



WHITEPAPER:

ANCHOR INSTITUTION STRATEGIES FOR GOVERNMENT

Overview

Hospitals and higher education institutions (“Eds and Meds”) have become a few of the largest industries in the United States and have tremendous impact on the economies of their communities. There are approximately 5,000 not-for-profit, for-profit, and state and local government hospitals nationwide (“Community Hospitals”). Community Hospitals are the second largest source of U.S. private-sector jobs and represent approximately 18% of the U.S. gross domestic product in 2011.¹ Community Hospitals employ more than 5.4 million people and spend in excess of \$675 billion annually.² Similarly, postsecondary institutions employ nearly four million people, spend over \$350 billion in goods and services, and have endowment investments of more than \$400 billion.³

Impact

Eds and Meds have an enormous impact on their local economy. They have increasingly become economic engines for the cities and suburbs they are located in through their roles as real estate developers, employers, workforce developers, purchasers, new business incubators, and business advisors and network builders.⁴ The existence of these anchor institutions in a rural or urban area increases the appeal of their neighborhood for residents and businesses, which affects the overall economic condition of the community. In most instances, minor changes in institutional policies would yield substantial benefits to the institutions and their communities.⁵

Over the past decade, Eds and Meds have increasingly recognized that the problems existing in their local neighborhoods such as crime, violence, physical deterioration and other socioeconomic and environmental factors can have a detrimental effect on a community’s economic growth. Given that many of the country’s anchor institutions are located in struggling or distressed communities, there has been a trend for many of them to expand their focus beyond just education

¹ David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, 11.

² David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, 11, Executive Summary.

³ David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, Executive Summary.

⁴ *Anchor Institutions and their Role in Metropolitan Change*, White Paper on Penn IUR Initiatives on Anchor Institutions, Penn Institute for Urban Research, 1; *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, 3

⁵ *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*, Joint Study by Initiative for Competitive Inner City and CEOs for Cities, Executive Summary.

and service missions to include place-based community revitalization strategies to address the causes of economic distress and to promote the long-term well-being of their neighborhoods. These institutions are acknowledging their increasing economic effect and connection to their communities and are strategically positioning themselves to produce targeted community benefits by effectively leveraging their resources.⁶

Anchor

These Eds and Meds are often referred to as anchor institutions because they are deeply-rooted in their communities. They have large stakes in their neighborhoods because they hold significant investments in real estate and social capital, thereby making it difficult for them to relocate.⁷ Because many of the country's Eds and Meds are located in or near distressed areas, they tend to have an economic self-interest in ensuring that their local communities are safe and economically thriving.

Although there has been increased recognition of the economic impact Eds and Meds can have, only a small percentage of them have implemented anchor strategies to improve their neighborhoods; most continue to be an unused resource for local job creation and economic development.⁸ Therefore, it is important for these anchor institutions to integrate an anchor institution mission into their practice and policies and commit themselves to consciously apply their place-based economic power. The institution should involve all resources – human, cultural, academic, service, economic in combination with its community in mutually beneficial partnerships, to improve the long-term welfare of the neighborhoods in which they reside. Effectively done, this strategy can create a powerful win-win result for both the institution and its community.

Can advance core academic and service missions: shared value

Through significant engagement with their communities, Eds and Meds can advance their core academic and service missions while improving the conditions in their cities and local communities. In order for anchors to effectively create and implement anchor strategies to enhance their local economies, they must cooperate with their communities to create shared value or benefit for both their communities and themselves. The founder of the Initiative for the Competitive Inner City (ICIC) and Harvard Business School Professor Michael Porter defines shared value as “*policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it*

⁶ David Zuckerman, *Hospitals Building Healthier Communities: Embracing the Anchor Mission*, the Democracy Collaborative at the University of Maryland, March 2013, 11.

⁷ *Anchor Institutions and Urban Economic Development: From Community Benefit to Shared Value*, Inner City Insights, 1.2, June 2011, 2.

