

## Evaluating Programs: Can We Measure the Value of Health Grantmaking?

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Partnering with policymakers and members of the business community is an effective way to increase the impact of health grantmaking by working cross-sectorally, and evaluating the effectiveness of these partnerships will help sustain interest in such collaborations. A useful type of evaluation in this regard, referred to as outcome or outcomes-based evaluation, focuses on the short- and long-term results of a program and its effect on a community. The results of outcome evaluations provide insight to community leaders into the value of health grantmaking. This essay considers the utility of a specific outcomes-based evaluation – economic quantification – as an evaluation tool for health grantmakers interested in partnering with policymakers and members of the business community on important health issues.

Business leaders and health policymakers are most comfortable considering a program's value when it can be translated into terms with which they have the greatest familiarity. Business vernacular considers returns on investments, economic value factors such as cost/benefit analyses, and economic impact and other economic-based indicators. While these terms are in fact familiar to health grantmakers, they are most often used by those concerned with a foundation's financial investments and not those responsible for grantmaking. The integration of economic variables and modeling approaches to describe and quantify programmatic outcomes may appear at first blush daunting, but in reality the terms are easily transferable and the formulaic-approach is easily understood once adequately explained. More importantly, identifying the value of health programs in the vernacular of the business community provides unlimited potential for future, meaningful collaboration.

In 2005 the Virginia Department of Health's Office of Health Policy and Planning (OHPP) engaged in an economic quantification project to describe the value of its rural health grant programs. This project paved the way for the office to

engage in an evaluation exercise that resulted in many benefits, one of which was to build sustainable, future partnerships with the business community.

Like a private grantmaker, the OHPP was interested in advocating for the value of its funding, educating legislators and others of the broad economic impacts related to state and

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federal funding investments and broadening the dialogue with members of the business community. However, OHPP, like other private grantmakers, was more comfortable expressing the social value, not the economic value, of its programs. This significant shortcoming limited its ability to sustain the business community's interest in partnership development. Like many funders, the office often unintentionally undervalued the economic value of its programs by listing merely the dollar amount provided to a specific entity and not the economic benefit to the community that it expected to bring.

### USING THE ECONOMIC QUANTIFICATION APPROACH

Calculating economic impact and return on investment takes several steps. First the direct economic value of an initiative (grant) is multiplied by the estimated percentage of the results that are attributable to the grantmaker's actions, also referred to as a causality factor. An economic multiplier is then applied to estimate the likely comprehensive economic impacts. Economic multipliers are well known to economic development organizations, and they demonstrate not only direct impact, but the indirect or "downstream" impact on total expenditures and jobs as money ripples through the economy of expenditures. Modeling forecasts have determined that for health-related programs a multiplier of 1.5 is useful to estimate

## CORE MODEL FORMULA

$$\frac{\text{Economic Gain (\$)} \times \text{Results Attributed to the OHPP's Actions (\%)} \times \text{Economic Multiplier}}{\text{Health Grantor Costs}} = \text{ROI}$$

community impacts, and a multiplier of 2.2 is useful to show the impacts that benefit an entire state.

The resulting economic impact aggregate (“numerator”) is then divided by the grantmaker’s cost (or investment) to achieve the gain. This figure equals the return on investment (ROI), which is measured as “gain in economic value per \$1 of health grantor cost.” (See box above.)

### EXAMPLES

One example of the Virginia OHPP’s results involved working with five, small rural hospitals called Critical Access Hospitals. This partnership resulted in acquiring \$352,000 in federal grant funds that would otherwise not have been available to the state. The direct economic value was \$352,000; the causality factor was 100 percent; the economic multiplier was 2.2; and the OHPP’s cost of achieving this result was \$6,416. While the return per grant dollar spent was 2.2 times

utilization other than the physician’s office practice. For example, an internist could be expected to generate \$750,000 to \$1,000,000 per year of hospital revenue, whereas an orthopedic surgeon might generate \$1,000,000-\$2,000,000 annually. Economic multipliers are also applied to the anticipated revenue, which can be derived from already available data. Additional economic impacts came from community-avoided spending associated with OHPP-funded recruitment processes.

OHPP’s calculation of the economic value of its physician recruitment initiatives demonstrated a \$607 of statewide economic impact for every dollar of OHPP funds.

Although precision is helpful in any analysis, the fact that economic quantification strategies are not precision economics does not negate their utility. It does, however, mean that there are several limitations. For example, when using these modeling techniques some input variables can be measured or derived from quantitative studies, and others will require

estimation and subjective judgments. These shortcomings should be noted when explaining results, although the ultimate results are very defensible. It is important to recognize that estimates must be defensible to be credible.

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the direct funding, the return on investment of the OHPP’s direct expenses (its cost) was \$120.70 of economic gain for each dollar OHPP spent to achieve these results.

The OHPP also obtained \$150,000 in primary care loan guarantee payment funds from the federal government. When these funds were applied in Virginia the economic impact was approximately \$330,000. The total return on investment (\$330,000) based on the OHPP’s costs (\$649) was approximately \$508.50/\$1.00 of cost.

An additional example, although not strictly a grant program, was an assessment of the effects of OHPP programs designed to improve access to care for medically underserved populations in Virginia. The OHPP looked at one strategy, which involved the recruitment of physicians and nurse practitioners to medically underserved areas. To calculate the value of introducing a new physician to an area, the first step was to consider the direct revenue generated by the physician’s office practice. The core model was then extended to calculate the financial impact on hospitals from adding a physician to the community. For this calculation, factors to consider included the type of physician and hospital revenue generated by the physician through inpatient and outpatient

### BENEFITS OF ECONOMIC QUANTIFICATION

An important benefit of using economic quantification as an evaluation technique is that the results not only allow grantmakers to better understand the value of their funding decisions, but they also enable grantmakers to communicate this value in a manner familiar to the business community and other quantitatively minded partners. Of course, health grantmakers should recognize that while many of their activities can be economically quantified, others cannot. Examples of popular health grantmaker activities for which quantification may be difficult include: facilitating multi-organization process and dialogue, education and issue awareness building, brokering relationships, prevention programs, and partnership development. Beyond these limitations, however, the comprehensive applicability of this approach gives health grantmakers the important ability to leverage the benefits of evaluation to a greater number of community members.

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