



## Philanthropy Can Unlock the Potential of U.S. Children's Hospitals

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Children's hospitals play a unique and critical role in healthcare that extends well beyond being child-friendly and family-centric. Children's hospitals provide access to highly specialized pediatric subspecialists, programs, and technology not found in adult, acute care facilities. Children's hospitals are also on the front line meeting the needs of medically complex children and addressing diseases and conditions unique to children. Yet, children's hospitals face financial ambiguity and vulnerability related to continued debate about potential government reimbursement cuts for Medicaid, the Children's Health Insurance Program (CHIP), and Disproportionate Share Hospital (DSH) payments. With children representing 48 percent of the 72 million individuals enrolled in Medicaid and CHIP, changes to these programs could create a funding cliff.<sup>1</sup> While the federal government committed to matching funds for CHIP through 2027, children's hospitals must seek alternative revenue sources to not

1 "December 2018 Medicaid & CHIP Enrollment Data Highlights" (available at [www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html](http://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html)).

### Key Board Takeaways

- Maximize the mission impact of charitable funds by positioning philanthropy as a strategic revenue source to support the children's hospital's most important endeavors rather than just using charitable gifts for the "extras."
- Recognize that today's donor investors want to know how you will measure and demonstrate the success of programs funded by philanthropy, so consider how you will evaluate progress at the outset.
- Select projects proactively and on an ongoing basis to be able to present specific funding opportunities to prospective donors—rather than just seeking money to allocate later.
- Prioritize relationship-based giving programs that engage those donors who have the affinity and ability to make significant gifts to the organization.
- Leverage the influence of directors who are optimally effective not only as connectors, storytellers, and stewards of gifts but also bring gravitas to inviting others to give.

only maintain financial viability but also to create the financial capacity to pursue growth and advancement.

### Maximizing Philanthropy Opportunities

Philanthropy—voluntary, charitable giving by individuals, foundations, and corporations—is a strategic, sustainable, high-ROI revenue source utilized by most children's hospitals. Children's hospitals have long benefitted by donors funding valuable "nice to haves" from playrooms packed with toys to child life specialists prepared with therapeutic distractions. Children's hospitals have also relied on philanthropy to expand and renovate facilities and

to purchase new clinical technology. However, donors are ready and willing to do more. To maximize the opportunity philanthropy presents, many children's hospitals can identify a broader range of strategically aligned priorities for investment, to maintain a keen focus on engaging donors with the ability to affect change and to engage allies who bring influence and credibility not replicated elsewhere in the organization.

Donors who make significant charitable gifts often view giving as a form of social impact investing; further, significant donors are likely to restrict the use of their gifts to a specific use. Therefore, progressive

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children's hospitals proactively identify a variety of initiatives aligned with the healthcare organization's strategic plans and aspirations for philanthropic investment—to include capital as well as programmatic initiatives to advance innovation, research, quality, safety, access, and more. To do this effectively, children's hospitals and their affiliated foundations or development offices must work closely together to surface strategic funding priorities that meet a range of criteria including donor appeal, adequate timeline to campaign, right-sized financial goals, and more. Further, organizations must determine how success will be quantitatively and qualitatively measured and expressed to demonstrate the impact of philanthropic investment on the lives of children. Hardwiring a deliberate approach to selecting and pressure-testing funding priorities on the front end and to demonstrating meaningful outcomes on the back end positions organizations to work more effectively with a new breed of donor investors who have an expansive vision for philanthropy.

Children's hospitals also have a compelling rationale to invite philanthropy for projects outside their four walls. As healthcare takes a broader view of factors driving health status, addressing social determinants of health—such as access to healthy food, stable housing, and education—in children can have lifelong implications. According to the National Center for Children in Poverty, 19 percent of children live in poverty and

another 22 percent live in low-income families, placing many squarely in the path of avoidable health risk.<sup>2</sup> Philanthropy can play a vital role in supporting population health initiatives that identify and address issues both specific to the child and systemic to the family environment in which she/he resides. Many healthcare foundations also take an active role in facilitating programmatic partnerships with other healthcare facilities, community non-profit agencies, and funders to create community-wide solutions to support a continuum of care.

Maximizing the opportunity philanthropy represents also calls for focus. Children's hospitals benefit from strong emotional appeal that drives broad-based community support. Simply, children's hospitals not only appeal to those who care about healthcare or who have had clinical care experiences but also to those who are moved by causes to safeguard and support children. This enables children's hospitals to create a "large tent" of community supporters participating through friends' groups, federated giving programs, and special events. However, progressive children's hospitals don't allow the advantage of broad appeal to become a distraction and recognize transformational giving still comes from a limited number of donors who can make outsized investment. Often, 90 percent of

2 Heather Koball and Yang Jiang, "Basic Facts about Low-Income Children," National Center for Children in Poverty, January 2018.

giving comes from 10 percent of donors. Thus, children's hospitals—like other healthcare facilities—must maintain a clear focus on identifying those donors who have the mission affinity, financial ability, and intention to make gifts of significance.

### Board Members as Advocates

As children's hospitals seek to develop and deepen partnerships with high-potential donor partners, they must harness the influence of community leadership volunteers serving on the children's hospital governing board and foundation board. Leadership volunteers are seen as objective advocates and bring significant credibility and influence when sharing the vision of the children's hospital and asking others to consider getting involved. Yet, many board members say they feel underprepared for or underinformed about this powerful role. Therefore, children's hospitals should seek to support the engagement of leaders as advocates, storytellers, connectors, solicitors, and stewards to leverage the gravitas of these valuable leaders. To be effective, leadership volunteers do not need to be well-versed in the process of solicitation but need to authentically share why they care about the children's hospital and why they deem its mission worthy of support.

Ultimately, as children's hospitals continue to navigate a challenging and ever-evolving financial landscape, philanthropy can provide vital resources to power their vision of potential and to ensure broad access to high-quality, specialized care for all children regardless of a family's ability to pay.

*The Governance Institute thanks Betsy Chapin Taylor, FAHP, President of Accordant Philanthropy, for contributing this article. She can be reached at [betsy@accordantphilanthropy.com](mailto:betsy@accordantphilanthropy.com).*