

Leveraging the Impact of Philanthropy through Strategic Project Selection

By Betsy Chapin Taylor, FAHP, Accordant

Healthcare organizations face historic financial fragility given a perfect storm of labor and supply cost increases alongside anemic volumes and reimbursements. Yet, a pressing need to invest in strategic capital and programmatic initiatives remains in order to maintain the physical plant, keep up with evolving medical technology, pursue growth opportunities, and more. Therefore, healthcare organizations must be increasingly judicious in how each dollar from all available sources is utilized to leverage impact.

Today, most health systems and hospitals proactively pursue philanthropy—voluntary, charitable giving from individuals, corporations, and foundations—as a low-risk, alternative revenue resource. Yet, many fail to use charitable revenue effectively. Too often, philanthropy is used to support “extras” and “nice to haves” rather than core, strategic priorities. However, that must change for board and executive leaders to capture the true potential of philanthropy.

Directing philanthropy to the highest and best strategic use begins with a change of philosophy. Simply, if the organization has a clear strategy, why would leadership ever choose to fund initiatives that fall outside that plan? With that in mind, charitable dollars should not be seen as “budget expansion” but as “budget offset.” This not only better meets the needs of the organization but also aligns with intentions of donors who wish to see their dollars directed to smart, strategic, high-impact initiatives. So, all potential charitable funding priorities should already be reflected in existing strategic plans, master facility plans, capital plans, operating budgets, and similar that have been endorsed by board and executive leadership.

Beyond identifying what is included in existing plans, board and executive leaders must recognize some funding priorities are more salable and will attract more donor investment. Donors generally prefer to invest in efforts that directly improve patient care; this means organizations should prioritize initiatives that elevate patient clinical outcomes and experience rather than basic replacements and infrastructure needs. Many donors seek to build upon areas of strength, so healthcare organizations

should also focus on opportunities within clinical service lines with demonstrated success, capability, and capacity. Donors also tend to fund projects that are relatable and understandable to them—so it is often easier to secure investment for areas like oncology, pediatrics, and cardiology that impact broad swaths of people in any community. However, it should also be noted many donors are not risk averse and are willing to make investments in bold initiatives that have the power to transform care—so organizations should not be reticent to bring forward innovative ideas.

There is also value to understanding “who” is giving. Particularly in adult, acute care hospitals, the vast majority of charitable giving comes from former patients and their family members who have experienced the organization’s mission in action. Further, patients consistently say their physician is the person with the most influence on their decision to give. Thus, there is value in considering which physician partners would be inclined and positioned to share the clinical and mission rationale for investment in their service line. When an organization has the choice between a project with a clinician champion or one that does not, the project with a champion is always better positioned for success.

Board and executive leaders can operationalize better selection of charitable funding priorities as a renewable source of competitive advantage. Successful organizations foster an agile and respectful collaboration between the community board and foundation board to harness the insights, influence, and objectives of both groups. Success also stems from having the right executive and clinical leaders to vet, prioritize, and green light potential projects and from using a quantitative approach that cuts through organizational red tape and politics. Organizations must commit to surfacing and prioritizing projects at least annually—though many run a selection process multiple times each year both to keep up with evolving opportunities and to ensure projects

Key Board Takeaways

- How can we create clear, consistent, and collaborative processes to pressure test and prioritize charitable funding priorities?
- In considering our organization’s strategic imperatives, what plans would likely move and motivate the investment of community donors?
- When we consider the healthcare organization’s areas of clinical strength, are there areas of excellence that donors would be more inclined to support?
- How can we collaborate more effectively with the foundation board or development council to identify potential funding priorities with adequate time for the identification and engagement of potential donors?
- Who are the physician and clinician leaders who are well positioned to be advocates and storytellers to share the case for support in their area of expertise?
- What priorities enable an appropriately sized financial goal that balances simultaneously being audacious and achievable?

have an ample runway for donor engagement and solicitation.

Once an organization implements strategic project selection, it is also the right time to narrow the number of decision makers who can access philanthropic funds. Too often, a large cadre of executives, directors, and managers have access to restricted charitable funds associated with their service line, department, or area of influence. This positions philanthropic funds as slush funds to pay for items and initiatives that often circumvent the due diligence of a normal budget process. If philanthropy is going to be a core revenue source to power the organization’s most important plans, it should be protected and cared for with the same level of thoughtful oversight as the organization’s operating income, investment income, or similar.

Hospitals and health systems have a significant opportunity to utilize philanthropy as a sustainable and growing revenue source to advance their most important plans. Therefore, it is essential for boards and executives to proactively identify, prioritize, and articulate the value of capital and programmatic initiatives that could benefit from philanthropic funding to advance the healthcare organization’s true vision of potential.

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