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# Integrating Philanthropy and Strategy in a Growing Academic Health System

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# Integrating Philanthropy and Strategy in a Growing Academic Health System

## University of Michigan Health-West, Grand Rapids, MI

- **Jarrett K. Martus**, Chief of Staff to the CEO and Secretary, Board of Directors, University of Michigan Health-West
- **Greg Meyer**, Executive Vice President, Chief Community Officer, University of Michigan Health-West
- **Eric Barritt**, Senior Associate Vice President and Chief Development Officer, Michigan Medicine
- **Jennifer Edwards**, Senior Director of Development, Campaign, Prospect Development, and Top Donor Engagement, Michigan Medicine
- **Mary Bartlett**, Managing Director for Development Core Services and Operations, Michigan Medicine
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### Statement of Interest

Today's financial challenges facing most U.S. hospitals are requiring boards and senior leaders to pull out all the stops when it comes to expanding revenue and maintaining margins. This requires a strategic expansion of philanthropic efforts that enables healthcare organizations to build longer-term donor relationships, expand brand reputation across the market and potentially to new markets, and most importantly, put in place mechanisms to connect those philanthropic dollars to the strategic and mission-focused initiatives where the resources are most needed and can make the most impact.

Strategic partnerships and affiliations can help philanthropic efforts or make them more complex, especially if there are competing sides for the same donors. University of Michigan Health-West (UMHW), formerly MetroHealth, was able to leverage the university's fundraising machine to enhance philanthropy and benefit the hospital as well as the larger system, while maintaining its local foundation to continue its strong ties with the community.



**University of Michigan Health-West** is a non-profit, multi-specialty medical provider that is relentlessly advancing health to serve West Michigan as part of the state's top-ranked health system. Founded in Grand Rapids in 1942 by a group of osteopathic doctors, the organization today serves more than 250,000 patients annually at 30 locations across four counties, including a 208-bed teaching hospital in Wyoming, Michigan. More than 61,000 emergency patients are treated each year at the hospital, a Verified Level II Trauma Center, certified Comprehensive Stroke Center and accredited Chest Pain Center. Its physician-led medical group, University of Michigan Health Partners, drives excellence and convenient access to primary and specialty care, including the expertise of University of Michigan Health, consistently ranked among the nation's top academic medical centers. In addition to earning top grades for safety and quality, University of Michigan Health-West is consistently recognized as a leader in the use of technology and as an inclusive employer of choice. It supports the health and wellness of all in the community, offering free Live Healthy education programs as well as outreach clinics to underserved areas.

## The Aim

Seven years ago, MetroHealth became a wholly-owned subsidiary of Michigan Medicine at the University of Michigan via a member substitution relationship and the hospital's name was changed to University of Michigan Health-West. UMHW saw an opportunity to leverage the university's development office in Ann Arbor to expand donor relationships and philanthropy to West Michigan. Michigan Medicine is an umbrella organization that includes the university's medical school, its academic medical center in and around Ann Arbor, and a statewide network of care that includes a number of award-winning hospitals and health centers throughout Michigan, including UMHW (together, the academic medical center and statewide network of care are referred to as University of Michigan Health). The Michigan Medicine CEO is also Dean of the medical school and reports to the President of the university as Executive Vice President of Medical Affairs.

The university does not have a separate foundation but rather raises funds via a central development office. Michigan Medicine also has its own development office, which reports through its own leadership as well as that of the university: the Senior Associate Vice President and Chief Development Officer for Michigan Medicine reports to the university's Vice President of Development and the Michigan Medicine CEO.

Determining how the UMHW Foundation was going to function within this newly larger organization and coordinate development efforts became an important early step for the UMHW board and senior leaders. As a part of that function, they wanted to ensure they were approaching donors in the right way, and not eroding or "stealing" those who already had a donor relationship with the university. Another question became how to "count" the donations and which organization received credit for them. "Credit is important in this kind of story," explained Jarrett Martus, Chief of Staff and Secretary to the board of directors at UMHW.

