

health care in rural communities

Economic Development Finance Service
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YELLOW WOOD
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Traditional economic development focuses on jobs and income, which do not necessarily create wealth.



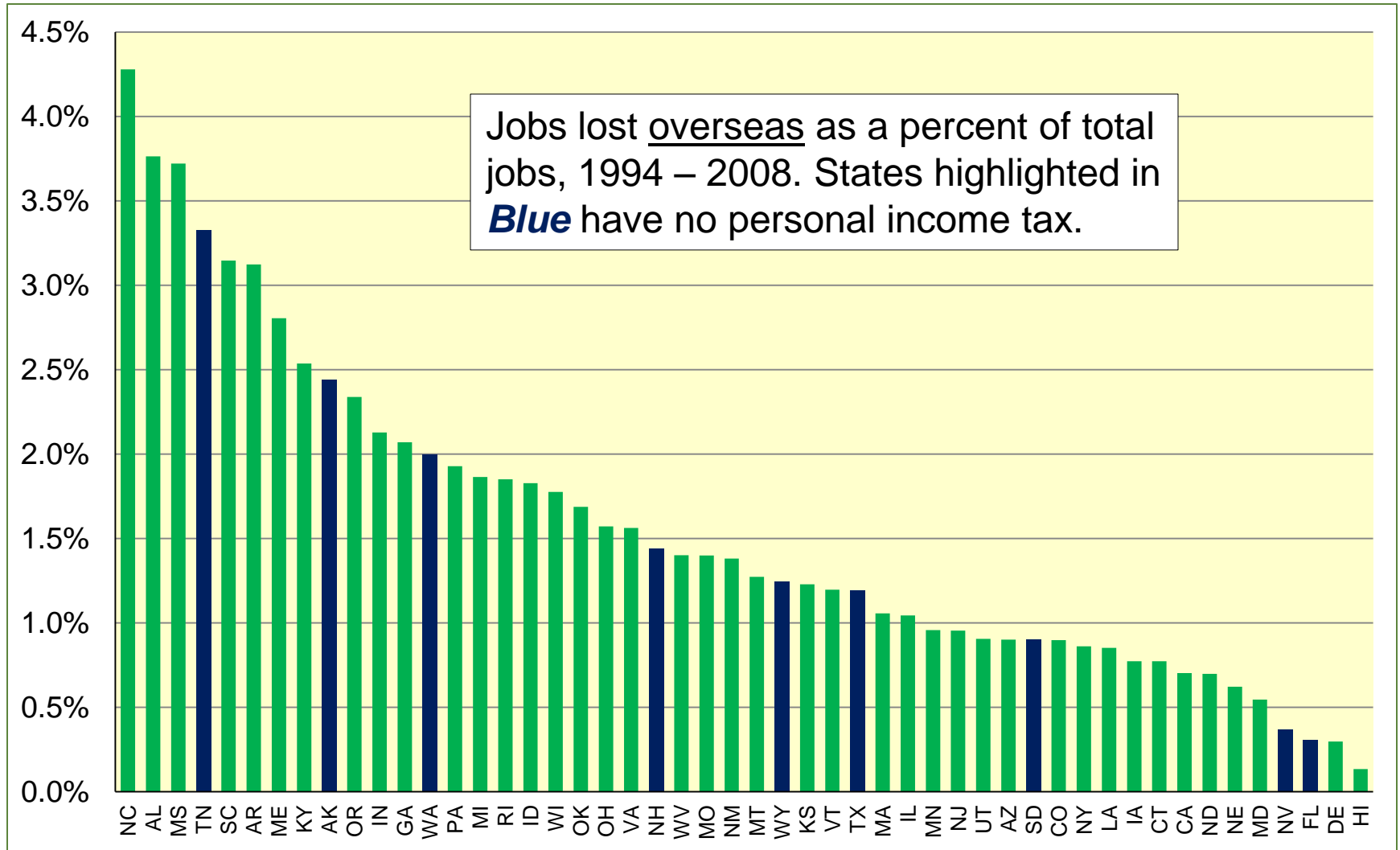
ASSUMPTION

**State taxes are a big factor
in business location decisions.**

FACT

Four of the nine states with no income tax had negative growth in establishments from domestic relocation.

State taxes don't appear to be the problem.



