The Terry Group

For Immediate Release

New Report Argues Investing in Health Equity Is Essential for Business Success

Third Installment in Ongoing Series from The Terry Group Proposes Expanded ROI Framework to Better Capture Benefits of Health Equity Investments

CHICAGO, Ill. – Many health equity initiatives that would be both good for society and good for business fail to secure funding because the standard method that health-care organizations use to evaluate return on investment (ROI) is too focused on the near term and too narrow in scope to capture the full benefits, according to a new report from The Terry Group, a leading health and actuarial consulting firm. Health-care organizations, the report suggests, should instead adopt an expanded ROI framework that measures direct financial ROI over a longer time horizon while also factoring in the indirect and strategic benefits of investing in health equity.

The report, entitled *The Business Case for Investing in Health Equity*, was published as part of The Terry Group's ongoing *Health Equity Strategies* series, which examines ways in which the U.S. health-care system contributes to health inequity and suggests actionable solutions.

"Studies have consistently shown that the elimination of disparities in health outcomes could yield vast economic and social benefits in terms of lower health-care costs, longer and healthier lives, and increased productivity and living standards," said Munzoor Shaikh, EVP of Health Care for The Terry Group and co-author of the health equity series. "Yet for health-care organizations to make large-scale investments in health equity there also needs to be a compelling business case for doing so. Fortunately, there is one. Making it, however, will require organizations to move beyond standard ROI analysis, which can be more of an obstacle than an aid to sound business practice, and adopt an expanded ROI framework."

According to the report, the first step is to measure direct financial ROI over a three-to-five-year period instead of the usual one-year plan horizon.

"This does not mean that health-care organizations would necessarily have to wait that long to determine whether an initiative is meeting their ROI expectations," said Yi-Ling Lin, Head of Risk Analytics at The Terry Group and co-author of the health equity series. "Interim reviews should be made regularly to assess whether milestones are being met. What it does mean is that initiatives would not be immediately ruled out because they can't deliver an instant return. This is critical, since health equity initiatives may take time to reach critical mass, individual behavior may take time to change, and trust in the health-care system may take time to build."

The second step in building an expanded ROI framework, the report explains, is to look beyond the direct impact of health equity investments on health-care revenues and expenditures and to factor in the indirect benefits.

"Investing in health equity can enhance an organization's reputation in underserved communities, facilitate partnerships with community-based organizations, and increase employee engagement and productivity," said Richard Jackson, Senior Advisor at The Terry Group and co-author of the health equity series. "Although these benefits are to some extent qualitative, they can also create positive feedback loops that generate additional financial ROI."

The final step, according to the report, is to consider the strategic benefits of investing in health equity.

"As America's population becomes more diverse, society becomes more aware of and committed to addressing health inequities, and the health-care system moves inexorably toward value-based care (VBC) models, a commitment to investing in health equity will not only improve future business prospects but may even be necessary for business survival," Jackson said.

"Contrary to what is often assumed, there is no inherent conflict between the moral imperative of promoting health equity and the financial imperative of ensuring that business investments generate positive financial returns over time," said Shaikh. "In fact, the two imperatives are complementary. Adopting an expanded framework for evaluating ROI will make this clear and allow health-care organizations to reap the long-term benefits."

The Terry Group plans to continue publication of its issue briefs on health equity throughout the year. To download a copy of all published installments in the *Health Equity Strategies* series, please visit www.terrygroup.com.

About The Terry Group
The Terry Group is a health and actuarial consulting firm whose consultants and researchers help organizations navigate the complexities of health care, pensions, investments, and employee benefits. We are actuaries, clinicians, and experts in capital markets. We build models, analyze data, and provide expert testimony, working in partnership with our clients to help solve challenging problems and achieve their goals. Our deep experience, superior technical expertise, and passion for continuous learning are central to who we are. To learn more about The Terry Group, visit us at www.terrygroup.com.

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