

# SOCIAL IMPACT INVESTING

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Response to the consultation

February 2017

## ABOUT RESEARCH AUSTRALIA

Research Australia is an alliance of 160 members and supporters advocating for health and medical research in Australia. Research Australia's activities are funded by its members, donors and supporters from leading research organisations, academic institutions, philanthropy, community special interest groups, peak industry bodies, biotechnology and pharmaceutical companies, small businesses and corporate Australia. It reflects the views of its diverse membership and represents the interests of the broader community.

Research Australia's mission is to make health and medical research a higher priority for the nation. We have four goals that support this mission:

- A society that is well informed and values the benefits of health and medical research.
- Greater investment in health and medical research from all sources.
- Ensure Australia captures the benefits of health and medical research.
- Promote Australia's global position in health and medical research.

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# SOCIAL IMPACT INVESTING

## RESPONSE TO THE CONSULTATION

### Introduction

Research Australia welcomes the release of the discussion paper exploring ways to facilitate the growth of the Australian social impact investing market.

This submission specifically addresses the policy and service delivery areas that hold the most potential (Question 7), opportunities for collaboration with State Governments (Question 8) and the proposed four Principles for social impact investing (Question 11).

Research Australia proposes that the Government consider the potential for Social Impact Investing to address the well recognised problem of translating research outcomes and discoveries into practice in the health system as part of its deliberations. Specifically, Research Australia believes that Social Impact Investing could be an effective mechanism for funding and evaluating pilot projects and clinical trials designed to implement and evaluate new evidence based practices and interventions. The benefits of implementing successful new interventions include better population health, improved patient care, and efficiency gains in the Australian healthcare system. These provide quantifiable financial gains that make the funding of these measures amenable to Social Impact Investing.

While the Discussion Paper makes a reference to the Commonwealth Government as a provider of health services there is no explicit recognition or acknowledgment that measures that have a positive impact on health would be regarded as having positive social outcomes, and thus fit within the remit of Social Impact Investing. **Research Australia submits that this is the case, and that such measures should be explicitly acknowledged as being within the scope of the proposed social investing framework.**

# Responses to Specific Consultation Questions

## Question 7: What Australian Government policy or service delivery areas hold the most potential for social impact investing? Are there any specific opportunities you are aware of?

Australia undertakes world class health and medical research. This research frequently identifies new practices, treatments, drugs and devices (interventions) that have the potential to provide benefits that are superior to existing practice.

In the case of new drugs and devices there is often the potential for commercialisation of the research to create a product that can be sold. However, there are many interventions identified through research that are not suited to commercialisation because they do not have the potential to result in a product that can be manufactured and sold.

**Examples are improvements in treatment and diagnosis protocols, new applications for existing generic drugs and public health initiatives designed to prevent or reduce disease.**

While research may have demonstrated the benefits of the intervention in a controlled environment, achieving these benefits in a complex real world environment requires further work. This includes developing and implementing strategies to overcome resistance to change in the health workforce; integration of the intervention into existing systems, workflows and organisational structures; and providing appropriate training and education.

This work goes beyond the scope of most research, and typically requires a clinical trial or pilot program to be undertaken in a clinical setting with the joint involvement of clinical staff and researchers. There is currently a gap in funding for such trials and pilots, and Social Impact Investing could be used to fund this gap in some cases and more importantly, enable the translational outcome that provides the greatest possible benefit to a community or society more broadly.

To be suitable, an intervention will need to provide a potential financial benefit. Many new interventions arising from research have the potential to improve population health, patient management, reduce adverse events and readmissions, and speed recovery. It is through improving the safety and quality of healthcare that many new interventions can lead to direct cost savings and efficiencies.

For example, a new treatment protocol that improves recovery from a condition will often result in either shorter bed stays or reduced readmissions. Programs that prevent diseases and/or promote earlier diagnosis similarly eliminate or reduce the need for future medical treatment and improve overall population health. These interventions have an identifiable cost and a potential identifiable saving in the reduction of other costs; this is a financial benefit that is measurable.

When an intervention has been successfully trialed in one site, it will have the proven capacity to be implemented on a broader scale, across all similar health care settings (hospital, primary care, rehabilitation, aged care, the target population for a public health initiative.) The further savings accrue to the provider of the health services which in many cases is the Commonwealth, or a State or Territory government.

