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EMERGING FUNDING MODELS FOR THE ITALIAN NATIONAL HEALTH SYSTEM: THE CASE OF HEALTHCARE IMPACT BONDS

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AGENDA

1. Introduction
2. Literature overview
3. Research design & Methodological notes
4. Case studies overview
5. The Italian National health system: the road towards the collaborations with the private sector
6. Looking forward
7. Conclusions

Questions and Answers

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INTRODUCTION

The financial crisis has posed several pressures on governments throughout the world to reduce deficits with severe budgetary cuts in many welfare areas.

HIBs represents an innovative financial approach to fund evidence based programs, encourages investments in cost-saving preventive services in order to reduce the need for more costly remediation and fill the market gap between the private and public sector (Rowe & Stephenson, 2016).

However, as clarified by Rizzello et al. (2018, p.99) an enabling legal and policy environment is important for the development of this funding mechanism.

RESEARCH APPROACH AND METHODOLOGICAL NOTES

This study employs an exploratory and qualitative approach to investigate previous HIBs experiences.

This study is developed around three main parts:

(i) a literature review of academic, government and practitioner publications globally about SIBs and with a focus on HIBs;
(ii) the analysis of 4 existing HIBs by using a MCS approach and a collation of descriptive information on the analyzed HIBs;
(iii) a roadmap for the implementation of HIBs in Italy.

SOCIAL IMPACT BOND AND HEALTHCARE IMPACT BOND: A LITERATURE OVERVIEW

The SIB scheme represents a new PPP model designed around the following:

i) a series of contracts between the involved parties in the commissioning and provisioning of social services;
ii) the common interests between a wide range of stakeholders such as governments, private organizations, investors, and financial intermediaries (Nicholls & Tomkinson, 2013; Arena et al., 2016);
iii) the transfer of the risks from the public sector to the investors.

However, despite classic PPP schemes, SIBs involves private investors who materially fund the project and are then reimbursed if projects meet their objectives.

- A series of contracts
- A series of partners
- Common interests
- The transfer of the risks

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Dimensions of analysis	Area of focus	Aims
Governmental Policy Legal Framework Business Model Project commissioner Partners Financial dimensions	Enabling policies and actions	*To understand what are – at a country level – the main enabling factors that promote the development of a SIBs/ HIBs market*
	Contractual aspects, partnership characteristics and risk-sharing pathways	*To understand what are – at a single deal level – the main enabling factors that promote the development of SIB/ HIB project*

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HEALTHCARE IMPACT BONDS: A MULTIPLE CASE STUDY

SIB Name	Country	Healthcare issues	Target population	Launch date	Capital raised
Community Hypertension Prevention Initiative	Canada	Hypertension	7,000 prehypertensive older adults (60+) in Toronto and Vancouver.	October 2016	C$2 M