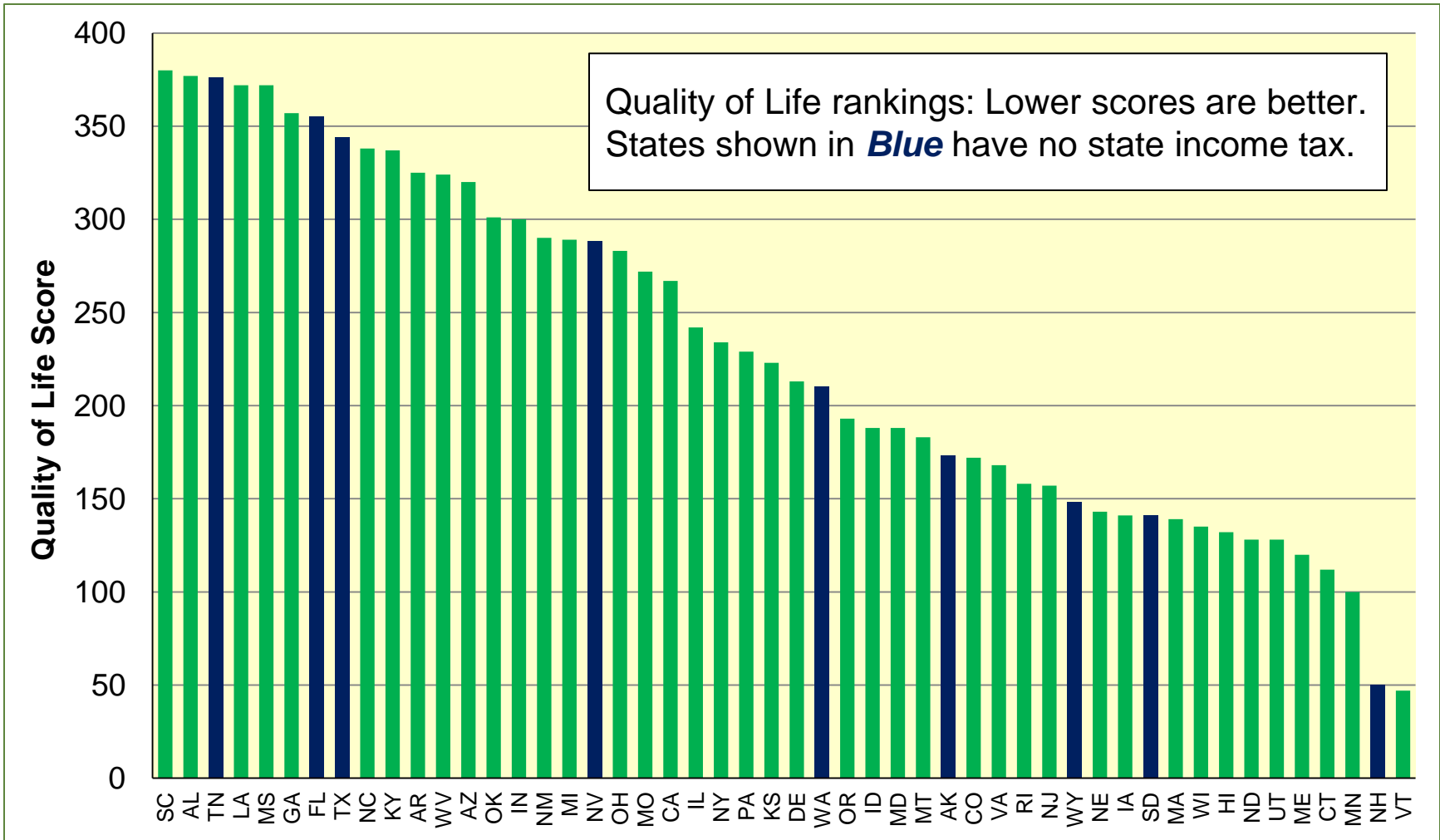
ASSUMPTION

**States with no income tax
outperform others.**

FACT

For quality of life, it's not true.

Quality of Life rankings: Lower scores are better.
States shown in **Blue** have no state income tax.



