Why Philanthropy Matters to Hospitals and Health Systems

The Association for Healthcare Philanthropy
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WHY PHILANTHROPY IS IMPORTANT TO HOSPITALS AND HEALTH SYSTEMS
Philanthropy - “the love of humankind” – is a critical, overlooked revenue stream that can impact financial and community transformation, and finance both capital and governmental institutional initiatives.

Benefits of a Focus on Philanthropy can be Seen Across the Organization and Community

**Financial**
- Philanthropy provides 4x ROI on average, creates an additional revenue stream, and is having an increasing impact on bond rating considerations.

**Individual**
- Philanthropy is an expression of gratitude from patients and families after receiving care and can reduce physician burnout through accepting that gratitude.

**Institutional**
- Philanthropy programs enable health systems to reinforce themselves as community leaders, communicating their vision and value in the community.
Philanthropy Delivers Positive Margin Benefits in Many Ways

For every dollar invested in the work of philanthropy, an average of $4 is returned in ROI

**MEDIAN VALUES FOR KEY METRICS**

<table>
<thead>
<tr>
<th></th>
<th>NFR</th>
<th>ROI</th>
<th>CTRD</th>
<th>FPDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Performers</td>
<td>$27.3M</td>
<td>$5.49</td>
<td>$0.18</td>
<td>$1.68M</td>
</tr>
<tr>
<td>All Institutions</td>
<td>$3.94M</td>
<td>$4.03</td>
<td>$0.25</td>
<td>$940k</td>
</tr>
</tbody>
</table>

Note:
- NFR: Net Fundraising Returns (Gross Funds Raised Production – Total Fundraising Expenses)
- ROI: Return on Investment (Gross Funds Raised Production/Total Fundraising Expenses)
- CTRD: Cost to Raise a Dollar (Total Fundraising Expenses/Gross Funds Raised Production)
- FPDE: Funds Raised per Direct FTE

Source: AHP 2018 Report on Giving Survey, USA

Moody’s and others now consider fundraising results in their rating assignments.

Consistently good results = better bond rating

$17 in Patient Revenue has the same net revenue impact as $1 in Philanthropic Revenue
BY THE NUMBERS
Gift generation is a marathon, not a sprint. Philanthropy is *not about us*, it’s about *them*.

**Key Takeaways**

*Gift generation takes time* (~18 months on average): philanthropy should be a part of every strategic planning conversation and the 3+ year vision so donor cultivation can be pursued accordingly.

*“Spend more to make more”: ROI isn’t immediate, but it is significant (4x). The more that health systems invest in philanthropy teams, the greater the benefit long-term, which can be sustained over time.*

<table>
<thead>
<tr>
<th>Gift Type</th>
<th>ROI Timeline</th>
<th>Average ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Gifts</td>
<td>0-1 Years</td>
<td>4.8</td>
</tr>
<tr>
<td><strong>Major Gifts</strong></td>
<td><strong>3-5 Years</strong></td>
<td><strong>15.3</strong></td>
</tr>
<tr>
<td>Planned Giving/Estate Planning</td>
<td>5-15 Years</td>
<td>11.6</td>
</tr>
</tbody>
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“By the Numbers: ROI Takes Time”

Gift generation is a marathon, not a sprint. Philanthropy is *not about us*, it’s about *them*.
Investing in Major Gifts allows your team to focus on the areas of highest ROI, but there are significant opportunities both in Annual Gifts, which are good for generating a pipeline of revenue in both Major Gifts and Planned Giving in addition to the annual revenue they bring in.

Teams need continual gift acquisition in order to feed the donor pipeline and integrate them into the Donor Pyramid.
A distinguishing factor of high-performing organizations is their prioritization of revenue from Major Gifts over that from Special Events.

### Production Returns: High Performers and All Institutions, FY 2017

<table>
<thead>
<tr>
<th>Gift Source</th>
<th>All</th>
<th>High Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Events</td>
<td>15.5%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Major Gifts</td>
<td>24.7%</td>
<td>31.8%</td>
</tr>
<tr>
<td>Annual Gifts</td>
<td>13.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Corporate and Foundation Gifts</td>
<td>25.8%</td>
<td>28.7%</td>
</tr>
<tr>
<td>Planned Giving</td>
<td>11.1%</td>
<td>13.5%</td>
</tr>
<tr>
<td>Government Grants</td>
<td>6.3%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Other Fundraising Gift Sources</td>
<td>15.8%</td>
<td>7.1%</td>
</tr>
</tbody>
</table>

High performers saw ~8% of revenue shift away from Special Events, almost all of which went to Major Gifts.

Average revenue per major gift for high performers sits at $127.5k, while special events revenue averages $3,775.

Major gifts are augmented when the Board taps into its network, engaging the community short- and long-term.
HEALTHCARE PHILANTHROPY AND HOSPITAL LEADERSHIP
The Board and C-Suite, with their broad understanding of organizational goals and challenges, are uniquely qualified to augment and extend the impact and reach of the Philanthropy team.

**Social Capital**

Leadership is uniquely positioned to successfully foster engagement of community donors because of the social capital associated with their diverse network of connections.

**Cooperation**

Leadership understands broad community needs and can direct resources and attention to:
- Clinical Integration
- CDO/CXO Relations
- Population Health

**Enfranchisement**

Members of leadership have personal relationships with donors and other executives, but approach topics and opportunities neutrally and objectively.
Network Analysis
Board members should review their contact list and provide a preliminary analysis of potential donors.

Gift Request Review
The “ask” of the donors will come from the appropriate team member, but Board Members should be given an opportunity to review any proposals and provide anecdotal feedback on the donor and any helpful, personal information.

CDO/Team Member Introductions
Upon completion of their network analysis, Board members should discuss potential opportunities with CDOs or the appropriate team member and make preliminary introductions.

Donor Follow-Up
The Board Member’s relationship with the donor is crucial and should not be forgotten throughout the cycle of the donor request. Board members will receive reminders from philanthropy team on prior outreach, and suggestions on additional, personal follow-up.

Network Analysis
Board members should review their contact list and provide a preliminary analysis of potential donors.

Donor Follow-Up
Healthcare Philanthropy and the C-Suite
How the Board can Help