Country level

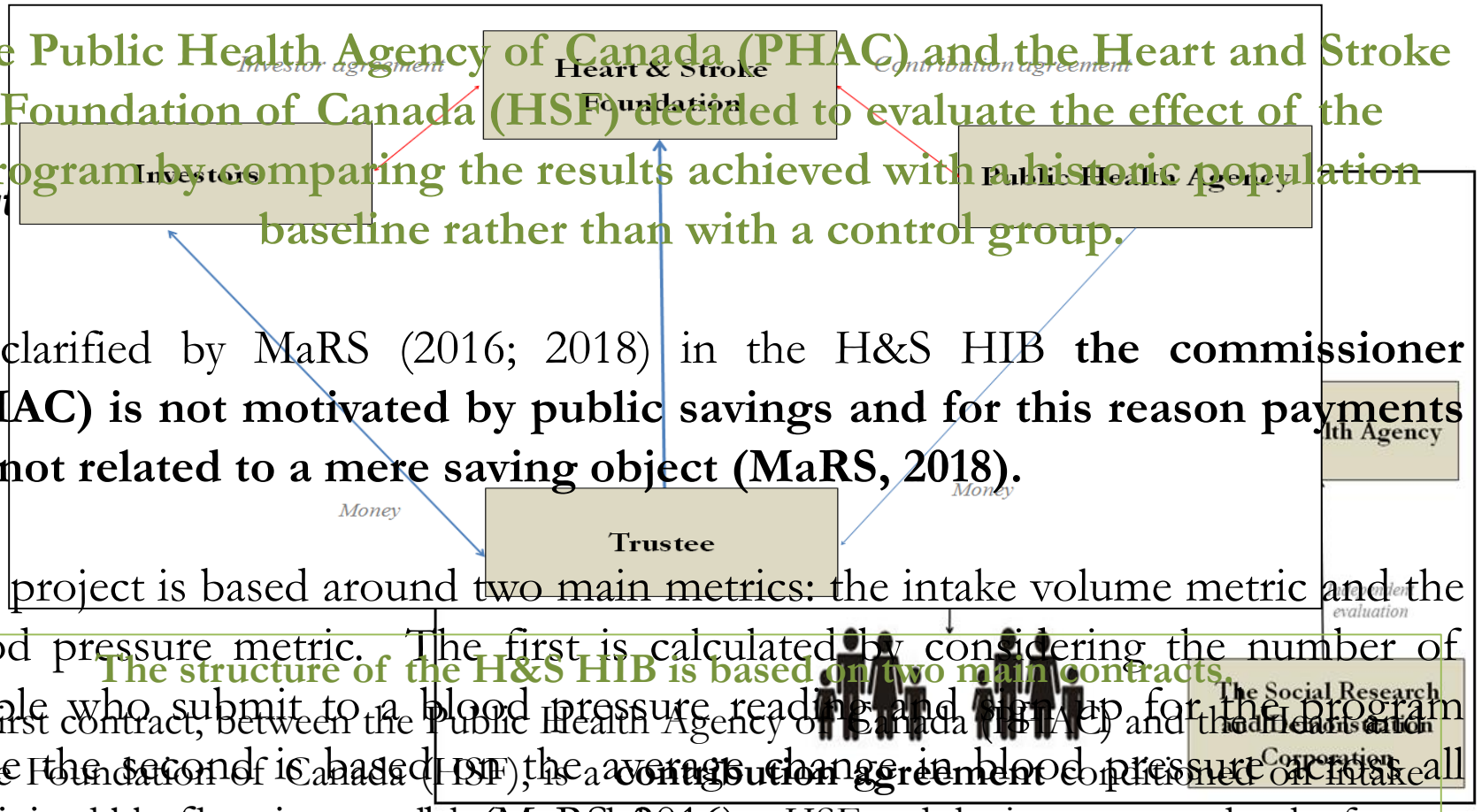
The country's interest in SIBs is contained in the Canada's 2012 Economic Action Plan, which called for greater exploration of the potential of SIBs.

In October 2013, the Minister for Employment and Social Development Canada announced Canada's first social finance pilot projects and several provincial governments have undertaken or are exploring social financing models

Since October 2016, the Public Health Agency of Canada launched the country's first social impact bond in preventative health

THE CASE OF CANADA AND THE HEART & STROKE HIB

The Public Health Agency of Canada (PHAC) and the Heart and Stroke Foundation of Canada (HSF) decided to evaluate the effect of the program by comparing the results achieved with a historic population baseline rather than with a control group.



As clarified by MaRS (2016; 2018) in the H&S HIB **the commissioner (PHAC) is not motivated by public savings and for this reason payments are not related to a mere saving object (MaRS, 2018).**

The project is based around two main metrics: the intake volume metric and the blood pressure metric. The first is calculated by considering the number of people who submit to a blood pressure reading and sign up for the program while the second is based on the average change in blood pressure across all participants after six months (MaRS, 2016).

The structure of the H&S HIB is based on two main contracts.

The first contract, between the Public Health Agency of Canada (PHAC) and the Heart and Stroke Foundation of Canada (HSF), is a **contribution agreement** conditioned on intake volume and blood pressure and the second, between HSF and the investors, under the form of **a loan agreement** outlining payment schedules on intake volume and blood pressure (MaRS, 2016)

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HEALTHCARE IMPACT BONDS: A MULTIPLE CASE STUDY

SIB Name	Country	Healthcare issues	Target population	Launch date	Capital raised
Mental Health and Employment Partnership	**UK**	Mental health and employment	2,500 people with severe mental illness	January 2016	£0.4 M

Country level

Since 2010, the United Kingdom developed a strategy framework for social investing (HM Government, 2011; Tan et al., 2015; Albertson et al., 2018) by developing several market-building initiatives were launched

Independent financial institution (Big Society Capital) established to develop and shape a sustainable social investment market

Several Government outcomes funds for the development of SIBs have been developed