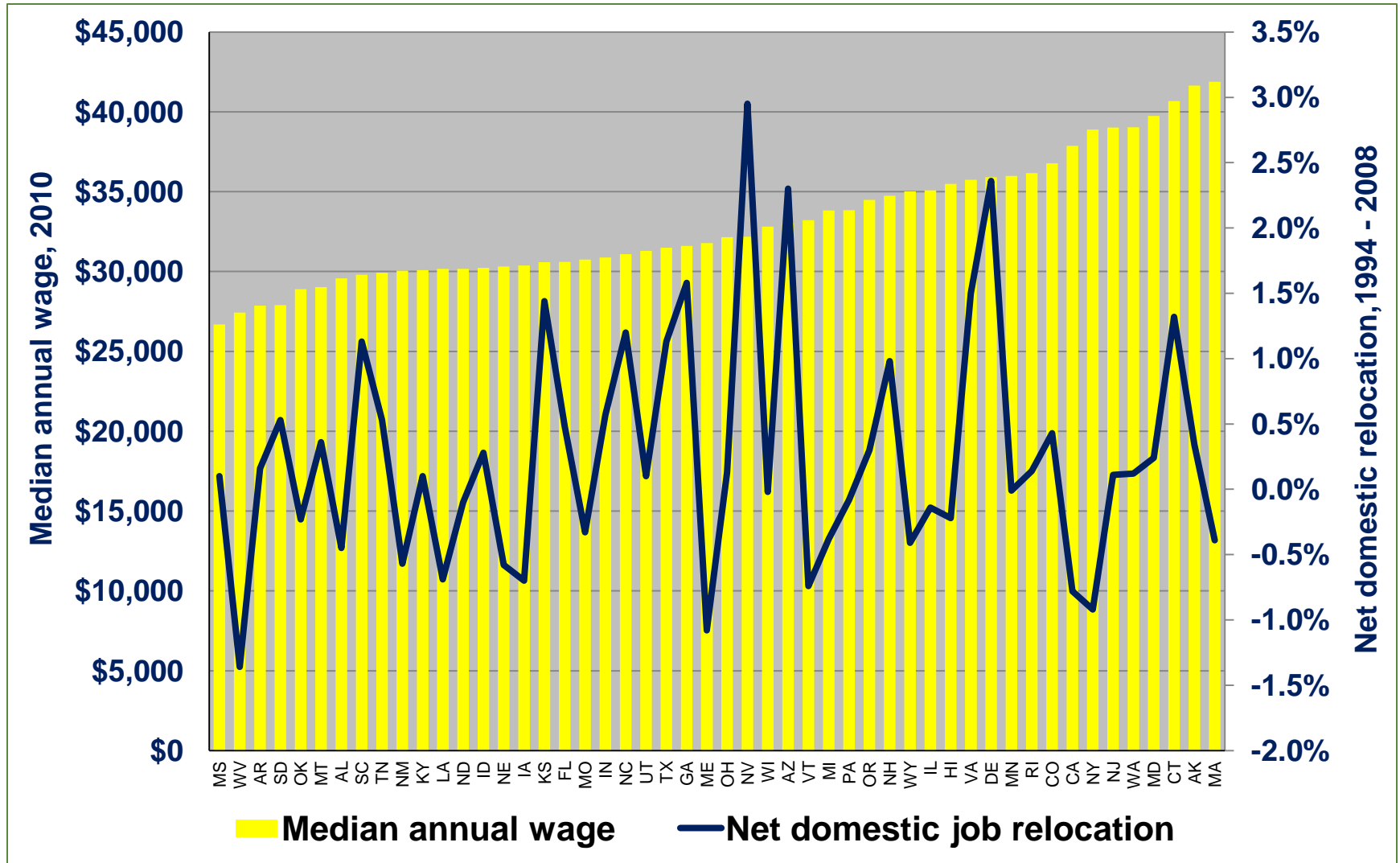
ASSUMPTION

**To be competitive,
we must moderate wage increases.**

FACT

**Downward pressure on wages
reduces disposable income,
encourages out-migration, and
increases demand for public assistance.**

No correlation between wages & domestic relocation.



We have been using taxpayer money to support development that:

excludes
rural, high
poverty
regions

rewards
businesses
for moving

forces
regions to
bid against
one
another

fails to
produce
jobs where they
are truly needed

How is wealth typically defined?



Governments usually consider wealth as net worth, i.e., the value of physical and financial assets minus liabilities.

Businesses may also consider the value of intellectual property, such as patents and copyrights, as part of their wealth.

