

New research and expert opinions in the area of hospital and health system governance.

# E-Briefings

## Investing in Philanthropy Is Investing in the Future

By Alice Ayres, M.B.A., President and CEO, Association for Healthcare Philanthropy

Much has been written about the dire financial situation of our nation's hospitals and health systems. Historically, hospitals have averaged a 1–3 percent margin. With the erosion of revenue from the loss of elective procedures and the increased costs associated with caring for COVID-19-positive patients, there are now predictions of \$1 trillion or more in losses nationwide. To stem the tide, many organizations have been forced to furlough or lay off staff at just the moment that the country needs hospitals and healthcare workers most.

With all of that as backdrop, hospital leadership is facing an even more urgent need to diversify to increase revenue right now and safeguard hospitals for the future. One tool in the toolbox must be a strong commitment to philanthropy. The revenue returns are significant:

- **Return on investment:** For every dollar invested in the philanthropy team and their work, the average return across the country is four dollars in revenue.

- **Revenue equivalency:** It takes an average of \$75 to \$100 in patient revenue to deliver the same net revenue as \$1 raised in charitable gifts. That means that hospitals would need \$75,000,000 in patient revenue to deliver the same net impact as \$1,000,000 in charitable giving.
- **Average funds raised:** The median amount raised by a hospital philanthropy team in the U.S. in a given year as reported by AHP's annual *Report on Giving* survey is \$7 million (which would translate to \$525–700 million in patient revenue).<sup>1</sup>

There have been many large donations made to charities by major donors, billionaires, and corporate foundations in the past several months. This follows the trend previously reported by *Giving USA*<sup>2</sup> of larger gifts by individual donors and corporations, but also underscores the dependence of the country's not-for-profits on fewer, larger donors. The pandemic has had varying effects on charitable sectors, with some seeing dramatic declines in charitable giving. AHP embarked on a study, which will be updated monthly, to look at healthcare fundraising results versus organization goals across

1 Association for Healthcare Philanthropy, *AHP 2019 Report on Giving for FY 2018: USA*.

2 "[Giving USA 2020: Charitable Giving Showed Solid Growth, Climbing to \\$449.64 Billion in 2019, One of the Highest Years for Giving on Record.](#)" June 16, 2020.

### Key Board Takeaways

Questions the board should ask of the Chief Philanthropy Officer include:

- Has the community continued to engage and give during the pandemic?
- What can I share with my own network about the hospital's response to the pandemic and how donations have helped?
- Are we mainly raising money for COVID-related work or for our more traditional needs?
- What messages can I share with my own network about the hospital's needs now?
- How can I help?



U.S. and Canadian hospitals.<sup>3</sup> We found that there was a significant increase in major gifts (defined as those greater than \$10,000) in the month of March, with a return to expected levels in April. Conversely, giving of less than \$10,000 (defined as annual gifts in our survey) rose versus expectations in April. Perhaps most interestingly, respondents reported that approximately one third of their gifts came from new donors across the March and April timeframes.

As a foundation board member or a member of the hospital board, how can you step in and help, especially given the current pandemic? There are several key things you can do to greatly increase the effectiveness of the organization's fundraising efforts.

With current donors:

1. **Communicate the mission:** You chose to serve on the board of your hospital or foundation because you believe in the mission of the organization. Now, more than ever, talk about the amazing work being done. Engage the community in how the hospital is responding to the pandemic, and what

<sup>3</sup> Association for Healthcare Philanthropy, [COVID-19 Benchmarking Study](#).

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- the organization's mission for the future looks like.
2. **Help with engagement:** Donors are eager for interaction right now, and many are also looking for information about the pandemic from a trusted resource like the hospital. Ask your philanthropy team and the executive team at the hospital what they want communicated and how.
  3. **Follow up with donors:** We have been fortunate to have numerous new community members step forward and donate cash, PPE, meals, and contribute in other ways. A thank you from board members with a story of the impact of the donation will mean a great deal to these new donors. Ask your philanthropy team to give you a list of donors to thank—those you know and those you don't.

With potential donors:

1. **Conduct a network analysis:** Review your contact list to find current and potential donors.

2. **Make introductions:** Reach out to the Chief Development Officer (Chief Philanthropy Officer, Executive Director of the Foundation) and discuss the list of possible donors to determine the best way to make an introduction.
3. **Review gift requests:** The "ask" of the donors will come from the appropriate team member, but you can make a real difference by reviewing proposals and providing context and anecdotal feedback on the donor in order to tailor the proposal to their unique situation.

While it may seem counter-intuitive in this time of crisis, now is the time to engage donors and ask them to invest or reinvest in your hospital's mission. Your commitment to this work is a key component to succeeding as a high-performing philanthropy organization. That work is critical to ensuring the long-term health of your hospital and securing the mission for the community.

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The Governance Institute thanks Alice Ayres, M.B.A., President and CEO, Association for Healthcare Philanthropy, for contributing this article. She can be reached at [alice@ahp.org](mailto:alice@ahp.org).