## How It Works

Greg Meyer, Executive Vice President and Chief Community Officer at UMHW, worked previously at the university and thus had prior experience understanding the nuances of the university's philanthropic structure. He began in his current role in 2018, shortly before the hospital embarked on its effort to coordinate philanthropic efforts with the university. "We needed to create a process with our staff for donor tracking and reporting, access to donors, how to count gifts, and how to make it work the way the donors wanted it to."

The process to establish their current model took about two years. It was modeled after other independent institutions affiliated with the university including the University of Michigan Musical Society, which is separate from the school but with a structure that enables gifts to be counted within the university system.

"We also needed to engage the right level of stakeholders to help them understand our need to remain independent," Meyer said. He enlisted the help of a colleague whom he had gotten to know well while at the university: Eric Barritt, Senior Associate Vice President and Chief Development Officer at the Michigan Medicine Office of Development, who, along with Tom Baird, Vice President of Development for the university, created a process to count gifts to UMHW as part of the university's fundraising efforts without eroding the independence of the hospital foundation. "This is where Eric did a great job of getting both the gift processing and legal teams together to create a contract for us that made sense for both parties: 1) access to donor records, and 2) access to their research component," said Meyer.

This was a tremendous opportunity to enhance fundraising at UMHW. For starters, the internationally recognized name of the University of Michigan was now on the hospital building. During integration meetings with the university as a part of the affiliation process, one of the priorities was to determine how to integrate UMHW finances—and philanthropy—with the system. Those meetings were critical to signal to the university and to the UMHW Foundation on the need to collaborate. The UMHW board has prominent University of Michigan alumni who were advocating for this idea, emphasizing how it had the potential to benefit both organizations. "As the university goes into a new campaign, they have goals to reach," Meyer said. "When we raise money here, it now counts towards their goal. Our pitch on this side of the state is if you can give to your local institution and have great impact in your community, and are also recognized in Ann Arbor, it's a win-win." The threshold determined was \$100,000; any gift at or above that would be included in the system-level fundraising totals. Without this foundational collaboration, the two sides would essentially be competing against each other.

"Our intention early on was to come alongside the UMHW Foundation, to help them, share resources, and assist with onboarding," explained Jennifer Edwards, Senior Director of Development for Campaign, Prospect Development, and Top Donor Engagement at Michigan Medicine. "Greg Meyer used to work at the university, so he understands who we are and can effectively communicate the UMHW priorities, which are jointly agreed to between the UMHW President and CEO and our CEO." Edwards and the Michigan Medicine development team work to engage donors with those priorities. "We partner to amplify those efforts through our relationships, helping in any way we can. Communication is really important."



## **Donor Relationship Strategy**

As the development team looks forward to planning for the university and Michigan Medicine's next campaign, they now work in tandem establishing priorities that align with UMHW's. They help to leverage resources when they are on the west side of the state and talk to donors to increase interest.

"When you have potential donors giving in the seven and eight figures, there is a process for how to approach them," Meyer explained. "We may have a relationship with them already, but they might have traditionally been a big giver to the university. We had to educate our staff on the university fundraising processes and how we can work within them so donors would have the opportunity to support both entities."

A joint donor coordination policy helps to work through certain scenarios so that if someone is in the process of making a gift to one area, Michigan Medicine or UMHW wouldn't ask them for a gift at the same time. Instead, staff coordinates with the person who works with them most often to see if there is an opportunity or determine the right time to approach the donor. The donors ultimately decide if they want to continue the discussion.

There is a central understanding at Michigan Medicine that relationships with UMHW and its community are important, and this structure helps everyone involved determine when to amplify or de-emphasize the university relationship.

"We do have to challenge the university to do a better job of marketing," Meyer said. "In Michigan, the average person doesn't know how good the University of Michigan health system is. They don't know that it is in the top five in heart care or one of the best in breast cancer. But the doctors know it. So, the only time people hear about how good we are is if their doctor sends them to Ann Arbor. It's a huge marketing opportunity to have this care available in neighborhoods and communities across the state, not just Ann Arbor. Our leaders and the board are helping to deliver that message at a higher level."