⁸ Steve Dubb and Ted Howard, *Leveraging Anchor Institutions for Local Job Creation and Wealth Building*, Job Creation: Entrepreneurship Approach, The Democracy Collaborative at the University of Maryland, 3.

operates...Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success.”

The concept of shared value recognizes that educational institutions and their communities are inextricably bound together. As Porter writes, “*A business needs a successful community, not only to create demand for its products but also to provide critical public assets and a supportive environment. A community needs successful businesses to provide jobs and wealth creation opportunities for its citizens.*” Educational institutions can create shared value by embracing their inter-dependencies with their communities and tactically incorporating community impact in their business strategy. This can produce measurable benefits, such as increased demand for their products and services, higher rates of hiring and retention and a greater ability to leverage private development funds.

Anchors must work through partnerships with local communities, agencies and state and local government, and regional consortia

Eds and Meds should not work in isolation, but through partnerships with local communities, agencies and state and local government, and regional groups. Successful approaches to community revitalization require interaction among federal, state and local government and among agencies at each level of government. Government and public policy can and should play a catalytic role in engaging anchor institutions in democratic partnerships with their communities, cities and regions by:

- (a) **incentivizing** the role of anchor institutions as catalysts and facilitators in building partnerships to address social and economic development problems in communities, cities, towns and villages;
- (b) stimulating **interagency cooperation across government** and link interagency cooperation to funding streams connected to local social and economic development initiatives; and
- (c) enabling government to assume fiscal responsibility for **providing stable and adequate funding for programs** and activities designed to transform distressed neighborhoods into successful communities and stronger local economies.

IRS

The IRS should evaluate and publish collected data for Schedule H, along with best practice examples and collaborate with other federal agencies, such as the Department of Health and Human Services, and the Centers for Disease Control and Prevention to seize other evidence-based practices in the community health and benefit sector. The IRS made changes to Schedule H in early 2012, allowing hospitals to count qualifying community building activities as a component

of their community benefit requirements. If the IRS takes a more active role in encouraging hospitals to engage in anchor institution strategies, that could help them meet their communities benefit requirements while enabling them to also have a significant community impact.

The Department of Health and Human Services

The Department of Health and Human Services should create an award to recognize leading hospitals and hospital-community partnerships that address important social determinants in the community.

Reporting requirements

State governments should require mandatory community benefit reporting requirements that at a minimum align with federal requirements. This will allow hospitals to more strategically focus on the goals and project of their community benefit program and also create greater consistency and transparency regarding the benefits that are provided to local communities.

HUD

A national task force argued that HUD as the agency responsible for urban and placed-based development should take the lead in promoting affordable housing through intra-HUD collaboration with Eds and Meds and promoting community and economic development through intergovernmental collaboration by significantly expanding its current efforts through community outreach partnership centers, institutional capacity-building grants, early career research grants, urban university grants, housing and development assistance, economic and community development programs and regional collaborations. (Penn, 151-152).

Create liaison office

Because local government have limited ability to legally compel Eds and Meds to act as better community leaders, local governments should collaborate with these institutions in establishing a liaison office to identify possible partnerships and coordinate efforts with local economic development.

Integrate leadership and resources

Municipality and community group leaders should integrate academic and hospital leadership and resources in economic development strategies and processes of their cities.

Be proactive in identifying further partnerships and opportunities

Convene college and university and hospital presidents and business leaders regularly to identify and further economic development partnerships and opportunities to deploy their assets and resources for community development while achieving the community's own goals.⁹

Work with colleges and universities to explore innovative SILOT agreements in conjunction with new economic development. Further, community groups can seek funding on projects that leverage university and hospital real estate development efforts.¹⁰

⁹ *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 10.

¹⁰ *Leveraging Colleges and Universities for Urban Economic Revitalization: An Action Agenda*. Joint Study by Initiative for Competitive Inner City and CEOs for Cities: 26.