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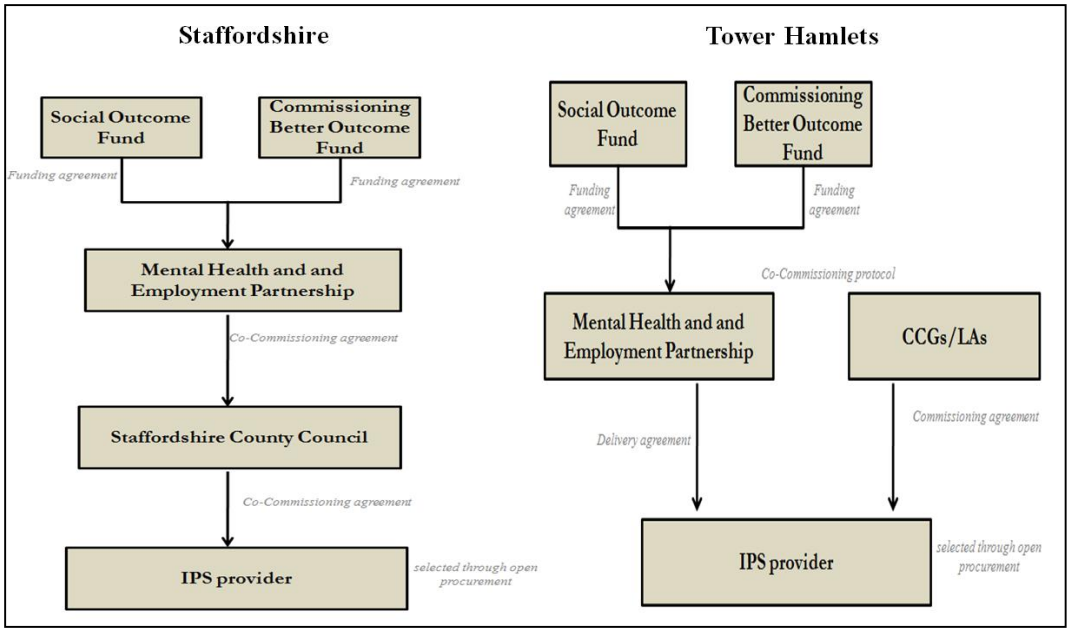
THE CASE OF UK AND THE MENTAL HEALTH & EMPLOYMENT PARTNERSHIP

Operating model: *with SPV*



MHEP has supported the commissioning of three year IPS service contracts with three local public bodies – Staffordshire County Council (Staffordshire), London Borough of Haringey (Haringey) and Tower Hamlets Clinical Commissioning Group (Tower Hamlets).

Under this arrangement MHEP provides a ready to use service specification and contract that is flexible enough to accommodate different contractual arrangements according to each commissioner's respective requirements (GoLab, 2018).

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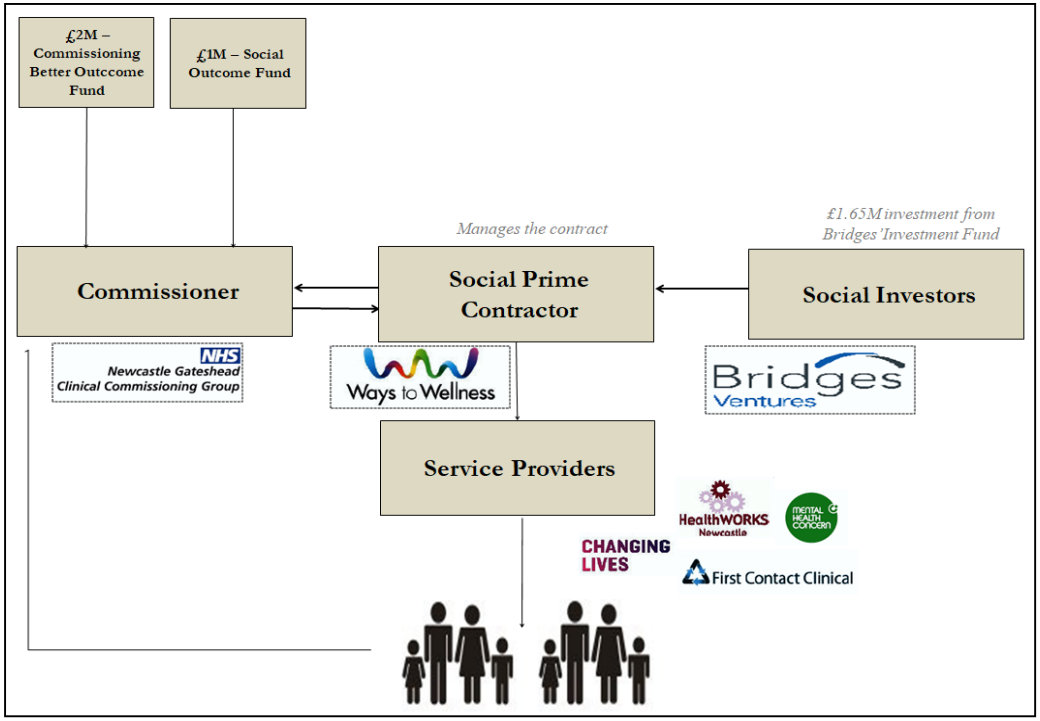
THE CASE OF WAYS TO WELLNESS

