

# MILLENNIUM GROWTH STRATEGIES

## for Health Care

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### Health Care Providers Receive \$6 Billion in Philanthropic Gifts

According to the AAFRC Trust for Philanthropy, charitable giving in the U.S. surpassed \$190 billion in 1999, growing by more than \$15 billion annually since 1997. Almost 10 percent (\$18 billion) went to the health sector. The Association for Healthcare Philanthropy reports that hospitals and health care providers received \$6 billion in 1999, up from \$5.7 billion in 1998 (approximately one-third of all health-related gifts).

### Growth and Revenue Opportunities: Fundraising

Philanthropic giving can offer much needed relief to not-for-profit health care providers urgently seeking ways to counter razor-thin or negative operating margins. However, the window of opportunity for capitalizing on this trend may be narrowing. A slower economy could stem the recent boom in giving that was fueled by a vibrant economy, strong stock market gains, and a tremendous accumulation of wealth in the late 1990s and early 2000.

Health care organizations must develop a more customized and resource intensive fundraising approach to meet the expectations of an increasingly sophisticated donor base. This type of approach requires a team of experienced development professionals supported by physicians, board members, and administrative leaders throughout the organization.

For most hospitals not in the midst of a major capital campaign, development is a relatively minor, somewhat peripheral activity. The \$18 billion donated to health-related organizations in 1999 represented less than 2 percent of the more than \$1 trillion spent on health care nationwide. The average general acute care hospital raises less than 1 percent of operating revenues through fundraising.

Some hospitals and health systems have been much more successful, raising 3 to 5 percent or more of operating revenues. Main Line Health in suburban Philadelphia raises nearly \$15 million per year on a \$500 million annual budget.

The University of Texas Southwestern Medical Center with an annual budget of \$680 million received \$32 million from foundation grants alone in 1999. Kingston Hospital (160 beds) in New York received foundation grants totaling \$11.7 million in 1999.

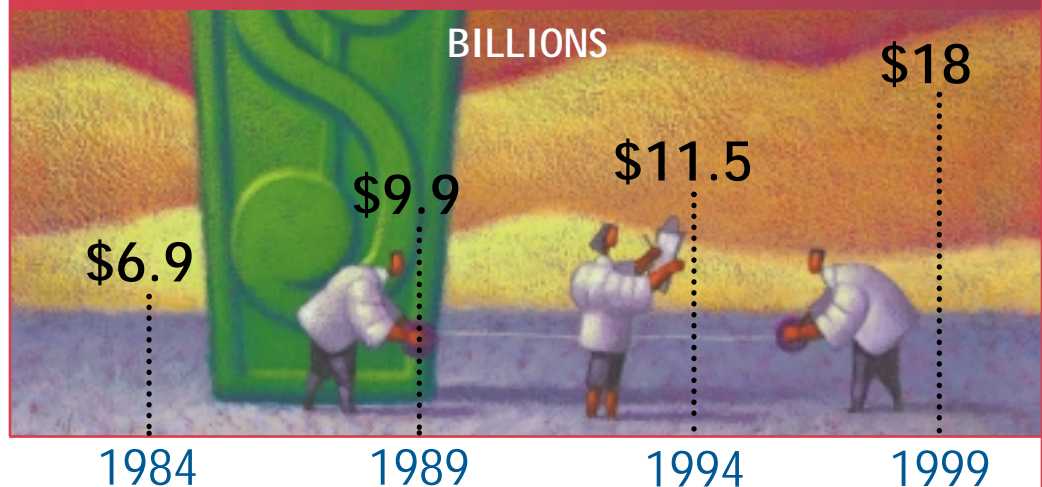
Leading health care fundraisers are pursuing aggressive development strategies that reach far beyond traditional fund drives and event-based fundraising such as golf outings, silent auctions, and galas. They are finding significant opportunities in major gifts, foundation support, and planned giving. Major gifts can come from individuals or corporations, are typically tied to program or facility development efforts (e.g., cancer center, Alzheimer's

program, health resource library), and are frequently accompanied by "naming opportunities."

While not-for-profits continue to receive nearly three-quarters of charitable donations from individuals, other sources, such as bequests, noncorporate foundations, and corporations and their foundations, have been increasing at double the rate of individual gifts in recent years.

The number of active grantmaking foundations increased from 22,000 to 47,000 between 1980 and 1998. Health care is one of the fastest growing sectors in foundation giving with a total dollar increase of nearly 25 percent in a single year (1998 to 1999). In 1997, the Moody

### Growth in Health-Related Philanthropy



Figures are rounded. Source: American Association of Fund Raising Counsel Trust for Philanthropy

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Foundation alone donated \$32 million to endow a head injury rehabilitation facility.

Health care organizations committed to devoting the necessary resources to develop a rigorous fundraising program should consider the following requirements for success:

- Ensure fundraising is ingrained into the day-to-day culture
- Involve physicians in development efforts
- Develop a strong case for fundraising that is tied to community need
- Be prepared to ask for big gifts
- Cultivate a large and diverse constituent base
- Coordinate development efforts to minimize duplication
- Invest in development infrastructure

### Holm Serves as ACHE Expert

During the month of May, Craig Holm will answer online questions on the "Ask the Expert" Message Board of the American College of Healthcare Executives (ACHE). ACHE affiliates may log on to the affiliates only section of [www.ache.org](http://www.ache.org) and send Holm questions about physician-health system partnerships. Nonaffiliates may contact Holm directly by e-mail at [cholm@hss-inc.com](mailto:cholm@hss-inc.com).



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