

AHP in the News
Hospitals line up for philanthropic booster shots
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by Scott Russell
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Nonprofit hospitals appear to be increasingly reliant on wealthy individuals and foundations for major building projects. As these big institutions look for large sums of money, that's probably not great news for other nonprofits trying to get in line for a philanthropic booster shot.

Hospitals have had foundations for years, but philanthropy used to fall in the "nice, but not necessary," category, said Mick Johnson, president of the Park Nicollet Foundation.

Hospital foundations used to raise money for support groups, chaplaincy programs or special events, said Johnson (who began working in the field in 1980 as Mercy Hospital's vice president of development.) That work has been changing. In the last three years Park Nicollet raised \$42 million in gifts and grants for two new buildings.

"We are going to have a new eating-disorders institute and a new cancer institute because we decided that philanthropy could make it happen," Johnson said. "We call it, 'Take it to the next level.'"

To explain hospital capital funding, Johnson uses the three-legged-stool metaphor. Historically, hospitals relied on two-legged support: revenue from third-party reimbursements and borrowing. Given the state of health care financing and financial markets, that's not enough. Philanthropy needs to be the third leg, he said.

As Johnson sees it, the real tipping point bringing philanthropy into health care is the baby-boom generation and its looming Medicare costs. With Medicare broken and need growing, "there is no capacity to financially deliver," he said.

"We definitely see [philanthropy] as a huge part of the future if we want to maintain and sustain the level of care that we have had," he said.

More requests

This post began with an informal conversation with Marina Lyon, vice president and director of the Pohlada Family Foundation. I asked her about trends.

"During my 18-year career in foundation work I have not seen anywhere near as many requests from health care as I have in the past 5 years — and from large health-care institutions," she said.

Lyon dug through her stats and found that in the past 5 years, the foundation gave six grants to hospitals, totaling almost \$7.5 million, more than one-quarter of all its capital grants.

There is no clear-cut date for when hospitals hit the philanthropy gas pedal. Johnson said the big players, such as the Mayo Clinic and Cleveland Clinic, have had major efforts for a long time. It's newer among metropolitan area hospitals.

Data is thin. The Minnesota Council on Foundations released a capital and endowment campaigns report earlier this year, the first one in a decade. The report included what larger nonprofits voluntarily reported, so it's only a partial picture.

The report said Minnesota health-care organizations had \$131 million in current capital/endowment campaigns, less than 10 percent of the total reported. A glance at the list of future campaigns shows health care with \$133 million in requests, more than 40 percent of the total (though probably not a reliable percentage, given the incomplete reporting.)

Capital and endowment campaigns on the drawing board include: \$50 million for Allina Health System's Center for Research, Innovation and Discovery; \$50 million for CentraCare Health System's new hospital wing; and \$20 million for Walker Methodist Foundation's renovations and service repositioning.

How such campaigns might affect other nonprofits' appeals is anyone's guess. Overall giving could increase -- or other grant requests could sit in the waiting room.

Allen Baumgarten, an independent consultant in the health-care industry, said the spurt of capital requests could reflect deferred projects. Hospitals struggled financially in the 1990s and didn't have the cash flow or balance sheets to support borrowing.

The building spurt also could reflect intra-hospital competition for the most lucrative lines of business, he said. Hospitals want to keep strong ties to the star specialists who bring in patients and revenue.

The thinking goes: "We want to make those doctors happy. And if it takes building a new surgery center or building a new cardiology center, we will make that investment."

Growth at HealthEast

HealthEast is wrapping up an \$81 million capital campaign for a new building at St. Joseph's Hospital. At least \$10.3 million, or more than 10 percent, will come from donations, said John Swanholm, system director of philanthropy for the HealthEast Foundation.

That's more than double the original target for donations, said Swanholm, who has been with HealthEast for five years, and focuses on individual giving.

The St. Joseph's project gives the hospital centralized heart care and neuroscience centers and an outpatient surgery and imaging center. It also provides a modern healing environment — including the private rooms patients are demanding.

Philanthropy is becoming essential to these capital campaigns rather than optional, Swanholm said. The foundation is at the table during planning stages. "We are looked to now as a significant source of funding."

HealthEast runs four hospitals: St. Joseph's, St. John's (Maplewood), Woodwinds (Woodbury) and Bethesda (St. Paul). Swanholm said the 125-year-old Bethesda has capital needs that will get attention in the near future. St. John's is looking at expansion. "We should know at the end of the month where it will go," he said.