

# Social Impact Investment – managing chronic health conditions

October 2015

# Agenda

**2:00 – 2:15** Welcome, introductions and overview  
of the Social Impact Investment Policy  
*Tony Stephenson, O’Connell Advisory*

**2:15 – 2:45** Managing chronic health conditions  
*Elizabeth Koff, NSW Ministry of Health*

**2:45 – 3:00** Proposals, examples and timeframes  
*Greg Anderson, O’Connell Advisory*

**3:00 – 4:00** Questions and discussion

# Purpose of this session

- Provide information on chronic disease management to help preparations for a formal Request for Proposals (RFP)
- Brief the market on the requirements, process and anticipated timeframes of the RFP
- Receive feedback and suggestions to understand how we can support the market to respond

## Useful reading:



Health

# What is social impact investment?

**An emerging pay-by-success approach to tackling social challenges that brings together capital and expertise from across the public, private and not-for-profit sectors.**

## Potential to...

- Deliver better services
  - enhancing seamless delivery of services to patients
- Build strong and effective partnerships
  - stronger engagement of public & private sector in collaborative financing & delivery of health services
- Achieve better value for NSW taxpayers

## by...

- Quantifying and measuring outcomes
- Co-designing and nurturing innovation
- Sharing risks and benefits of service delivery
- Leveraging public investments in achieving the aims of truly integrating care

# Principles of social impact investment

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- Robust measurement
- Value for money
- Social benefit
- Appropriate sharing of risks and returns
- Focus on high priority social problems

# Characteristics of effective pay for success health programs

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- Significant unmet needs with clear target population
- Interventions that clearly work in short to medium term
- Credible data usually also with a comparator group
- Quantifiable savings for Government in 1 to 2 service areas
- Sophisticated providers monitoring/managing outcomes
- Demonstrable cash savings for Government
- Third party evaluator to trigger success payments

# Social impact investment in NSW

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## **Managed by Office of Social Impact Investment**

Treasury/Department of Premier and Cabinet

### **Current Social Impact Bonds**

- Newpin – restoring children to their families
- Benevolent Society – keeping children with their families

### **First Request for Proposals (RFP)**

- Focus on recidivism and vulnerable young people
- Closed 26 July 2015

### **Second RFP**

- Focus on managing chronic health conditions and managing mental health hospitalisations (but open to other areas)
- Expected to be released late 2015 or early 2016
- Market sounding will include 1:1 communications



Health

# Managing chronic health conditions

Elizabeth Koff  
Deputy Secretary,  
Strategy and Resources



Health

# Major chronic diseases

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- Arthritis
- Asthma
- Chronic kidney disease
- Chronic obstructive pulmonary disease (COPD)
- Cancer (colorectal and lung)
- Depression
- Ischaemic heart disease (coronary heart disease)
- Oral disease
- Osteoporosis
- Stroke
- Type 2 diabetes
- Obesity
- (End of life care)

# Possible target groups

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- Those at risk:
  - focus is on identifying and managing risk factors
- Those with a diagnosis
  - focus is enabling people to manage their condition and prevent complications (that will eventually impact on function)
- Those with a diagnosis and complications:
  - focus is on managing complications and preventing functional impairment
- Those with multiple health and social needs:
  - focus is regaining or maintaining function

# Examples of areas of need

<b>Program</b>	<b>Target Population</b>	<b>Priority area</b>
<b>Aiming for Asthma Improvement</b>	Children and adolescents with asthma	Chronic Conditions
<b>Chronic disease self-management</b>	People with specified chronic illness identified as at rising/high risk of hospitalisation (includes Aboriginal people)	Chronic Conditions
<b>Fracture prevention</b>	People (often women aged >50) with minimal trauma fracture identified in Emergency	Chronic Conditions
<b>Home tele-monitoring</b>	Patients with Chronic Heart Failure living at home	Chronic Conditions
<b>Step-down mental health service with accommodation and wrap-around supports</b>	Adults with severe and persistent mental illness requiring 24/7 care & support in short to medium term. May be inpatients or in forensic facilities transition to community	Mental health
<b>Post-hospital rehabilitation (eg. cardiac, pulmonary)</b>	Aboriginal people with chronic disease	Chronic conditions

