Forging an Infrastructure for System-Level Philanthropy

Six Insights System Chief Development Officers Can Use to Move Beyond Local-Only Fundraising
Despite abundant system integration, philanthropy remains local and diffuse.

In a trend toward increased integration, hospital systems are aligning assets, combining operations, and forging new brand identities, all for the sake of building a whole that’s greater than the sum of its parts. But what they’re not doing is fundraising for system-level priorities. Despite broader movements toward centralized development operations, at many systems—large and small, old and new—fundraising itself remains local.

And there’s good reason for that: community relationships and hospital ties matter to donors. But, by maintaining a solely local focus, system chief development officers (CDOs) miss critical advantages of systemness, including the ability to:

1. **Attract donors focused on systemic change.**
   Donors with the capacity to make transformational gifts often want their philanthropy to extend beyond their local community and create broader impact on important issues.

2. **Advance priorities that serve communities across the network.**
   By virtue of their scale and reach, systems can identify strategic priorities that impact the health of large and diverse populations in ways beyond the reach of individual hospitals.

This research briefing will outline six key insights to help system CDOs pursue a successful system-level philanthropy operation.
“How do you get gift officers, who have pledged allegiance to their local hospital and have fostered provincial thinking among their board, into a new context where there is a local identity while also emphasizing a collective identity and a system brand?”

Vice President of Development, Health System in the West
It’s time to stop thinking of philanthropy as a zero-sum game.

Though many system CDOs recognize the benefits of system-level fundraising, they are unsure how to move forward. Conflicting stakeholder priorities and decentralized reporting structures make organized collaboration between the system and its affiliate hospitals a challenging pursuit.

Some of the obstacles to fundraising at the system level:

- System-wide fundraising initiatives require a delicate balance between the system’s objectives and local hospital funding priorities
- Gift officers are protective of their local donor relationships
- Poor communication prevails between the system and affiliate hospitals
- Executive buy-in, especially at the local level, is difficult to achieve

Despite the many complications of fundraising at the system level, there is a way to generate philanthropy for system priorities without severing the ties between donors and their local hospitals or diminishing the success of affiliate sites. On the contrary, system-level philanthropy can be additive to local efforts, rather than competitive.

Read on for our insights on how to make system-level fundraising work for your organization. »
Align your team to the system’s vision.

It’s no simple task for the system CDO to communicate and operationalize a comprehensive philanthropy strategy across a network of hospitals.

Reorganizing reporting structures is the first step. To operate efficiently, system CDOs must have a level of formal influence over their affiliate partners. Once reporting structures are aligned, system CDOs can incentivize local participation in system-level fundraising through performance metrics and credit sharing. After settling the mechanics, make sure to effectively communicate the system’s initiatives to local development officers and resource them appropriately.
01 Drive strategy through system leadership

02 Reduce provinciality through crediting and incentives

03 Connect, educate, and resource your front line
Drive strategy through system leadership

Reporting structures can streamline or stifle system-level fundraising.

Hospital presidents report to system executives to ensure strategic continuity and accountability. So why don’t hospital CDOs report to system CDOs? Currently, many local CDOs report directly and exclusively to their hospital’s operating executive, cutting them off from system philanthropy leadership and limiting their strategic sight lines. This structure makes it difficult for system CDOs to set a unifying strategic agenda with their local counterparts.

To move in a more productive direction, local CDOs should report directly to their system CDO (or a regional CDO in large systems) while maintaining a dotted line to their hospital president. This structure will help system leaders set a strategic philanthropic vision and execute it through local channels. Maintaining a dotted-line reporting relationship to the hospital president ensures that local priorities remain a primary concern and enables local CDOs to balance system fundraising opportunities with local mandates.
Wile HealthCare* is galvanizing system philanthropy with a new leadership position and organizational structure.

Wile HealthCare, a 17-hospital system, is streamlining their philanthropy organizational structure under a new system chief philanthropy officer (CPO). The CPO will set a system-wide vision for philanthropy and provide top-down leadership, with regional vice presidents reporting directly to the CPO.

