



LEVERAGING PHILANTHROPY AS AN ALTERNATIVE REVENUE SOURCE

Financial capacity has become the primary limiting factor on the progress of health care organizations. Nonprofit median hospital operating margins now hover around 2.1%—leaving most organizations with inadequate financial resources to advance investments in capital, clinical programs and community health impact initiatives.¹ To fulfill the organizational mission and to pursue competitive advantage, health care organizations must identify sustainable, low-risk, alternative revenue sources to power their plans.

Philanthropy could be a game changer for many health organizations. Yet,

despite heightening diligence around the use of other organizational financial resources, there is often little attention paid to using philanthropic dollars strategically. Many organizations cling to an outdated era when philanthropy was used

for value-added initiatives that were “nice to have”; but failing to proactively seek philanthropic investment for the health care organization’s core, strategic priorities squanders the potential impact of philanthropy.

Progressive organizations must bring Strategically Aligned Project Selection™ to center stage. Selecting optimal projects requires both diligent process and

“

...failing to proactively seek philanthropic investment for the health care organization’s core, strategic priorities squanders the potential impact of philanthropy.

inclusion of people with the right information and decision rights to make binding decisions. To drive success, **philanthropy executives** work hand-in-hand with a variety of stakeholders who bring unique knowledge and perspectives to uncover and explain high-value projects. **Health care executive and service line leadership** often provides initial information, since these leaders have a finger on the pulse of a changing health

“ Harnessing the insights of key stakeholders enables the organization to surface, pressure test and prioritize projects ideally suited for philanthropic funding.

care industry, shifting community demographics, the competitive landscape and more in order to articulate the organization’s strategic imperatives. **Physicians and clinicians** deeply understand the clinical implications of work and bring insights on what could be transformational or meaningful for patients. **Governing board members** illuminate the board’s vision for ensuring mission fulfillment and reflect the expectations of the community at large. **Foundation board members** are best attuned to the organization’s existing or potential relationships with donor partners. Harnessing the insights of key stakeholders enables the organization to surface, pressure test and prioritize projects ideally suited for philanthropic funding.

The philanthropy organization should never de facto set strategy for the health care organization by unilaterally identifying funding priorities. Philanthropy should only fund projects articulated by the organization in strategic plans, community health needs assessments (CHNAs), business development plans and similar documents.

Achieving strategic alignment not only leverages the financial value of philanthropy but also builds and affirms a compelling case for donor investment. Today’s impact-driven donors seek to invest in high priority projects with clear, specific and measurable outcomes. Donors also expect a meaningful return on their social investment, so it is incumbent on the health care organization to invite donors to be part of significant work

where gifts are directed to the highest and best use. However, leaders should embrace an expansive view of what philanthropy can fund; today’s savvy donors are not only interested in capital projects such as buildings or technology but also in clinical programs, community health impact initiatives, innovation and more.

Health care organization strategy and philanthropy are integrally connected when executed well. Without proactive and thoughtful project selection, fund development is effectively indifferent to enabling high value or low value initiatives. Organizations that fail to identify strategic projects and to articulate their value also suffer from a hollow case for support that limits their ability to attract significant donor investment. However, with Strategically Aligned Project Selection™, health organizations can enunciate a compelling vision of what the organization could achieve, foster outside donor interest and leverage the financial impact of philanthropy.

About the Author: Betsy Chapin Taylor, FAHP, is President of Accordant Philanthropy. She may be reached at Betsy@AccordantPhilanthropy.com.

¹ Becker’s Hospital CFO Report, Fitch: Nonprofit hospital margins improve for first time since 2016, Alia Paavola, September 4, 2019, <https://www.beckershospitalreview.com/finance/fitch-nonprofit-hospital-margins-improve-for-first-time-since-2016.html>