## **Results**

Michigan Medicine has raised about \$200 million for the broader enterprise over the past year. Much of it goes to researching diseases, translating discoveries into clinical treatments, support for faculty and professorships, endowments, and scholarships for medical students and residency and fellowship programs. Gifts support 20 clinical departments, nine basic science departments, many specialty hospitals and programs, and priorities such as children and women's health, mental health, and health equity. University of Michigan Health is constructing a state-of-the-art, 264-bed hospital in Ann Arbor that is scheduled to open in fall 2025. It will be named in memory of philanthropists D. Dan and Betty Kahn in celebration of a \$50 million contribution from the D. Dan and Betty Kahn Foundation.

There are countless examples of how philanthropy benefits local communities including Grand Rapids. "We were the only city of our size in the country to have an open-heart program," said Martus. Comparing costs across parts of the state, they found that their cardiac care costs were higher than others. They opened a special program and hybrid OR with philanthropic funds. "We targeted 50 cases, and at our one-year anniversary earlier this month we had completed 120 cases," Martus said.

The higher volume enabled a decrease in costs for the region. The quality metrics rose above all national standards including discharge and mortality rates.

Other local activities include a scholarship program to fund an RN program at a local community college to help fill the workforce pipeline and expanding MRI and specialty access in the community—neighborhoods that lack capacity for service lines such as gastro-intestinal, or where there are long waits for endoscopy and colonoscopy. “This philanthropy relationship is allowing us to expand OR and clinical space at the community level,” Martus said.

## **Governance & Leadership Structure**

The system’s goal is to become more integrated down the road, to have broader statewide reach and broader community benefit. While the university has always served patients throughout the state via centers of excellence and regional institutes, having resources in Grand Rapids and West Michigan as part of the umbrella enables a greater statewide presence.

The foundation board within UMHW reports up to the hospital board, which ultimately approves the appointments to the foundation board. Bylaws stipulate two overlapping members to maintain continuity and communication between the boards on a regular basis. The foundation board serves a dual function: the governance responsibility to oversee the foundation as well as the relationship piece—staying connected with the local community and leaders.

Right now, there is not a lot of connection between the foundation board and the university; the development relationships live within the staff and the strategic priorities are shared back and forth via the staff. There are also a few members of the university development staff on the UMHW Foundation board, to enhance interconnectivity while maintaining independence. Barritt and other team members visit frequently to meet with the foundation board, attend events, maintain visibility into their process, and help allocate investments to various projects.

Travis Souza, Associate Chief Strategy Officer in the Department of Strategy at Michigan Medicine added, “We are working on how our governance process can be more aligned.” The levels of governance within the system now include:

- UMHW Foundation board
- Hospital boards
- Health system board
- University Board of Regents (publicly elected)

“Early on in our relationship we didn’t do significant realignment around governance and integration,” Souza said. “As we move forward, we are trying to be more intentional about aligning across the system including governance.”

These efforts have resulted in:

1. More coordination in terms of how information flows through governance processes.
2. More overlap of membership across the different boards to enable information flow in multiple directions.

“With the foundation board we have more synergy because now we are truly tying those priorities in both from the system level, educating our board, and then from there that information is being disseminated to the foundation board based on our strategic plan,” said Martus.

Goals going forward will be to help each of the local hospitals identify their fundraising priorities, what can be funded locally, what can be funded from the university or via debt, and then have conversations with donors to identify what initiatives can succeed through fundraising.

“We are most successful when our vision, mission, and strategies are clearly communicated and everyone is aware of where we are heading as an organization. It starts at the top, but having broad, organizational alignment and multi-directional communication are important in a complex organization.”

