

## SOCIAL DETERMINANTS AND OPPORTUNITY ZONES: HOW EXISTING HEALTH PROVIDER INVESTMENTS CAN HAVE ENHANCED IMPACT THROUGH THE OPPORTUNITY ZONE PROGRAM

In recent years, many health care providers have dedicated substantial resources to community health or initiatives targeted at improving social determinants of health. As outlined in a recent Hall Render [article](#), the Tax Cuts and Jobs Act of 2017 gives health care providers a mechanism for furthering such goals while realizing significant tax savings by making investments in certain economically distressed communities known as qualified opportunity zones (“Opportunity Zones”). For organizations already committed to improving social determinants of health and enhancing community benefits, the Opportunity Zone program can provide even greater leverage to achieve such goals. This article highlights specific examples of how health care providers have committed to improving community health and how the Opportunity Zone program could help them further serve that purpose.

### (1) Academic Medical Center Located on the East Coast

**Project:** An academic medical center collaborated with a for-profit pharmacy operator to open a new pharmacy and wellness store close to a hospital campus offering a variety of health services, as well as other daily living products and healthy food options. The store also provides health care resources through its health care clinic, staffed by nurse practitioners.

**Goal:** Collaborate in bringing new health and wellness programs and other health care services to the surrounding community.

**Targeted Area:** Hospital campus in Baltimore, Maryland and the surrounding community

**Opportunity Zone Enhancement:** The for-profit pharmacy operator could defer and reduce capital gains by investing in the Opportunity Zone, while the academic medical center can attract additional capital and development partners who are able to take advantage of tax savings offered by the Opportunity Zone program.

### (2) Large Nonprofit Health Care System Located in the Midwest

**Project:** In 2018, a Midwest health system partnered with a community development financial institution to help mobilize loan and grant funding to revitalize underinvested communities in the greater Toledo area.

**Goal:** Support and address social determinants of health, including job training opportunities, employment skills, education and food security.

**Amount Invested:** \$45 million

**Targeted Area:** Opportunity Zone in the greater Toledo, Ohio area

**Opportunity Zone Enhancement:** By partnering with investors and asset managers with capital gains tax exposure who are looking for social impact investment opportunities, both the investors and the health system may be able to benefit from investment in Opportunity Zones.

### (3) Large Health Care Organization with National Footprint

**Project:** A nonprofit integrated health system created an investment fund committed up to \$200 million to target housing stability, homelessness and other community needs.

**Goal:** Prevent displacement or homelessness of low- to middle-income households in developing communities, help promote access to supportive housing and make homes more affordable, healthier and more environmentally sound.

**Amount Invested:** Up to \$200 million

**Targeted Areas:** California, Colorado, District of Columbia, Georgia, Hawaii, Maryland, Oregon, Washington and Virginia

**Opportunity Zone Enhancement:** Tax savings from Opportunity Zone investment presents opportunities to attract for-profit investment, such as financial investors and commercial developers, in improving quality housing in the community.

## KEY TAKEAWAYS

As highlighted by the examples above, many health care organizations are already pursuing initiatives that improve community health. Since Opportunity Zones are located in economically distressed areas, they offer hospitals and health care providers a significant opportunity to pursue their community health initiatives with an added benefit. Examples of possible Opportunity Zone projects might include a broad array of investments targeted at addressing lack of access to nutritious or affordable food (so-called “food deserts”), poor housing quality, unsafe housing, homelessness, joblessness, transportation challenges and other social woes that have been negatively correlated with population health.

Hospitals and other health care organizations should recognize that the Opportunity Zone program is another tool that can be used to invest in, or to attract outside investment in, social determinants of health. In addition, hospitals and other health providers would be viewed as creditworthy partners in the eyes of developers and financial institutions, as these organizations often serve as anchor institutions in their communities.

As a reminder, in order to take full advantage of the available tax benefits the Opportunity Zone program provides, health care providers must invest by December 31, 2019.

If you have any questions or would like assistance with leveraging the Opportunity Zone program, Hall Render can help. Please contact:

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