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THE CALIFORNIA ENDOWMENT AWARDS GRANT TO
SOCIAL FINANCE AND COLLECTIVE HEALTH

Asthma management demonstration project in Fresno, CA paves way
for Social Impact Bond

(Boston, MA: March 25, 2013) -- Social Finance, Inc. and Collective Health announced today that The California Endowment has awarded them \$660,000 in grant funding to launch a demonstration project to improve the health of low-income children with asthma and reduce the costs that result from emergency treatments. Based in Fresno, California, the project will incorporate rigorous data collection and evaluation methodologies in order to demonstrate the dual social and financial benefits of up-front investment in asthma management and prevention. This project will lay the groundwork for Social Finance and Collective Health to design and launch the first health-focused Social Impact Bond in the U.S.

Fresno, California, has one of the nation's highest asthma rates; approximately 20 percent of children have been diagnosed with the disease, which takes its greatest toll among the low-income population. "Asthma is the leading cause of emergency room and hospital encounters for children in Fresno and the number one health-related reason kids miss school," says Tim Tyner, President of the Central California Asthma Collaborative. Nationwide, asthma is a prevalent and costly chronic disease that is often treated in the emergency room rather than through comprehensive management and prevention. Every day in Fresno, nearly 20 asthma sufferers end up in the emergency room and at least three are hospitalized, at an estimated cost of \$35 million per year.

The California Endowment (TCE), a private health foundation, will provide funding over the two-year demonstration project. Central California Asthma Collaborative and Clinica Sierra Vista, which both have proven track records in managing this disease, will design and execute the comprehensive asthma management program, and Regional Asthma Management and Prevention will provide technical assistance. The partners will engage with the families of 200 low-income children with asthma to provide home care, education, and support in reducing environmental triggers ranging from cigarette smoke to dust mites and other indoor air contaminants. TCE funding will "pay for state-of-the-art in-home interventions that we know, through numerous scientific studies, improve patient health and significantly lower the cost of care," says Tony Iton M.D., Senior Vice President at TCE.

Reducing asthma-related health care costs is critical to the success of the demonstration project. Collective Health, a Connecticut-based social enterprise specializing in innovative solutions to improve population health, will use insurance claims data to measure health care cost reductions among program participants and calculate net savings from the project. Social Finance, a nonprofit financial intermediary, will act as a strategic advisor and will assist with project management and implementation. The savings realized in the demonstration will validate the financial value of home-based asthma interventions and the potential to leverage these savings for program expansion.

"We know that prevention is a better investment than paying for care in the ER or the hospital," says Rick Brush, founder and CEO of Collective Health and former executive of Cigna Healthcare. "The challenge is that most of the nation's health care dollars are spent after people get sick. This project will demonstrate the financial value of expanding a proven prevention program to a much greater number of children who will benefit. We are aiming for a 30 percent reduction in emergency room visits and 50 percent reduction in hospitalizations, which would yield an approximate net savings of \$5,000 per child per year. There's significant potential to make a real impact here."

In partnership with Collective Health, Social Finance will create an advisory group to begin planning for a Social Impact Bond to launch after the two-year demonstration. The Social Impact Bond will attract up-front capital from investors to scale up the asthma prevention and management program to serve up to 3,500 additional children. The investors will have the potential to recoup their principal and earn a rate of interest if agreed-upon health outcomes are achieved.

Nirav Shah, a Director at Social Finance says, "We see this as a tremendous opportunity to demonstrate that the Social Impact Bond model can work. It has great promise to deliver returns to investors, cut health care costs, and vastly improve the quality of life for children living with asthma. We believe that the success of the Fresno project will pave the way for many more investor-funded interventions that will generate both financial and social returns."

Social Finance, Inc. is a nonprofit organization that is dedicated to mobilizing investment capital to drive social progress. The organization focuses on structuring and managing impact investments that will unlock capital to fund effective solutions to persistent social problems and drive an outcomes-focused social sector. The firm develops Social Impact Bonds, innovative multi-stakeholder partnerships that scale performance-driven social programs, create taxpayer efficiencies, and generate financial returns for investors. www.socialfinanceUS.org

Collective Health is a Connecticut-based social enterprise launched in January 2011 to address the underlying causes of poor health and sustainably reduce health care costs. The organization provides health analytics, evidence-based programs, and financing to insurers, employers, health care providers, governments and communities to improve health and lower costs. www.collectivehealth.net

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