

## Creating a Culture for Innovation and Risk Taking in Transformative Times

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The Great Recession challenged philanthropic organizations, as well as their partners and grantees, to balance fewer resources with greater needs. By tightly focusing on strategy, foundations may have unintentionally limited experimentation and bolder action at a time when both were needed to preserve progress and set the stage for future change and innovation. Today the country is still addressing broad economic and fiscal challenges, and philanthropy, government, and the private sector stand at a juncture where opportunity looms much larger. There is a clearer path ahead with the Affordable Care Act (ACA) and renewed focus on public health issues, including gun violence, behavioral health, and chronic disease prevention. We hear the clarion call for innovation, which is often paired with risk. Following are three funder perspectives on how each organization is approaching innovation and risk taking.

### **THE NEW HAMPSHIRE CHARITABLE FOUNDATION: RISK TAKING AS STRATEGIC IMPERATIVE**

New Hampshire is ranked as one of the healthiest states in the nation; however, rates of alcohol and other drug misuse are among the highest. Given the interconnections between substance use disorders and negative behavior, addiction remains a highly stigmatized disorder. Addressing substance use also touches hot button areas of public discourse—public safety, corrections reform, rights for those in recovery, and the role of government in funding services for an illness not largely financed through public or private insurance.

The New Hampshire Charitable Foundation has worked for more than a decade to reduce the burden caused by alcohol, tobacco, and other drugs in the state. The foundation prioritized public policy and advocacy early on to advance state financing, thereby increasing access to treatment and

prevention services. This strategy has evolved to include grantmaking and community advocacy, coming to include direct engagement in advocacy on issues that influence substance use financing and policy. Additionally, the foundation serves as “quiet counsel” to state leaders crafting and implementing reforms that affect those touched by alcohol and other drug abuse. This includes corrections reform and addressing a host of politically-charged issues that could affect the foundation’s role and reputation. With provisions in the ACA to establish equitable access to care for what is now considered a chronic health condition, the foundation finds itself once again entering the dialogue with a clear stake in the ground on how the broader public should respond to the opportunity.

Extremely close communication between staff and the board provides the space for highly strategic conversations, building confidence in the foundation’s decisions about this strategy. Potentially risky decisions are vetted through the board of directors, with an eye toward thoughtful planning and consensus on how far staff should take a particular strategy. Advocacy grantees also serve as partners, providing counsel to foundation staff. What results is bold action—sometimes unseen by the general public—that brings the foundation into a central role of catalytic engagement.

One of the most intractable issues in the state requires nothing less than all of the foundation’s assets—social as well as financial—to truly move the needle. It is with this understanding that the foundation continues to push the boundaries, with the weight of the institution, its leaders, grantees, and trusted allies kept close in the work.

### **THE SCAN FOUNDATION: AN INCLUSIVE APPROACH TO ACHIEVING SYSTEM TRANSFORMATION**

More than 9 million Americans are eligible for Medicare and

Medicaid (known as “dual eligibles”), and a disproportionate number of them have chronic health conditions and functional limitations. With separate funding and regulatory systems providing and financing their care, services for dual eligibles are fragmented with little coordination across providers, contributing to high utilization of—and costs for—medical and supportive services.

The ACA established the Medicare and Medicaid Coordination Office (MMCO) within the Centers for Medicare and Medicaid Services, aiming to ensure that dual eligibles have access to integrated, seamless, and more efficient care. MMCO has established the Financial Alignment Initiative to test capitation and managed fee-for-service models integrating the financing and delivery of Medicare and Medicaid benefits for dual eligibles. Several states, including California, are pursuing opportunities presented by the initiative.

The SCAN Foundation has made significant investments supporting integration for dual eligibles. This venture is inherently risky. In California, success of its demonstration relies on myriad factors, including appropriate rate methodology incentivizing integration and quality, adoption of new care coordination models by health plans incorporating supportive services, effective medical provider outreach to secure support and participation, and successful consumer education accounting for a culturally diverse population.

In order to navigate the risk associated with integration and to mitigate this risk, the foundation employs a conceptual framework envisioning a more person-centered system of care called *Five Pillars of System Transformation*. This framework guides investments, calling out specific opportunities to organize medical and long-term care to achieve this desired system. The five pillars are: 1) administrative reorganization, 2) global budgeting, 3) universal assessment, 4) integrated information systems, and 5) quality measurement and monitoring.<sup>1</sup>

The culture of innovation within the foundation is one of inclusivity. We utilize the *Five Pillars* framework to gain broad stakeholder participation. It is not about taking sides in this endeavor; it is about supporting engagement and an “all-comers” approach with an eye always on the prize of transformation toward a more person-centered and integrated system. This guides the foundation’s philanthropic investments and supports endeavors that are inherently more risky.

### **THE DAVID AND LUCILE PACKARD FOUNDATION: EXPANDING INNOVATION IN CULTURE AND STRATEGY**

As The David and Lucile Packard Foundation nears its 50<sup>th</sup> year milestone, board and staff have recently opened a series

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<sup>1</sup> An in-depth description of the five pillars and The SCAN Foundation’s vision for system transformation is available at: [www.thescanfoundation.org/scan-foundations-framework-advancing-integrated-person-centered-care](http://www.thescanfoundation.org/scan-foundations-framework-advancing-integrated-person-centered-care).

of conversations on the state of innovation and risk taking across the foundation and within the Children, Families, and Communities (CFC) program. CFC’s broad mission spans two inter-related and fundamental areas, health and education. Within the health program, grantmaking and investments for the five years leading up to passage of the ACA largely focused on advocacy, networked strategic communications, technical assistance, and state partner capacity building with the goal of achieving at least 95 percent coverage of children by 2012. In spite of the economic downturn, nearly 93 percent of American children have coverage. With the opportunities now afforded through ACA implementation, the foundation is mapping strategies that encompass parental coverage and that support integrated solutions for family access to quality health care. Key questions posed in the planning process include:

- How do we source new ideas in health system innovation and tap into fresh thinking toward ensuring that future generations of children and families are included in innovation?
- Do we have flexibility in our portfolio to experiment with public/private solutions, and is there a target balance of risk?
- How are we currently supporting and learning from experimentation? And what strategies can be used to support experimentation and bring different investors together to increase the impact of our investments?

While innovation is not new to the foundation, many of the questions posed in the context of program planning have stimulated different explorations in sourcing new ideas, carving out up to 20 percent in a portfolio for experimentation, and have sparked different configurations of cross-program dialogue around innovation.

### **CONCLUSION**

The coming decade will be one where philanthropy must define its catalytic role with ACA implementation by investing in advocacy to shape policy and practice, aligning larger pools of public and private dollars to advance long-term goals and priorities, understanding and embracing failures, supporting learning and knowledge transfer, and engaging new partnerships for collaboration around common goals. At this time of transformative opportunities, these are all worthy risk areas for philanthropy to lead and participate.

The authors are fellows of the 2012 Grantmakers In Health Terrance Keenan Institute for Emerging Leaders in Health Philanthropy.

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