SIB Name	Country	Healthcare issues	Target population	Launch date	Capital raised
Ways To Wellness	**UK**	Social prescribing	11,000 people with long-term health conditions	March 2015	£1.7 M

Operating model: *with SPV*



NO FIXED COUPON
OR SECURED LEVEL
OF RETURN

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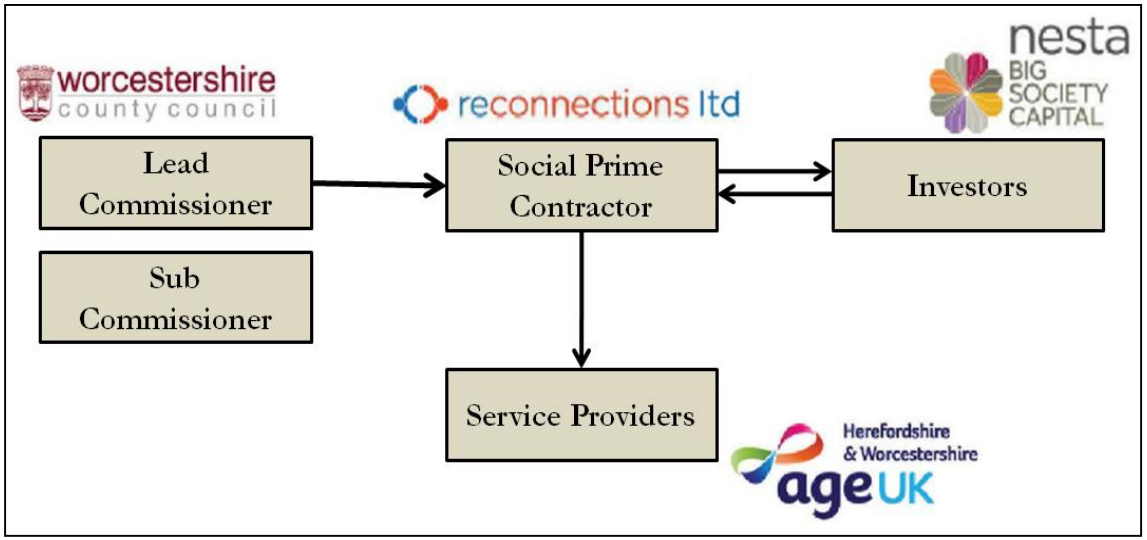
THE CASE OF RECONNECTIONS SOCIAL IMPACT BOND

SIB Name	Country	Healthcare issues	Target population	Launch date	Capital raised
Reconnections	**UK**	Social isolation	At least 3,000 people aged 50 years and over classified on the UCLA loneliness scale	July 2015	£0.85 M

Operating model: *with SPV*

From a contractual perspective, the Reconnections SIB is managed by Reconnections Ltd (the SPV) that is owned by the investors: Nesta Impact Investments, the Care and Wellbeing Fund (managed by Social Finance) and Age UK (CBO, 2016).



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THE ITALIAN NATIONAL HEALTH SYSTEM: THE ROAD TOWARDS THE COLLABORATIONS WITH THE PRIVATE SECTOR

The legislative decree no. 502/92, have been the most influential driving forces that have led to reconsideration of the role of private sector and since the beginning of 90s, Public-Private Partnerships (PPPs) received great attention especially under the light of cost containment, resources rationalization, efficacy and quality improvement (Vicarelli & Pavolini, 2009).

PPPs have been developed under the framework of the "Managerial Experimentation Models" (MEMs) that has been introduced in Italy by the Legislative Decrees 502/1992.

Since the introduction of MEMs, Italy has experienced many forms of PPP in the healthcare sector (Catuogno, 2017).