# Proposals, examples and timeframes

Greg Anderson  
O'Connell Advisory

# Potential patient outcomes and payment measures



**Better patient experience**



**Improved health outcomes**

- Increased satisfaction with care
- Increased independence
- Increased capacity for patients to manage their condition (behaviour change)
- Fewer avoidable hospital admissions
- Improved results in functional assessments
- Delay in expected hospitalisations
- Reduced ED presentations
- Reduced reliance on prescription drugs
- Reduced length of hospital stay
- Stabilisation/improvement of disease-specific indicators
- Better quality of life
- Improved QALYs/DALYs
- Fewer visits to GP

# Design considerations

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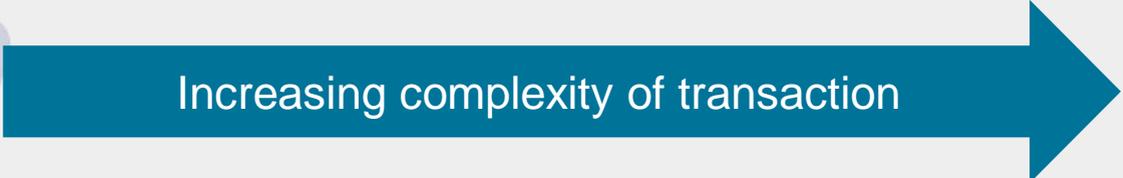
- Nature of intervention
- Program logic/strong evidence base
- Identification/selection/risk stratification - a clear cohort
- Proof of success:
  - Control/comparator group?
  - Case control?
  - Randomised clinical trial?
- Output/outcome measurements
- Costs/benefits
- Innovative solutions
- Risk sharing

# Complexity will not suit Pay For Success

Pay For Success in Health must deliver measurable benefits that demonstrate value for money relative to public delivery of services.

<b>Nature of benefit</b>	cash savings	avoided costs	productivity gains	other
<b>Beneficiaries</b>	a single govt agency	multiple govt agencies	other govts	individuals & communities
<b>Timing of benefits</b>	immediately	months	years	decades

Increasing complexity of transaction



# Appropriate sharing of risks and returns

The balance of sharing risks and returns between investors, service providers and Government is sufficient to attract investors, as well as ensure value for money to the public.

## Proposals should outline:

- the risk-return profile for each participant
- the level of return to investors under different performance scenarios
- how the proposed risk-return profile compares to similar products in the market

The Government will consider providing a standing charge to create a more attractive risk profile for investors – up to 50% of the service delivery costs.

# Joint Development Phase

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- Expected to take approximately six months
- Further exchange of data
- Development of key performance indicators and corresponding Government payments
- Development of financial instruments and service arrangements
- Support provided by the Office of Social Impact Investment

# Tele-monitoring of CHF Program – indicative cash flow

- 30,000 participants (~36% of diagnosed CHF); \$150 establishment cost/person, \$550 cost/participant/year
- 23% reduction in admissions<sup>1</sup>; 10% mortality rate<sup>2</sup>
- 40% of success retained by NSW Government

	\$m							Total
	1	2	3	4	5	6	7	
Program costs	-\$13.4	-\$15.6	-\$14.6	-\$13.6	-\$12.7	-\$11.8	-\$11.0	-\$92.6
50% of success paid by Health	\$11.4	\$20.2	\$18.9	\$17.6	\$16.4	\$15.3	\$14.2	\$114.0
Total income	\$11.4	\$20.2	\$18.9	\$17.6	\$16.4	\$15.3	\$14.2	\$114.0
Net result for provider	-\$1.9	\$4.6	\$4.3	\$4.0	\$3.7	\$3.5	\$3.2	\$21.3
Cumulative cash position	-\$1.9	\$2.7	\$6.9	\$10.9	\$14.6	\$18.1	\$21.3	
							Margin	23%

