VIEWS FROM THE FIELD
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GRANTMAKERS IN HEALTH

How Much Do Healthy Communities Cost?

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For most Americans, health and medical costs are pocket book issues, and poor health can be a budget breaker. Improving population health and controlling medical costs matter greatly to the nation's future for the same reason. How do we ensure that Americans are healthy and save on the cost of care at the same time? The answer forces a focus on the social determinants of health, and we quickly understand that health happens in neighborhoods. This means that the community development sector's work at the intersection of people and place offers many promising solutions. But, we must ask ourselves what achieving impact at scale would look like and what it would take to get there.

At a 2014 Institute of Medicine (IOM) roundtable on resources for population health improvement, I was asked for an on-the-spot dollar estimate to provide full coverage for critical community development supports to help vulnerable children and families achieve better health and economic mobility. I quickly narrowed it to two vital areas of upstream investment: decent, affordable housing and high-quality education, particularly early learning and child development programs. My organization, the Low Income Investment Fund, has invested hundreds of millions of dollars in these areas, leveraging private capital at a four-to-one ratio. For many years, research has linked both to a range of positive social outcomes—including improved health—and each is a critical platform for addressing health disparities.

On stage at the IOM, I did some quick math in my mind and leapt forward with an answer: "About $100 billion per year!" Let us see how that hot-seat guesstimate stands up to the cold light of day (and some serious analysis). The short answer is as follows. To serve 100 percent of poor families and kids in these two critical areas, the price tag is around $90 billion per year. That level of investment would pay rich dividends in better long-term health for our citizens.

Type of Support	Annual Cost
Housing Subsidy	$56.7 billion
Early Childhood Education	$33.5 billion
Total	**$90.2 billion**

Here is how I developed this estimate:

- **Affordable Housing:** There are several ways to make rental housing affordable to poor families, but the most common and possibly cheapest way to do so is with rental assistance—such as with the federal Housing Choice Voucher (HCV) program, formerly known as Section 8.[1] Under the HCV program, the government fills the cost gap between the rent that is affordable to a family and what a landlord charges for a unit on the open market. Meeting the need for affordable housing among the poor population could thus be quantified as what it would cost to provide rental assistance to all poor households who are "rent-burdened," meaning they pay more than 30 percent of their incomes on rent. Only around one in four families who currently qualify for rental assistance gets it, and often only after years of being on a waiting list.

  The Bipartisan Housing Commission, part of the Bipartisan Policy Center, recently completed this analysis in support of its recommendation that the HCV program be "fully funded" for very low-income households making at or below 30 percent of area median income—a reasonable proxy for the poverty population.[2] The cost to provide rental assistance to the approximately 6.3 million cost-burdened, poor renters in 2013 would have been $56.7 billion for the year, although the actual cost would likely have been much lower because participation would not be 100 percent (Bipartisan Policy Center et al. 2013).

- **Early Childhood Education:** Similar to rental subsidies for affordable housing, federal funding for early childhood education falls far short of meeting current need. As of 2013, only 4 percent of the eligible poor infants under age

[1] The other most common way is to provide subsidies for the construction of housing that is required to remain affordable to low-income households in exchange for government support. Today, the HCV program supports more families.

[2] For the full recommendations and report, visit http://bipartisanpolicy.org/sites/default/files/BPC_Housing%20Report_web_0.pdf.

three who qualified for Early Head Start were able to access it, and Head Start was only funded to serve 41 percent of eligible poor three- and four-year-olds (U.S. Census 2014). Accounting for my estimate of the number of poor children served by the federal Child Care and Development Block Grant program, the annual cost of expanding Early Head Start to cover all remaining poor children under age three would be $27.8 billion, and expanding Head Start to cover all remaining poor children ages three and four would be an additional $5.7 billion (HHS 2014; New America Foundation 2014).[3] These calculations are based on cost-per-slot data provided by the New America Foundation. And same as with rental assistance, participation would not be 100 percent, so accounting for actual participation rates would lower cost estimates.

CONCLUSION

While my original back-of-the-envelope estimate of $100 billion per year seemed large, a reasonable analysis bears it out at an order of magnitude of accuracy. And while these up-front costs are significant, a growing body of evidence suggests even greater short- and long-term cost savings to taxpayers from these upstream interventions. Estimates from random assignment experiments suggest an annual rate of return between 7 and 10 percent for early childhood education, and there is a wealth of research demonstrating the central role that affordable housing plays in children's educational performance, health, and long-term economic prospects (Chetty et al. 2015). Housing-based interventions can also pay shorter-term dividends for adults in areas such as diabetes and obesity (Ludwig et al. 2011).

Finally, it is worth noting that public-private partnerships could leverage that $100 billion per year in public subsidy into even larger investments. The community development capital delivery system, of which the Low Income Investment Fund is a part, is particularly adept at using risk-absorbing public and philanthropic dollars to attract much larger private investments from financial institutions, which enables powerful interventions at scale. The affordable housing system is a great example, where even a small government subsidy can set the stage for a much larger transaction comprised of investments from a variety of private sources. Foundations can play an even greater catalytic role for developing new models that have the potential for generating even larger social impact, where public agencies and traditional financial institutions are willing to participate but require additional partners to take on some of the risk of programmatic innovation. As such, $100 billion in new funding for rental assistance and child care would provide a significant boost to the future economic and social fabric of our country and would be a smart population health strategy.

[3] These calculations also do not account for Temporary Assistance for Needy Families dollars spent directly on child care, nor does it account for the range of state and local subsidies for child care serving poor children. Accounting for these additional funding streams is complicated, but doing so would lower any calculation of a funding gap to serve poor children four years old and younger.

About the Low Income Investment Fund

The Low Income Investment Fund is a nonprofit community development financial institution that provides innovative capital solutions that support healthy families and communities. As a financial intermediary, the Low Income Investment Fund helps bridge the gap between low-income neighborhoods and public and private capital sources, and serves as a steward for capital invested in housing, child care, education, and other community-building initiatives. For more information, visit www.liifund.org.

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