



Approaching the Complexities of Financing Flourishing

The Investing in Flourishing Initiative (IIF) invites community leaders, financial firms, and investors to address a “missing market,” to help design a new approach to investing in flourishing. We seek to flip America’s youth health and human services funding paradigm to investing in thriving (rather than today’s reactive, growing and vast overemphasis on funding of illness and social failure). That will improve lives. It should also create significant public/private return on investment (ROI), rather than continuing the explosion in federal, state, and private spending paying for the opposite of wellbeing. The current systems are also fragmented, complicated, and need new thinking and approaches by leaders of communities, child development, and finance.

We seek to expand investment in comprehensive youth flourishing, providing funding for:

- Actions to support specific youth and their families, and to improve the neighborhoods/communities in which they live, and
- Community-led collaborations, service integration, and coordination between the people and organizations that deliver the components of thriving.

The complexity of coordinated action needed to deliver individualized packages of social and clinical services is mirrored by the complexities of financing this work. Almost by definition, pursuit of thriving requires multi-sectoral action and integration of the services undertaken (both for attributable individuals/families and those benefiting entire neighborhoods). The financial underpinnings are equally complicated (with single overall investments unlikely). Yet, if successful, not only will youth flourish, but significant downstream savings and benefits for organizations in multiple sectors will be produced (including ROI from multi-sector synergies that are not produced currently). Today, all of those are typically extraordinarily fragmented, and organizations that take the actions to support thriving do not usually receive the benefits (what is called “wrong pocket”).

To transform this market, creative reform is required of both community and finance leaders. How do community leaders need to organize themselves, and the activities they seek to finance, to overcome today’s fragmentation? How can local resources and assets be supplemented with external investment? How can community leaders create attractive, mutually supportive investment opportunities? How can multiple, coordinated actions for specific people and for their neighborhoods reduce investment risk and enhance opportunities for success?

Overall, how can communities create a “scaffold structure” that coordinates providers and programs (both to address the layer of “attributable lives” of specific youth, and the other vital conditions of the neighborhoods in which they live), making the programs mutually supportive, contextually reducing investment risk, and enhancing the odds of programmatic and financial success?

If communities come together to implement this connected and collaborative scaffolding, how can the fragmented functions and interests of finance come together successfully in new ways to support them financially? How should the different roles, interests, and features of impact, commercial, and philanthropic finance be addressed to finance the complex youth/family programs of single communities – while encouraging more effective government funding? To develop, test, and refine the answers, we need finance and community leaders to work together, and with us, both on developing a national model, and comprehensively testing it in communities.

First, communities. We believe a national market template will enhance upstream investment far more than pursuing one-off, specialized local transactions. Thus, we need to work with enough communities so that the template for a new national model is grounded in reality and correctly sets the balance between scalability and the differing requirements of communities. To be effective, the programs being financed must be grounded in local control (and





flexibility), innovation, and leadership by people with lived experience. To overcome current barriers, the community (the borrowers) needs to have formal and effective collaboration and coordination between and among layers. To be scalable, the rules/template and metrics need to be standardized to some degree.

Second, finance. Let us start by thinking of “flourishing finance” as falling into two major categories (two collections of functions): “fiscal partner” and “investors”.

- **Fiscal partner.** An organization that structures the financial arrangements, including multiple financial inputs and relationships, and might take some or all of the risk of failure or success. Some combination of the Flourishing Council of a community and the Fiscal Partner it retains need to perform the following functions:
 - Finance the additional amounts needed by the clinical and human services community organization(s) that deliver the relevant actions in the geography, including the costs of formal collaboration; it braids and blends (actually or virtually) financing from multiple existing sources that those providers receive today, and supplements those to achieve thriving.
 - Provide financial and contractual incentives/requirements for community leadership and provider organizations to coordinate and collaborate, to create “community scaffolding” in governance and program integration.
 - Maximize attribution to specific youth and their families from the actions of the local collaboration(s) at all layers of activity.
 - Negotiate shared savings agreements with multiple public and private organizations in multiple sectors (some local, some regional/state, some national) that will receive savings or benefits if and when the life trajectory of the affected population of youth/ families successfully progresses towards flourishing.
 - Structure and negotiate a range of investments from different investor parties (commercial, impact, and philanthropic) with different risk and reward needs, creating a capital stack(s) to finance one or more related actions in a community.
- **Investors.** Organizations with capital that are willing to invest on appropriate terms or use their balance sheets to support investment (e.g., loan guarantees). The conditions and terms on which they will invest, and their tolerance for risk, will vary widely, from purely commercial, to impact, to anchor institutions, to quasi or totally philanthropic.

We have encountered finance leaders who have entrepreneurial and mission interests in helping define a new business model for well-being investing in which they can play a significant role. We plan to work with a series of organizations that are interested in being Fiscal Partners, while seeking support from those that may want to be flourishing investors. We are beginning a process of meetings with a matching group of community leaders to discuss: (1) specific local investment needs (to support our selected initial demonstration communities), and (2) a common investment template.

Working hand-in-glove with leading communities and finance experts, we plan to develop a set of standardized action/information needs for each community that seeks to participate: how much do they want to borrow, and what they are going to spend it on? What is their youth flourishing program: for specific youth and families, and for their neighborhoods? How are they ensuring and paying for community leadership, defragmentation, and collaboration? How are they ensuring that people with lived experience will be at the forefront of program design and implementation? How are they structured to coordinate action and related financial matters between the individual/family layer and the neighborhood layer? Have they created a coordinating process and “scaffolding” that increases impact and derisks separate but related investments?





We need sectoral experts to estimate the ROI value of comprehensive youth and family flourishing by sector (and for specific organizations within each sector) for the comprehensive flourishing programmatic package if they are successful. What is the size, timing, and probabilities of each segment of the ROI that organizations that will benefit/save from progress towards flourishing will receive? How much of that ROI can be captured by the Flourishing Council in negotiated shared savings agreements? How can those streams of income be matched with investors in a diverse capital stack?

New business/new roles? A challenging question is the best structures for these different functions. For example, our Design Team is tentatively proposing a local formal collaborative structure (a “Flourishing Council” supporting a number of neighborhood quarterbacks and “Flourishing Clubs”) for effective, integrated delivery of services to individuals/families, and coordinating neighborhood action. On the other hand, the Design Team is favoring a different level for a Fiscal Partner organization (at least for some of its functions). Its functions might be most effectively undertaken at the state/national level (e.g., negotiating with a state Medicaid program or MCO). Such a group could contract or partner with multiple local Flourishing Councils. A critical but as yet unanswered question is whether a Fiscal Partner should be a financial principal, or just a consultant.

Existing organizations might play all or part the fiscal partner role. Investors will always be more comfortable with an organization with a track record. Some organizations may already have expertise in braiding and blending financing. Some states are already actively funding community networks of CBOs. Some communities (e.g., San Diego) have well established Community Information Exchanges. CDFIs, municipalities (where they are trusted and have progressive instincts), public health institutes, and Accountable Communities for Health should be considered for undertaking some of these functions.