Investor funding of \$1.9m needed

<sup>1</sup> Maeng et al. 2014

<sup>2</sup> AIHW 2003



# Osteoporosis Re-fracture Prevention Program – indicative cash flow

- 22,848 participants enrolled (50% of primary fractures), \$200/participant/yr
- 69% reduction in re-fractures<sup>1</sup>
- 50% of success retained by NSW Government

\$m	Year							Total
	1	2	3	4	5	6	7	
Program costs	-\$4.6	-\$4.8	-\$4.9	-\$5.1	-\$5.2	-\$5.4	-\$5.5	-\$35.6
50% of success paid by Health	\$0.7	\$2.5	\$5.3	\$7.8	\$8.6	\$9.2	\$9.9	\$44.0
Total income	\$0.7	\$2.5	\$5.3	\$7.8	\$8.6	\$9.2	\$9.9	\$44.0
Net result for provider	-\$3.9	-\$2.3	\$0.4	\$2.8	\$3.3	\$3.8	\$4.3	\$8.4
Cumulative cash position	-\$3.9	-\$6.2	-\$5.8	-\$3.1	\$0.3	\$4.1	\$8.4	
							Margin:	24%

<sup>1</sup> HNELHD 2010 trial

Investor funding of \$6.2m needed

# Ways to Wellness – Newcastle West Clinical Commissioning Group (CCG) – Case Study

- Program targets individuals with long-term health conditions using non-medical interventions to improve quality of life
- Targets 5,000 participants over 7 years
- £295,000 to develop service model (financial and operational)
- £1.65M investment for SIB, £150 service cost/person
- £3M outcome based funding for investors
- Estimated savings to Newcastle West CCG of £2-7M

# Ways to Wellness – measureable impacts

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- For patients; better able to manage daily lives, healthier and longer life expectancy and use fewer health services
- For the CCG; reduce annual costs of treating patients
- For the NHS; provide evidence of alternative treatment options operating at scale and delivering savings.
- Reduce demand upon acute hospital and offer a best practice model to be shared

## 'Top-up' funds

To cover some outcomes payments



£2m via  
Commissioning Better  
Outcomes Fund

£1m via Social  
Outcomes Fund

### Commissioner



Payments up to £9.2m made  
based on achievement of outcomes

Payments made based on number of patients supported

### Social prime contractor

Manages the contract



### Social Investor

£1.65m investment from  
Bridges' Social Sector Funds



### Service Providers

GPs refer eligible patients to Link Workers, who work with patients to take more control of their Long-Term Conditions (LTCs).