—Travis Souza

## Elevating Philanthropy Now

The academic health system must remain focused on all aspects of its tripartite mission: clinical care, research, and education. Clinical growth must support the research and education missions in addition to supporting the care needs of a population now covering most of the state. While it is a state institution, its reach is national and international to support sub-specialized training programs. “Our strategy for growth drives from all elements of our mission, and that growth requires strategic investments,” said Souza. “Translating that growth into our strategic capital needs, sources of funds must come from a lot of different places and philanthropy is one of those.” Health equity and capital are the fourth and fifth campaign areas, in addition to the tri-partite mission.

Meyer stressed the importance of philanthropy for non-profit health systems especially today, when so many hospitals are struggling to retain positive margins. “When your margin disappears, other investments go away too.” UMHW focused its foundation’s attention on providing capital funds to help open new service lines (one example of why they felt it was important to remain independent in their decision making regarding allocation of philanthropic dollars). “Philanthropy used to be an enhancement—now we are helping with budgetary priorities,” Meyer said.

“We made some capital commitments to UMHW with the member substitution [about \$40 million],” said Barritt. “Pre-COVID we were able to maintain a better margin; since COVID we have not been able to maintain the same level of margin. Government support has ended and COVID strained us in staffing, inflation, supply chain—higher prices for products we use every day to take care of patients. Vendors pass those costs onto us. On top of that, we are negotiating rates with payers years in advance and we haven’t had 9 percent inflation for 50 years.”



The consensus among these leaders is that there must be a bigger emphasis on philanthropy to maintain strong hospitals in local communities. It is becoming more essential to help stay on the cutting edge of research and patient care.

Souza cautioned, “Philanthropy has always been an important component, but it cannot alone be the solution to our problems. Our core operations need to be sustainable *and* we need to be strong in philanthropy—all of the above.”

“Ramping up philanthropic efforts will propel us into the future by opening up more opportunities for investment, especially around new and innovative projects,” added Martus. In sum, it is essential to enable fulfillment of the organization’s mission.

## Keys to Success

“This [foundation/strategy integration] was not an aspect of the merger we recognized as a benefit from the beginning,” said Martus. The university’s new President, Santa J. Ono, Ph.D., has done introduction events across the country targeting alumni and donors. He discusses the quality of health care the system is now able to extend to West Michigan. “Many large donors hear that message, and it is not to see [UMHW] as an underdog but really as a catalyst,” Martus explained. David Miller, M.D., M.P.H., President of University of Michigan Health and Executive Vice Dean for Clinical Affairs at the medical school, also educates donors about how the partnerships connect local care to Ann Arbor for complex care such as cancer surgery, which then coordinates with the follow-up care patients receive when they are back home. “We aren’t duplicating services but allowing patients to receive the care they need in their communities and even at home. We have cost-conscious and business-savvy donors who see that as a benefit,” said Martus.

One key to success is the simple fact that universities “just know how to do philanthropy,” Martus added. “We are tagging along on something that already has a strong headwind with loyal donors.”

Edwards emphasized the importance of having the right people to lead: “Greg and Eric are key. They bring together both Michigan Medicine and UMHW perspectives. They are willing and able partners with the bigger goal in mind.”

“The senior leadership at Michigan Medicine give us the flexibility and latitude to work things out at the level of implementation,” added Mary Bartlett, Managing Director for Development Core Services and Operations at Michigan Medicine. “Challenges relate back to system integration. The leadership gives us the support we need to get to those important next steps.”

The final key to success is having a clear and strong purpose. “This is significant—we are completely committed,” said Bartlett. “Knowing we impact lives makes a difference in how we feel about the work we do. We have several people who work with us because they have received care or a family member has received care. They want to give back and be part of the solution.”

“I grew up in a part of the state that did not have the university’s presence,” said Souza. “When I came to Ann Arbor the difference and impact of Michigan Medicine was notable. I feel a personal responsibility to help be a part of delivering that difference and impact to as many people across the state as possible. I am still moved by the individual stories from those communities.”