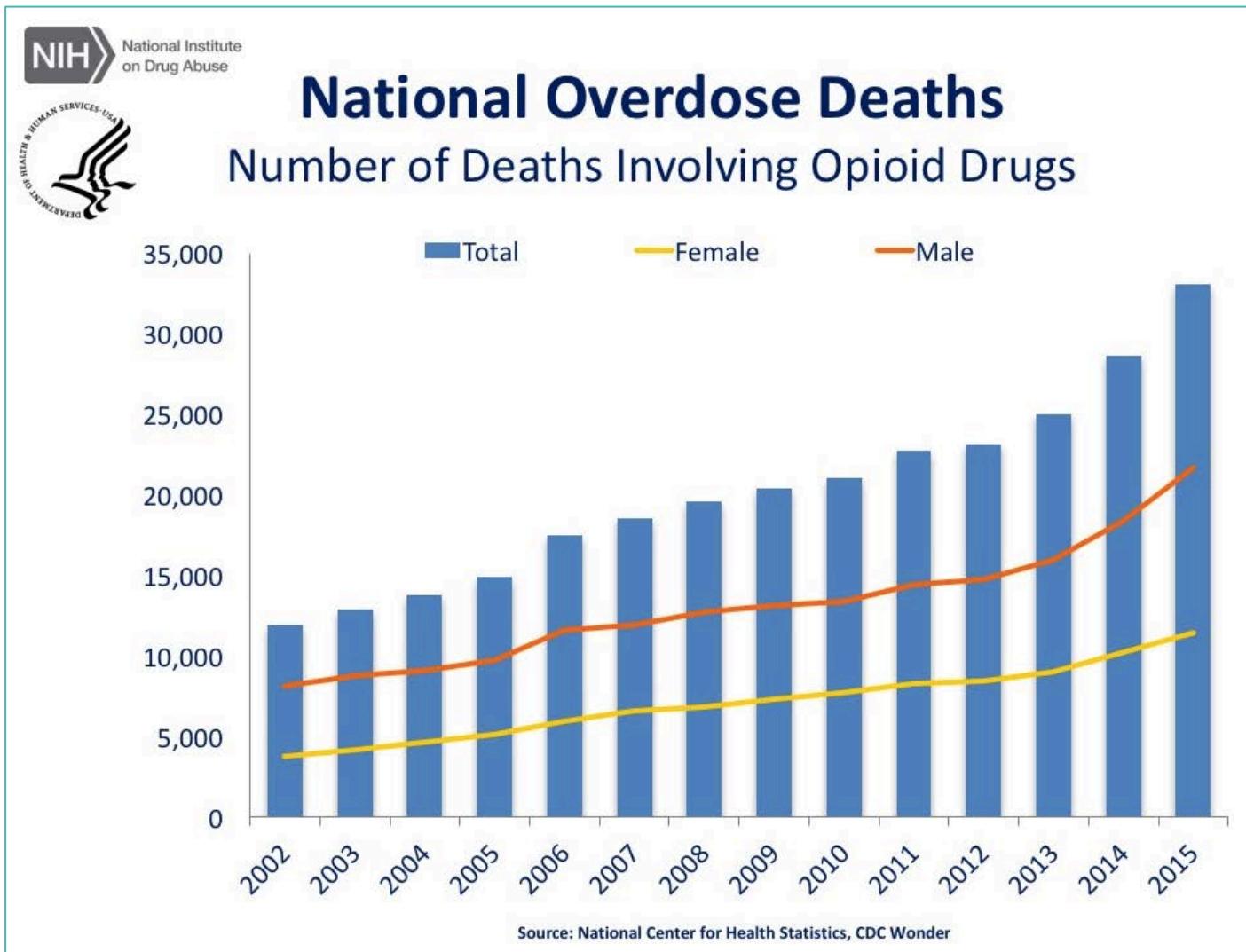
Bones

Lead may impair development and the health of bones, which can **slow growth in children**.

SOURCES: Centers for Disease Control; World Health Organization

TECH INSIDER

Opioids are ravaging our communities



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?