THE ITALIAN NATIONAL HEALTH SYSTEM: THE ROAD TOWARDS THE COLLABORATIONS WITH THE PRIVATE SECTOR

If PPPs practices has been developed in the Italian healthcare sector under the provision of 502/1992 and under the introduction of MEMs, **further applicable regulations can be retrieved in the Regional Health Legislation and in the New Italian Public Procurement Code, contained in the Legislative Decree n. 50/2016, implementing European Parliament and Council Directives 2014/23/EU, 2014/24/EU e 2014/25/EU.**

Regional Health Legislation

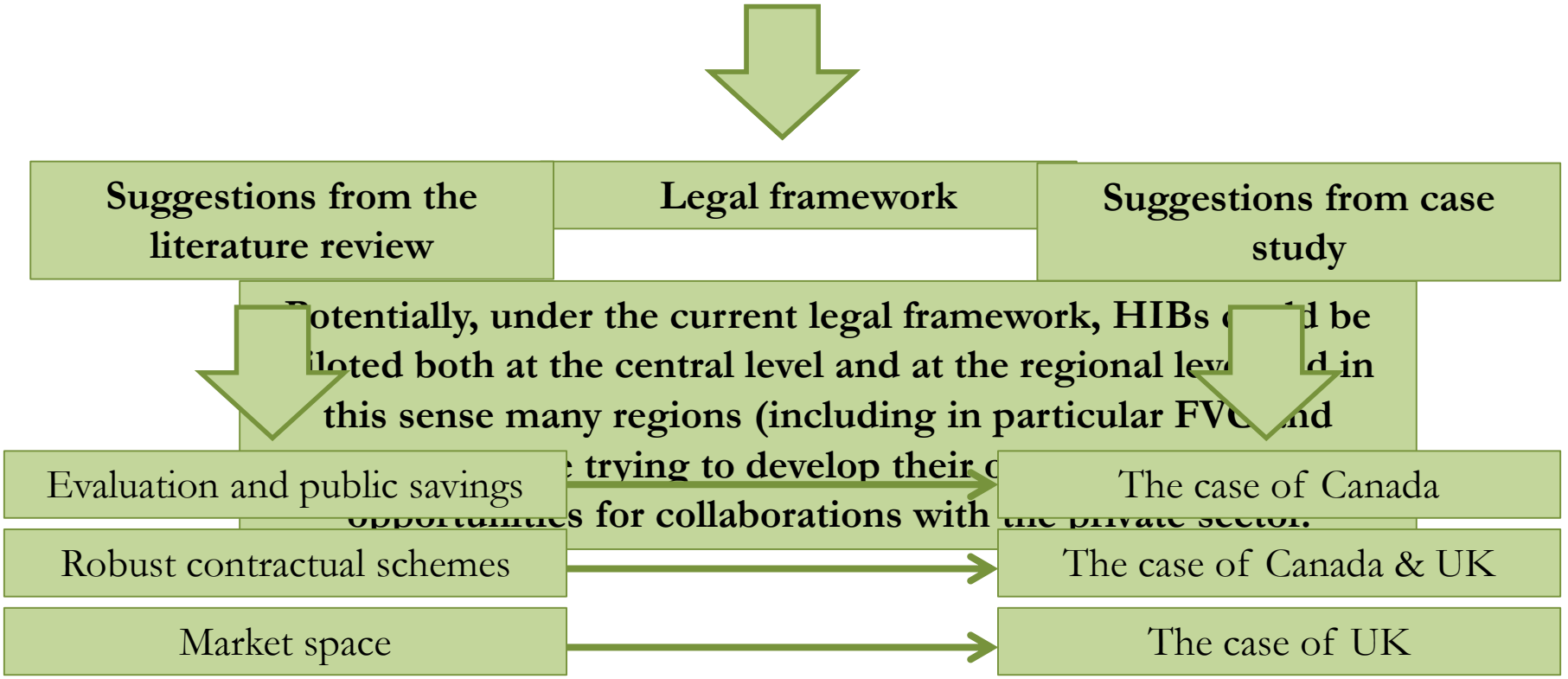
The case of Friuli Venezia Giulia
The case of Marche

New Italian Public Procurement Code

The Legislative Decree 19 April 2017 n. 56 modified a substantial number of provisions contained in the Legislative Decree of 18 April 2016 n. 50 (the Code of Public Contracts), and is intended to simplify the public contracts legislative framework

LOOKING FORWARD: BUILDING AN ITALIAN SOCIAL IMPACT BOND MARKET

By drawing from the literature review, the analysis of the international practices and the Italian experiences in the field of PPPs, the main aspects that need to be considered for the development of HIBs in Italy are:



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QUESTIONS ARE WELCOME!

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