These definitions all focus on marketable wealth, that can be measured with a monetary value.



Are these definitions sufficient?

The World Bank has estimated that “intangible capital” constitutes most of the capital of nations – esp. developed countries – accounting for most of the differences in economic performance.



What is wealth?



We define wealth broadly as the stock of all assets, net of liabilities, that can contribute to the well-being of an individual or group.

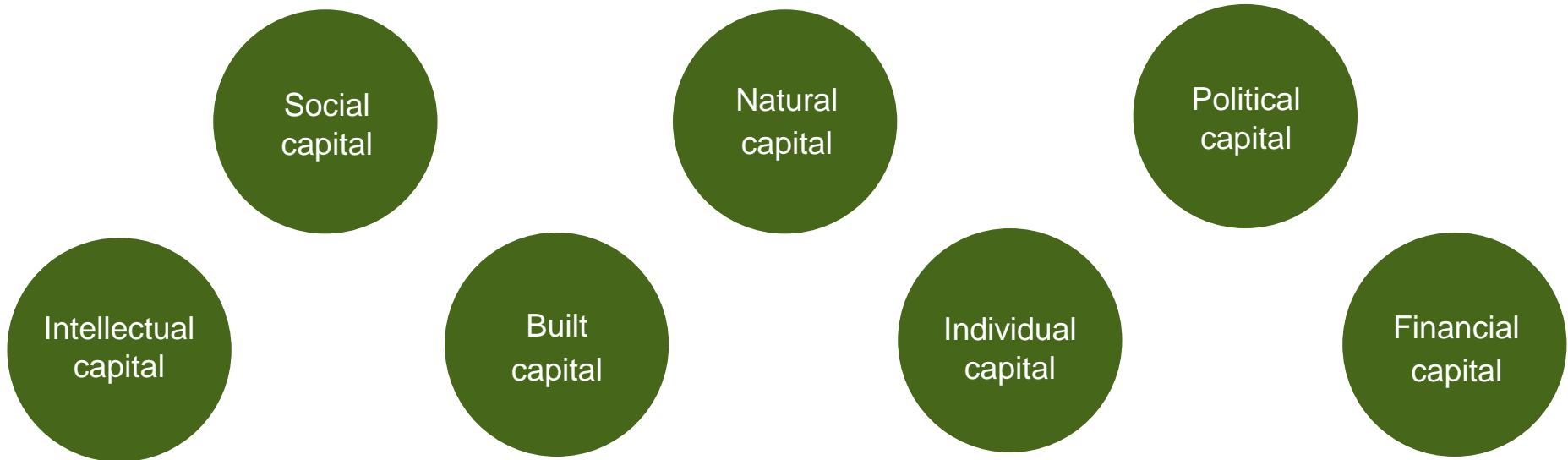
As a stock of assets, wealth is durable and can be accumulated or depleted through investment and consumption decisions.

Wealth stocks generate flows of goods and services (“income” or “earnings”) that contribute to well-being, though not all of these flows can be monetized.



What do we mean by “Wealth?”

Seven Forms of Wealth



Using the wealth creation approach means being intentional about creating wealth that sticks.



Understand the difference between wealth and income

Most economic development activity focuses on income (a flow) instead of on building wealth (a stock).



What is the Wealth Creation Approach?



The Wealth Creation approach provides a framework for creating wealth that is rooted in rural parts of larger regions, including those of persistent poverty, by using a systems approach to:

- ☀ intentionally connect people, resources, and markets;
- ☀ make investments that create multiple forms of wealth; and
- ☀ develop new models of local ownership and control of investments and returns.



What do we mean by a “Value Chain?”



A value chain is:

a business model based on shared economic, social, and environmental values, in which buyers, processors, producers and others work together for mutual benefit to create value in response to market demand.