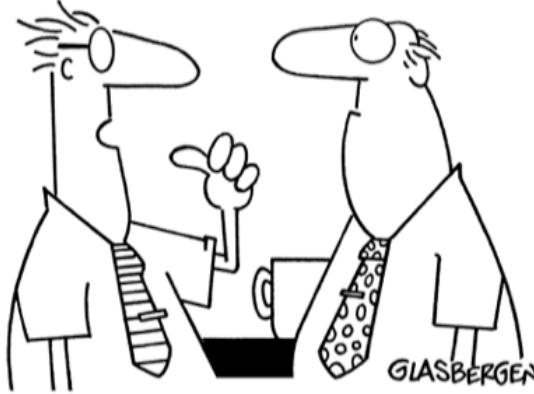
- We don't care (*no, we care*)
- We weren't aware of the effectiveness of interventions (*we are now!*)
- The benefits are spread across many beneficiaries, so no single beneficiary wants to pay
- The payback period is too long
- Insufficient funding—mostly grants

The Inquiry

**Could tax credits be used to fund
population health interventions such as these?**

Aren't Tax Breaks Just Boondoggles?

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www.glasbergen.com



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

J.K.LASSER'S®
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1001 DEDUCTIONS & TAX BREAKS 2017

Your Complete Guide to Everything Deductible

Save Money with Hundreds of Write-Offs, Legal Tax Breaks, Credits, and Loopholes

Deduct Everything!



TAX-REDUCING STRATEGIES INSIDE:

- * You and your family, home, and car
- * Your job or business including Airbnb, Uber, and more
- * Your investments and retirement savings
- * Medical and dental expenses and health savings accounts
- * Education costs and charitable giving
- * And hundreds of ways to increase your IRS refund

EVA ROSENBERG, EA
TAX COLUMNIST FOR MARKETWATCH.COM



"They Wrote Off What?"

\$628.6 billion

In Corporate Tax Loopholes

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)



Movie	Budget (millions)	Incentives	Location
American Sniper	\$60	CA: 20% of qualified expenditures	Morocco & California
Birdman	\$18	30% refundable tax credit on expenses	New York
Boyhood	\$4	Incentives up to 22.5% of eligible spending	Texas
Grand Budapest Hotel	\$26.9	Reimbursements up to 20% of production costs	Germany
Imitation Game	\$14	Cash rebate up to 25% of qualifying expenditures	United Kingdom
Selma	\$20	AL: 25% of expenditures, 35% of payroll GA: 30% of expenditures	Alabama & Georgia
Theory of Everything	\$15	Cash rebate up to 25% of qualifying expenditures	United Kingdom
Whiplash	\$3.3	20% of qualified expenditures	California

Sources: Budgets and locations via IMDB, Hollywood Reporter, and Frankfurter Rundschau. Incentive information from various government film offices.