**EXCERPT**

*Job description for Wile HealthCare’s new CPO position emphasizes strategy and unity*

This individual is responsible for planning, developing, organizing, implementing, directing, and evaluating comprehensive philanthropy activities to ensure that all short- and long-term philanthropic objectives are fully achieved. The CPO will also promote a culture of philanthropy in which all members of the organization are fully equipped as ambassadors, embracing their roles as an integral part of Wile HealthCare’s development effort. The CPO will be an innovative thinker and a national leader in philanthropy.

* Pseudonym.
Reduce provinciality through crediting and incentives

High-capacity donors are pivotal to a gift officer’s performance and, as a result, affiliate-based gift officers are careful to protect the relationships they’ve cultivated. The source of their anxiety is clear: elevating a donor to the system level might subtract from their personal performance, not to mention their hospital’s own revenue, requiring that individual to develop new and potentially less valuable relationships.

Credit and incentives can ease these anxieties. Ultimately, affiliate hospitals and gift officers want recognition for their work and for their relationships. Assigning credit appropriately can assuage the tendency to guard donors and encourage gift officers to elevate their donors to the system level, when appropriate.

Consider incentivizing system-level fundraising among local affiliates by:

• Establishing a system-wide philanthropy goal and counting all affiliate revenue toward that goal

• Crediting money raised for the system back to the individual and the hospital development team where the gift originated

• Advanced option: Introducing system-level fundraising goals into the performance metrics of affiliate gift officers and development teams
MedStar encourages system-wide donor centricity with simplified gift crediting and goals.

MedStar Health, a 10-hospital system in the Baltimore-Washington region, prioritizes overall dollars raised for the system as the most important metric for an MGO’s success, rather than a hospital or individual goal. Accordingly, while gift officers are largely focused on the needs of specific affiliate hospitals, they are credited for everything they raise across the entire health system.

The result: At the end of the day, philanthropy is considered successful when the overall system’s goals are met, rather than those of a single entity. MedStar is able to remain donor-centric, because gift officers have the flexibility to align donor interests with projects and care sites across the system. The model complements MedStar’s long-range organizational plan, which focuses on their centers of excellence and system-centricity.
Connect, educate, and resource your front line

Open, frequent, and transparent communication between the system and affiliate hospitals is essential to foster a sense of shared commitment. Gift officers need to be well versed on system-wide initiatives and understand the strategy that their fundraising enables. A 360-degree view of system and local funding priorities will empower gift officers to operate at the intersection of efficiency and donor-centricity. Outfitted with a full menu of opportunities, development staff can connect donors to the most appropriate initiative, including bigger system priorities.

Regular newsletters, quarterly system-wide staff meetings (virtual or in-person), and toolkits related to system-level projects all serve to provide gift officers with vital information to use when planning and executing donor strategies.

MEMBERSHIP TIP

Interested in hosting a system-wide development staff retreat?

Consider inviting a Philanthropy Leadership Council expert to present on a topic of your choosing.
System-level fundraising toolkit and regular staff meetings drive system-local partnerships at Dignity Health.

Dignity Health is a large system, comprised of 39 hospitals, 31 separate foundations, and 900 board members. Despite the system’s size, Dignity’s system-level foundation team has achieved a strong relationship with its affiliates through consistent communication and education.

Affiliate CDOs attend quarterly meetings where the system CEO and system CDO present on system-wide initiatives. Affiliate CDOs are then responsible for communicating these strategies back to their respective teams. Additionally, employees across the 31 foundations attend an annual group conference for strategic briefings, educational workshops, and networking opportunities.

Dignity recognizes that fundraising for system-level opportunities, in addition to local priorities, can be burdensome to an affiliate’s workload. To alleviate that burden, they created a toolkit to help philanthropy officers solicit gifts for system priorities. The toolkit includes impact stories, data, sample proposals, example funders, and case statements related to a small menu of system-level priorities.

Access excerpts from Dignity Health’s toolkit for affiliate MGOs, with materials to use when soliciting for a system-level initiative: advisory.com/plc/systemlevelphilanthropy
In the increasingly consolidated health care landscape, fundraising that starts and ends at the local level can foster counterproductive competition between the system and affiliate hospitals. Fortunately, it doesn’t have to be this way. System-level fundraising can and should be additive to local efforts.

By identifying system funding priorities that exist above the fray and bypassing local donors entirely, anxieties surrounding donor sharing and fund distribution can be reduced. Further, making system-level funds available to affiliate hospitals will help offset any real or perceived losses they incur by participating in system-level fundraising.