Value Chains vs. Supply Chains



Traditional Supply Chain

- ☀ Chain starts with producer supply
- ☀ Measured by net income produced
- ☀ Everyone is in it for him/herself
- ☀ Power determines who gets paid how much for their role
- ☀ Participants try to pass on costs to others within or outside of chain
- ☀ Tries to influence policy to create advantage and maximize short-term income



Wealth Creation Value Chain

- ☀ Chain starts with consumer demand
- ☀ Measured by wealth created/retained
- ☀ Everyone is in it together
- ☀ Intentionally balances mutual benefit of all in chain
- ☀ All known costs are considered and addressed
- ☀ Tries to influence policy to level the playing field and maximize long-term and widely shared wealth



A wealth matrix for planning and evaluation

Type of Wealth	Interventions in Value Chains
Individual	How will your intervention impact the stock of skills and physical and mental healthiness of people in a region?
Social	How will your intervention impact the stock of trust, relationships, and networks that support civil society?
Intellectual	How will your intervention impact the stock of knowledge, innovation and creativity?
Natural	How will your intervention impact the stock of unimpaired environmental assets in a region?
Built	How will your intervention impact the stock of fully functioning constructed infrastructure?
Political	How will your intervention impact the stock of power and goodwill held by individuals, groups, and/or organizations?
Financial	How will your intervention impact the stock of unencumbered monetary assets at the individual and community level?



Guiding Principles of a Wealth Creation Approach

- ☀ Wealth is created and “sticks” in low wealth rural areas.
- ☀ Wealth is tied to place by value chains developed within sectors.
- ☀ Wealth-based development is demand driven.
- ☀ Measurement is integrated into the entire process.
- ☀ Investment fuels wealth creation.
- ☀ Strategically flexible while doing no harm.



Where are we working on the ground?



- ☀ Value chain construction with partners in **Central Appalachia**

Energy efficient housing, energy efficiency, food, forestry

- ☀ Value chain exploration and selected construction grants with partners in the **Alabama Black Belt and Mid-South**

Renewable energy, investment, forestry, food, community-based tourism

- ☀ Value chain exploration grants in the **Lower Rio Grande Valley region in Texas**

Green housing/neighborhoods, literacy



**Examples of investments that
maintain and enhance wealth.**

INTELLECTUAL CAPITAL

Small Business Innovation Research Program Results

National Research Council, 2005

(Survey of Phase II Awards 1992 - 2001)

- Of 1,701 respondents, 499 companies received at least one patent
- Those 499 firms received a total of 937 patents

- 772 firms published at least one peer-reviewed paper
- Those firms published a total of 2,882 peer-reviewed papers

- 790 firms reported sales
- 212 firms had sales of over \$1 million (35 > \$10 million)