## A specific example: improving bowel cancer screening

Bowel cancer or colorectal cancer occurs in the colon or rectum. It is the second most common cancer affecting men and women in Australia after non-melanoma skin cancer, with more than 14,000 people diagnosed each year. If detected early, the chance of successful treatment and long-term survival improves significantly.<sup>1</sup>

Bowel cancer screening has been shown to be effective in assisting the early diagnosis of bowel cancer. Early treatment of bowel cancer is more effective than later treatment, improving survival rates for individual patients and reducing the cost of treatment compared to patients whose cancer is detected at a later stage. For this reason, the Australian Government Department of Health currently provides a bowel cancer screening program to support early diagnosis and intervention.<sup>2</sup>

The success of early screening programs for bowel cancer depends in large part on the right people undergoing screening at the right time. Research undertaken in South Australia has identified groups within the target population with low participation rates and the reasons why participation rates in these groups are low.<sup>3</sup>

This information can be used to develop targeted promotional programs designed specifically to raise participation among these underrepresented target groups. A pilot/demonstration study to test these programs is the obvious next step, and could be funded via social impact funding.

Several features of such a pilot/demonstration study make it a suitable target for social impact investing:

- The research already undertaken has identified theoretically useful interventions to increase screening, but they need to be tested through a larger scale trial.
- The increased effectiveness of screening amongst target populations results in earlier interventions which improve the chance of successful treatment and long-term survival. Earlier treatment is generally simpler and less intensive than later treatment, resulting in reduced treatment costs.
- The effectiveness of the program to raise screening in target populations can be measured against past performance and/or screening levels in other populations, using data collected in relation to individuals undertaking screening. (A pilot could be in a specific geographic location.) This enables the financial impact of any new intervention to be quantified.

Internationally, Social Impact Investing is already being used to address health issues through interventions with the potential to lead to better health outcomes and reduce health costs. Examples include behavioural interventions with pre-diabetic patients in Israel, and a program to reduce hospital admissions for asthma among low income populations in California.<sup>4</sup>

<sup>1</sup> <http://www.cancer.org.au/about-cancer/early-detection/early-detection-factsheets/bowel-cancer.html>

<sup>2</sup> <http://www.health.gov.au/internet/screening/publishing.nsf/Content/bowel-screening-1>

<sup>3</sup> Javanparast S, Ward PR, Carter SM, Wilson CJ, Barriers to and facilitators of colorectal cancer screening in different population subgroups in Adelaide, South Australia, Medical Journal of Australia, 2012; 196: 521–523

<sup>4</sup> <http://www.socialfinance.org.il/social-impact-bonds/42/reducing-development-type-2-diabetes-in-high-risk-pre-diabetics>; <http://www.socialfinance.org.il/social-impact-bonds/25/asthma-usa>

## Question 8: Are there opportunities for the Australian Government to collaborate with State and Territory Governments to develop or support joint social impact investments?

Commonwealth, State and territory Governments are responsible for funding two thirds (67%) of Australia's total annual health expenditure of \$161.6 billion.<sup>5</sup> This includes the provision of public health measures (e.g. vaccination, breast and bowel cancer screening), funding for medications, subsidisation of consultations with medical practitioners and provision of hospital care.

Many interventions have the capacity to reduce the costs incurred by the Commonwealth as well as at the State and Territory level, and are delivered through services and programs administered by Commonwealth, State and/or Territory departments. This provides an opportunity for collaboration. The NSW Government has already shown an appetite for using social impact investing to address health issues, calling for proposals to better manage chronic health conditions and mental health hospitalisations.<sup>6</sup>

A national approach to Social Impact Investing provides the opportunity to trial and pilot an intervention concurrently across states and territories with a larger population sample than is possible with smaller, poorly funded local projects. This also avoids duplication of effort while testing the intervention in different jurisdictions. Once efficacy of the intervention has been established, its implementation as standard practice or as a new ongoing program can be more readily achieved nationally; resulting in higher impact outcomes in shorter times and enabling communities (and governments) to better reap the benefit.

## Question 11: We are seeking your feedback on the four proposed Principles for social impact investing.

Research Australia is broadly supportive of the proposed Principles for Social Investing. The following table provides an analysis of a typical health based intervention suitable for social investing against the four Principles outlined in the discussion paper.