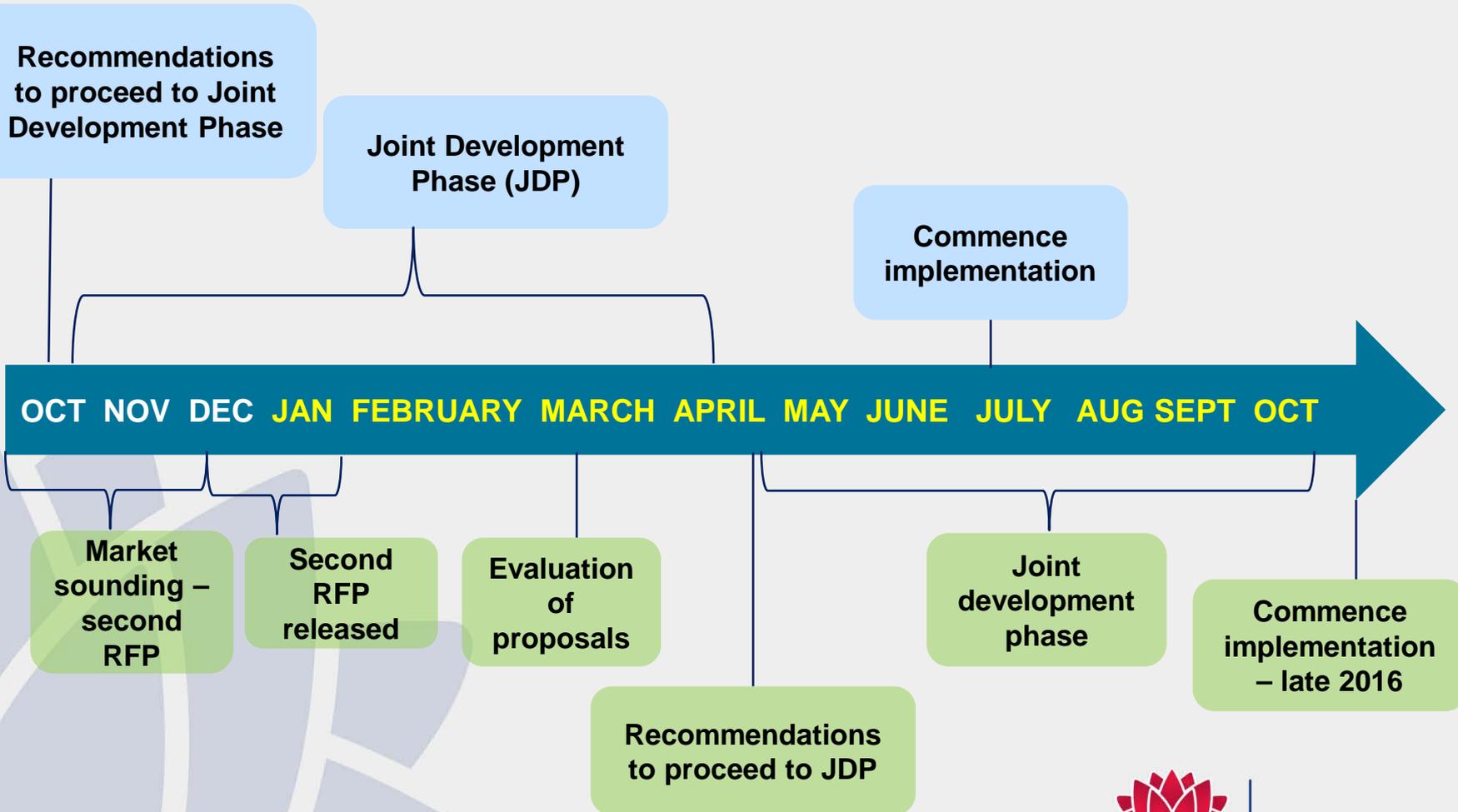
### Beneficiaries

Aims to improve outcomes for 8,500 patients with  
LTCs over first 6 years.

Anticipated outcomes:

- Improved self management of LTC leading to greater sense of well being, reduced social isolation and fewer GP visits.
- Reduced costs of secondary healthcare services as a result of improvement in self management of LTC.

# Timeframes for 2015-16



# Advice on Social Impact Investment – the Office of Social Impact Investment

## OSII can:

- provide general information about social impact investing
- provide general information on NSW Government activity and priorities in social impact investing
- provide information on RFP processes, timing and requirements
- facilitate contact with other government agencies and market participants
- consider and facilitate information and data requests.

## Contact OSII:

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 @NSWOSII

# Advice on Health and Social Impact Investment

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- To arrange a one on one meeting, contact:
  - Christina Summerhayes, A/Assoc Director, Strategic Policy Unit, Ministry of Health: 02 9391 9338 or [csumm@doh.health.nsw.gov.au](mailto:csumm@doh.health.nsw.gov.au)
  - Dani Fried, Senior Policy Officer, Strategic Policy Unit, Ministry of Health: 02 9424 5892 or [dfrie@doh.health.nsw.gov.au](mailto:dfrie@doh.health.nsw.gov.au)
- Other contacts:
  - Greg Anderson: [greg@oconnelladvisory.com.au](mailto:greg@oconnelladvisory.com.au) or 0419 638 073
  - Helen Favelle: [helen@oconnelladvisory.com.au](mailto:helen@oconnelladvisory.com.au) or 0412 203 764

# Questions and discussion

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