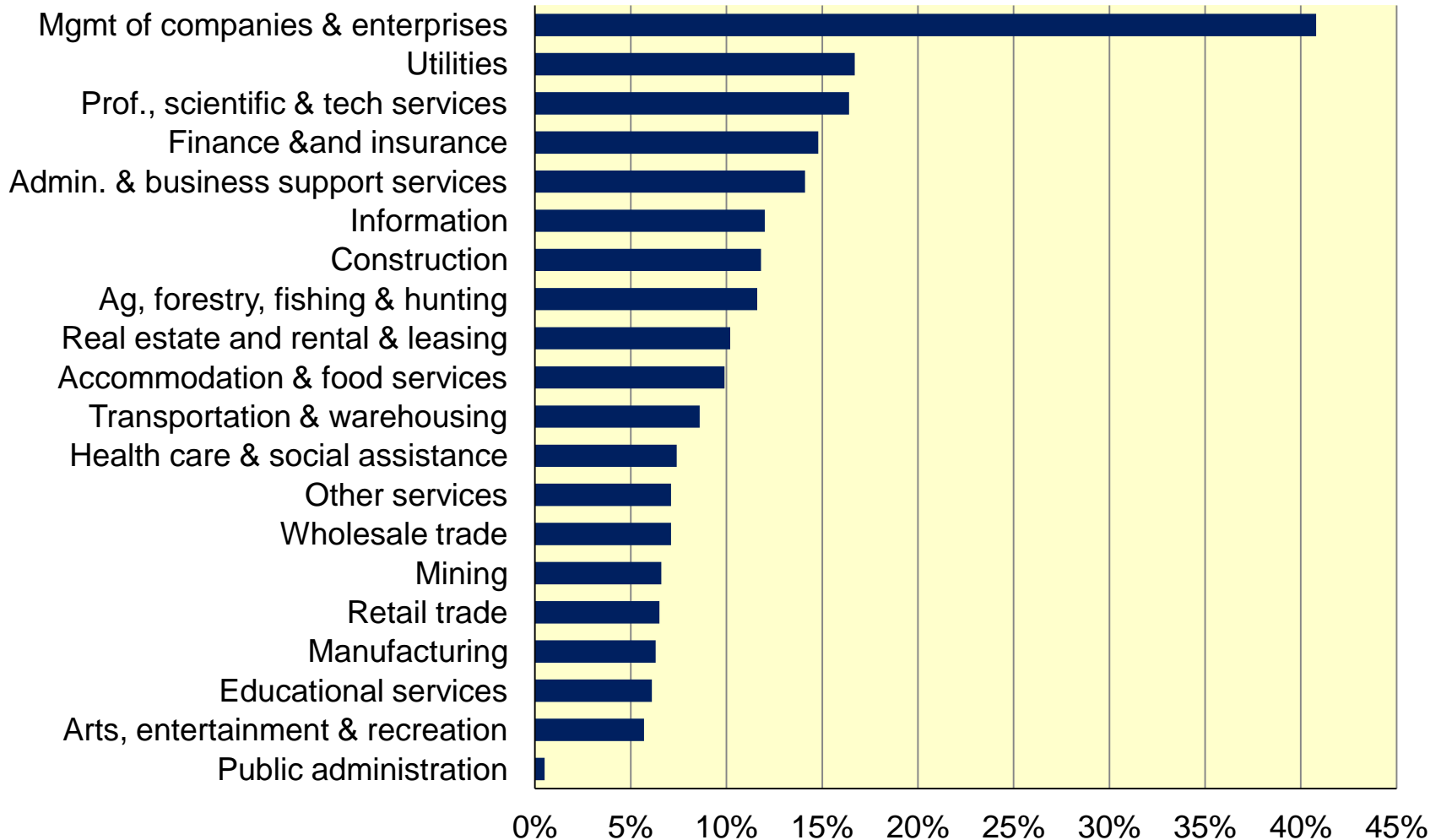
INDIVIDUAL CAPITAL

ROI from Wellness and Employee Health Programs

- **Johnson & Johnson**: Wellness programs saved \$250 million over the last decade (ROI of \$2.71 per dollar invested).
- **MD Anderson Cancer Center**: Hired a physician and nurse case manager for its employee health and well-being department. Within six years, lost work days dropped by 80% and workers' comp insurance premiums declined by 50%.
- **SAS**: On-site health care center generated \$1.41 in savings for every dollar invested.

BUILT CAPITAL

Employment change associated with increased broadband availability.



POLITICAL CAPITAL

Gay Marriage in Vermont

- In 1999 (after a long legal battle) the Vermont Supreme Court ruled that same-sex couples are “entitled...to the same benefits and protections afforded by Vermont law to married opposite-sex couples.”
- In 2000, the Legislature approved civil unions, which provided the same legal rights as marriage (a dozen legislators were defeated as a result).
- In 2009, the Legislature approved same sex marriage but the Governor vetoed the bill.
- The Legislature subsequently overrode the Governor’s veto by one vote (first time a governor’s veto was overridden in 19 years).
- Almost 9,000 civil unions were performed from 2000 – 2008.
- It was estimated that gay marriage would boost the state economy by \$30 million over three years.*

POLITICAL CAPITAL

Oregon defies conventional wisdom

Facing a \$727 million budget shortfall and additional cuts to public schools and other services, lawmakers in Oregon raised taxes on the wealthy and increased corporate taxes.

Opponents got sufficient signatures for a referendum but voters supported both Measures by wide margins. It was the first voter-approved statewide income tax increase since the 1930s.

BUILT CAPITAL

Life-Cycle Benefits of Green Building

Benefits to multiple forms of wealth:

- **Individual**: Improved health and productivity from natural light and better air quality.
- **Natural**: Reduced water consumption and less pollution from lower energy use.
- **Financial**: Decreased operating costs; savings from reductions in lost sick time; and greater productivity.

Financial Benefits of Green Buildings Per ft ²	
Category	20-Yr NPV
Energy value	\$5.79
Emissions value	\$1.18
Water value	\$0.51
Waste value (const. only 1 yr)	\$0.03
Commissioning O&M value	\$8.47
Productivity & Health value	\$55.33
Less Green Cost Premium	(\$4.00)
Total 20-yr NPV	\$67.31

Many investments can be intentionally structured to impact multiple forms of wealth at the same time without undermining any one to create another.