The Tax Credit Landscape

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

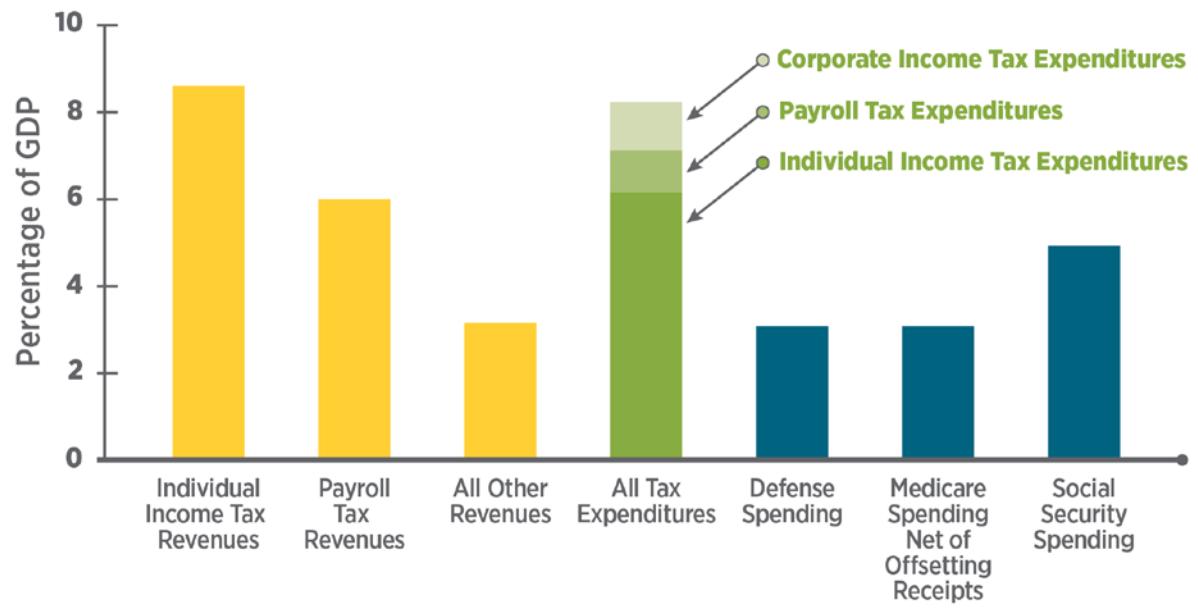
Tax expenditures are heavily used

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

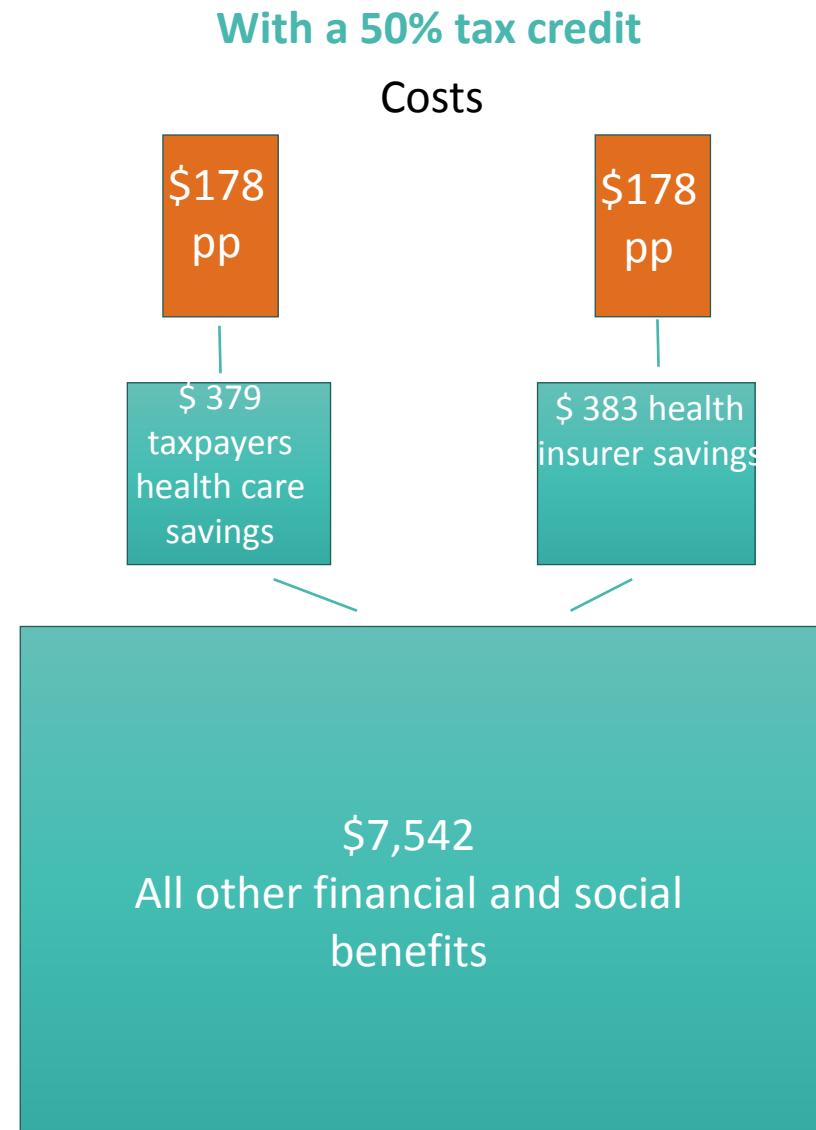
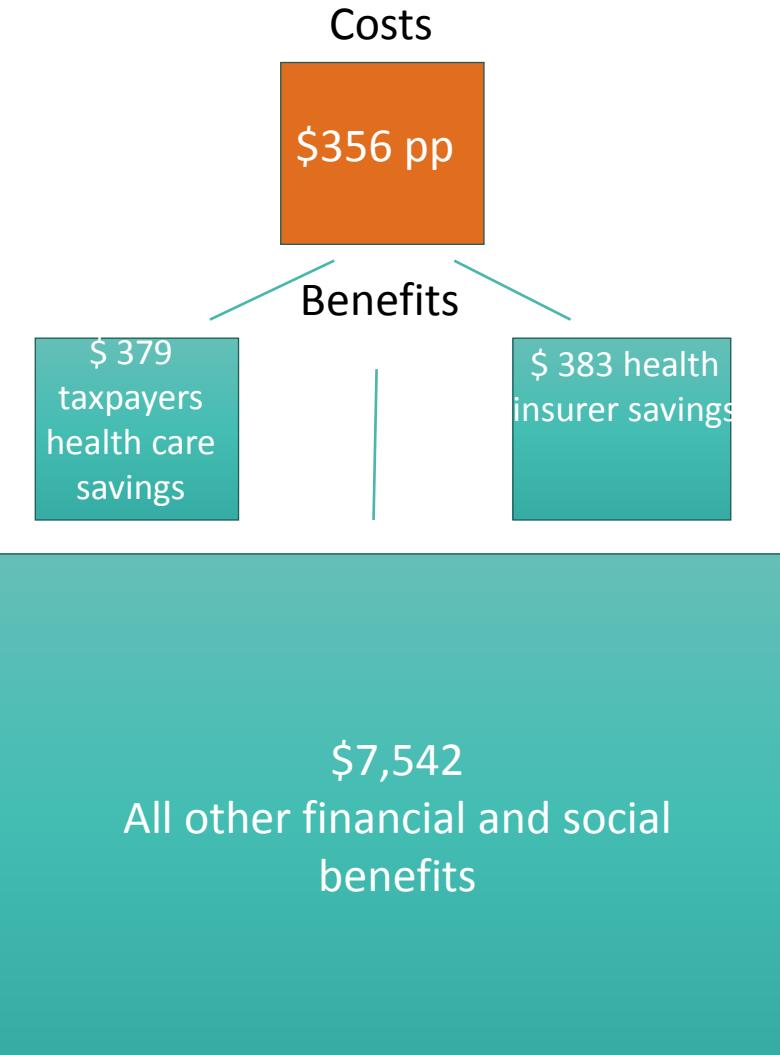
- **Federal:**
 - Low income housing
 - Earned Income Tax Credit
- **Massachusetts: Lead abatement**
- **New Hampshire: Opioid program coordination**
- **Arizona: Poverty**
- **Colorado: Early childhood education**