Principle	Application to health interventions and trials
<p><b>1. Value for Money</b></p> <p>Social investments should only proceed when the expected benefits for the Australian Government outweigh the costs. Measurement of the social and or environmental outcome is a prerequisite to payment.</p> <p>1.1 Evidence is required to support likelihood of benefits and where they will accrue.</p> <p>1.2 The timing of benefits can vary considerably and must be considered, including the</p>	<p>The Government is a key provider of health services and has a strong interest in improving the safety, quality and efficiency of health services and improving population health.</p> <p>The need for the intervention will have been identified through prior formal research and the proposed intervention will have been identified as having the potential to provide benefits. The expected benefits can be formally modelled, using health economics.</p> <p>The methodology will be documented and designed to be replicable.</p>

<sup>5</sup> Australian Institute of Health and Welfare 2016. Health expenditure Australia 2014–15. Health and welfare expenditure series no. 57. Cat. no. HWE 67. Canberra: AIHW.

<sup>6</sup> <http://www.osii.nsw.gov.au/initiatives/requests-for-proposals/>

Principle	Application to health interventions and trials
<p>measurement of benefits after the intervention has expired.</p>	<p>The financial elements can be subject to audit.</p>
<p><b>2. Robust outcomes based measurement and evaluation</b>  Social investments should include outcomes-based measurement and a robust and transparent evaluation method to determine the investment's impact and efficiency.</p> <p>2.1 Structure of the investment needs to avoid 'cherry picking' and reflect the correct demographic</p> <p>2.2 Establish appropriate outcomes and the timeframe for measuring them.</p> <p>2.3 Robust and transparent evaluation methods.</p>	<p>The intervention will be specific to improving health care and will have measurable outcomes; e.g. bed days, increased participation in screening programs, higher vaccination rates.</p> <p>The health system already collects and reports high levels of data and has sophisticated databases that can be used to report outcomes and provide a basis for comparison (both historically at the site and with other similar 'control' sites.)</p> <p>Universities, reputable health and medical research organisations and public non-profit health service providers will be engaged in the design, conduct, monitoring and evaluation of the trial; this will be undertaken in accordance with formal methodologies and practices and proper experiential design to avoid sampling and other biases.</p> <p>The clinical trial/pilot program will be specifically designed to collect and evaluate the outcomes.</p>
<p><b>3. Fair sharing of risk and return</b>  3.1 Financial Risk  Capacity to strike an appropriate risk-return profile.</p> <p>3.2 Risk to the client group:</p> <ul style="list-style-type: none"> <li>• negative outcome</li> <li>• ineffective</li> <li>• discontinuance</li> <li>• continuing negative effect after discontinuance</li> </ul> <p>3.3 Other risks, including moral hazard and reputation risk</p>	<p>In addition to professional investors there is a range of individuals, organisations, and Public and Private Ancillary Funds with an existing financial interest in healthcare or a mission to improve healthcare that are potential investors.</p> <p>Initial research will already have been conducted on the identified area to identify interventions that are likely to succeed. Any intervention will be subject to scrutiny and approval by one or more Human Research Ethics Committees.</p>
<p><b>4. A deliverable and relevant social outcome</b>  4.1 An intervention likely to achieve social outcomes:</p> <ul style="list-style-type: none"> <li>• Provider's capacity</li> <li>• Government agencies' capacity</li> </ul> <p>4.2 A focus on outcomes that align with the Government's agenda</p>	<p>Universities, reputable health and medical research organisations and public non-profit health service providers will be engaged in the design, conduct, monitoring and evaluation of the trial. These organisations have substantial resources and expertise, and established protocols for participation in joint research activities, the conduct of trials and piloting of programs. Any intervention will be undertaken in accordance with formal methodologies and practices.</p>

## CONCLUSION

Social Impact investing provides an opportunity to test and develop new interventions in healthcare to the point where they are ready to be implemented across the healthcare system. The characteristics of many pilot projects and clinical trials needed to further develop new interventions are well suited to the Social Impact Investing model, and there are ample opportunities for new interventions.

Australia has significant capacities in the research, design, conduct and implementation of such interventions, but there is a current shortage of alternative funding sources for these activities. Social Impact investing provides the opportunity for direct investment where it is most needed..

These interventions can improve patient care and provide financial benefits to the Commonwealth, State and Territory Governments as the principal providers of healthcare. Social Impact Investing also provides an opportunity for Australia to make better use of its investment in health and medical research through the greater translation of research into practice within shorter timeframes.

Research Australia appreciates the opportunity to make this submission and would be pleased to provide further information or answer any questions that this submission may have raised or through its whole of sector membership, provide opportunities /fora for further discussions.

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