Examples of investments that produce benefits for multiple types of capital

INDIVIDUAL & FINANCIAL CAPITAL

Job training that works

- **Sector-focused training**: Participants earned 18% more than control group members and were more likely to work, work in jobs with higher wages and hold jobs that offer benefits.
- **Integrated Basic Education and Skills Training**: Participants are 56% more likely than regular adult education students to earn college credit and 26% more likely to earn a certificate or degree.
- **Open Standards Benchmarking Collaborative** (survey of 200 firms): Median revenue per employee:
 - \$137,931 -- Less than or equal to 5 days of training
 - \$210,380 -- Five days or more of training

INDIVIDUAL & FINANCIAL CAPITAL

Asset Building and Financial Literacy

New York City's **SaveNYC Account** helps low-income residents build savings. It offers a 50% match if they deposit a portion of their tax refunds or EITC into a special account and maintain the deposit for at least one year. Year 2 results:

- 2,200 low-income New Yorkers participated
- Savings total \$1.4 million
- Average savings = \$561
- 80% of participants saved for the full term, despite avg. income of \$17,900.
- 70% of participants maintained their accounts beyond their program term.
- 50% of participants had no savings prior to opening a *SaveNYC* Account.

INDIVIDUAL, SOCIAL & POLITICAL CAPITAL

Investments in education produce significant benefits

- A 1% increase in the high school completion rate would save as much as \$1.4 billion / year in **reduced costs from crime**.
- Greater educational attainment is correlated with positive health behaviors and **improved health outcomes**. Given the costs associated with bad outcomes, potential savings are huge.
- There is a strong relationship between educational attainment and voting. More education = **greater political participation**.

INTELLECTUAL & SOCIAL CAPITAL

Social and Economic Returns on Cultural Infrastructure Investments

Benefits to multiple forms of wealth from “artists space” development.

➤ **Financial / Economic**

- Promotion of creative clusters increases job opportunities
- Increase in the value of real estate

➤ **Built / Physical**

- Decreased blight / Animation of vacant property / Beautification of space
- Historic preservation of buildings

➤ **Social & Individual**

- Increased arts-based programming for residents and additional multipurpose space for use by community residents
- Youth development / Promotion of ethnic pride / Increased inter-generational interaction

POLITICAL CAPITAL & INDIVIDUAL CAPITAL

Medicare: A Half Century Battle

- Vigorous opposition by the AMA, insurance industry, and business groups prevented action until the mid-1960s
- By then, things had changed: only 1 in 4 elderly had adequate health insurance; the elderly population was growing, and health care costs kept rising
- Medicare was supported by Labor, the elderly, religious groups, etc.
- Ultimately, the 1964 Lyndon Johnson landslide allowed passage
- Today, 48 million people are Medicare beneficiaries. Ancillary benefits:
 - reduced morbidity & longer lives
 - less financial stress for low-income elderly citizens

NATURAL CAPITAL, INDIVIDUAL CAPITAL & FINANCIAL CAPITAL

Land conservation pays big dividends

Benefits to multiple forms of wealth from preserving natural areas and buying development rights from farmers

- **Agriculture**: Farmers stay on the land, reinvest, and transfer farms more affordably.
- **Attraction and retention of employers and workers**: Amenities matter.
- **Increased municipal revenues**: Natural areas increase the value of neighboring land.
- **Increased state revenues**: Tourism generates revenues.
- **Reduced costs to towns**: Open space costs less than the tax revenue it generates.
- **Environmental protection**: Preserving open space prevents encroachment on natural flood corridors, prevents development of unstable lands, and protects water supplies.
- **Education**: Natural areas provide learning laboratories for students.
- **Health**: Access to parks and increased physical activity improves the health and productivity of the workforce.

EPA's Air Toxics Rule

Health, Productivity & Financial Impacts

Lives saved (avoiding premature mortality)	6,800 - 17,000
Fewer cases of chronic bronchitis	4,500
Fewer non-fatal heart attacks	11,000
Fewer hospital & emergency room visits	12,200
Fewer cases of aggravated asthma	120,000
More work days (healthier workers)	850,000
Estimated cost of compliance	\$10.9 billion
Monetized value of health benefits associated with reduced exposure to fine particles	\$59 - \$140 billion

For more information

Please visit:

www.creatingruralwealth.org

and

<http://www.yellowwood.org/wealthcreation.aspx>

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