*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



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

	Federal	State
Effective	<ul style="list-style-type: none">• Solar Investment Tax Credit• LIHTC	Iowa's charitable tax credit for community foundations
Not So Effective	<ul style="list-style-type: none">• 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?

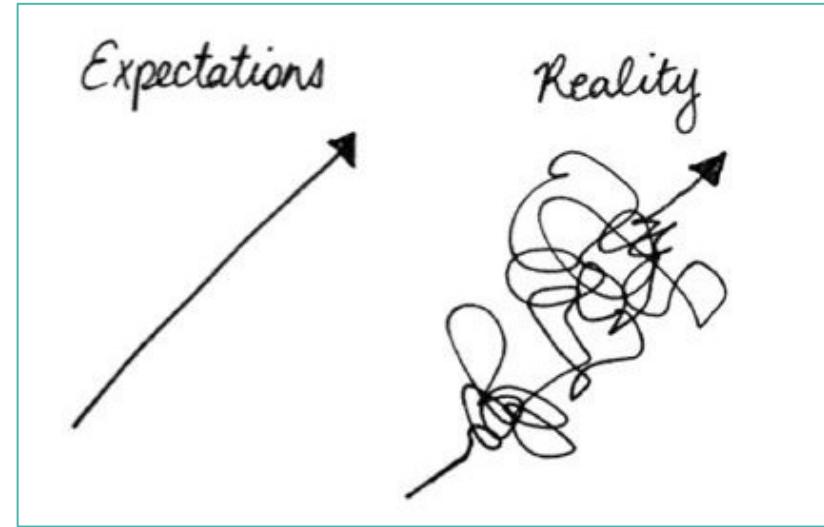
- An estimated 100 million Americans are covered by self-funded employer plans
- Business incentive for keeping health costs down—directly affects cash flow
- Increases ROI—tax credit reduces the cost of the intervention



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



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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



Americans donated an estimated **\$358.38 billion** to charity in 2014; the **highest total** in *Giving USA*'s report 60-year history

What success would look like:

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

The background features a white area with three overlapping circles: a grey circle on the top left, a teal circle to its right, and an orange circle at the bottom. A large, solid grey diagonal shape runs from the bottom-left corner towards the top-right corner.

Summary

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

	Taxes	Tax Credits
Source of funds		
\$\$ owed to government		
Participation		
Design		
Who invests		
Revenue predictability		
Use of funds		
Decision-making for use of funds		
Amenable to portfolio		
Potential scope of interventions		
Review		



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