Add to local efforts, don’t subtract.
04 Identify higher-order system funding priorities
05 Secure anchor gifts from alternative sources
06 Channel new system philanthropy to local needs
Identify higher-order system funding priorities

Systems are in a unique position to think outside the four walls of the hospital when identifying philanthropic priorities. A big-picture approach can help ease concerns about local conflicts while uniting stakeholders around common goals.

In addition to fundraising for operational or capital needs, systems should leverage their collective strength to pursue opportunities in population and community health initiatives. These opportunities represent important and noncompetitive projects that can elevate a system’s services at the local level and attract transformational gifts at the system level. By focusing on priorities that impact communities across the network, systems can fundraise for their affiliates—without choosing favorites.

Examples of System-Level Philanthropy Initiatives

- Concussion research
- Human trafficking prevention
- Mammograms for low-income populations
- Postpartum depression treatment
- Nurse examiner for sexual assaults
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MEMBER SPOTLIGHT

Legacy Health identifies an urgent, system-wide need for philanthropy to support behavioral health initiatives.

The seven hospitals of Legacy Health are facing similar challenges with behavioral health in their communities. Patients flooding the emergency room are not getting timely access to the right care. In response, Legacy launched a system-wide initiative to fund the Unity Center for Behavioral Health, a psychiatric emergency service for those experiencing a mental or behavioral health crisis.

Legacy identified a shared and urgent need when selecting Unity as a system-wide philanthropy effort. That system-wide need made it easy to get hospitals on board with the effort. Because each affiliate hospital is experiencing the same crisis, the initiative is easy to communicate, easy to understand, and easy to support. As a result, none of the Legacy hospitals viewed it as a competing priority since the service benefits them all.

Once the system CEO and governing board gave Unity the green light to proceed, the system CDO visited each hospital foundation board and president to discuss the project. The governing board’s approval and CEO’s support signaled high-level investment and—acting in their best interest—the seven affiliated hospital foundation boards and presidents aligned their goals accordingly.

Legacy’s system CDO usually manages system-level fundraising opportunities herself, but the scope of the Unity campaign required more hands on deck. Without the budget to hire a dedicated gift officer, Legacy’s CDO added the project to the purview of three existing fundraisers. Though other team members are encouraged to fundraise for Unity and receive credit accordingly, their primary responsibilities remain local.

The fundraising campaign has raised $41 million, which includes an early gift of $20 million from a single donor. The tremendous need for emergency psychiatric care, in addition to the lead gift, propelled this effort forward and inspired three competing health systems to join forces under one joint operating agreement. The Unity Center for Behavioral Health opened in February 2017.
Secure anchor gifts from alternative sources

While some existing donors to affiliate hospitals may be ready to fund system-level priorities, don’t neglect the opportunity that these higher-order initiatives create to access new sources of funding. Foundations, corporations, and individual donors looking to make a regional or national impact may have more alignment with system goals than they do with local projects.

Consider approaching these alternative sources to secure anchor gifts for system-level initiatives. Anchor gifts can set the tone for a system-level campaign. Pursuing anchor gifts from new donors allows systems to bypass local donor markets, generate early momentum for new projects, and attract the attention of other like-minded donors.
At Dignity, system-level initiatives lead to new donors with different goals.

Dignity Health operates 39 acute care hospitals and 250 ancillary care sites across three states. Its foundation raises funds for system-wide priorities without sourcing donors from local hospitals. Instead, they first look to foundations, corporations, board members, and other individuals who align closely with their system identity and goals. This approach allows Dignity to circumvent local anxieties about donor competition while building momentum for system-level projects.

Foundations and corporate grantmakers are good targets for new system priorities because they are often keenly interested in systemic and scalable initiatives. These investors anchor Dignity’s system-level fundraising efforts and provide a pool of supporters who are distinct from those of affiliate hospitals. To support their initiative to prevent human trafficking, Dignity hosted a “Human Kindness” gala last year, which unearthed warm prospects and promoted campaign awareness.

“The ultimate goal is to get big money at the system office to catalyze an initiative and then have it roll out at the local level.”

Nancy Bussani, Vice President of Philanthropy
Dignity Health Foundation
Channel new system philanthropy to local needs

Despite their best intentions, local fundraising teams may inevitably feel like their efforts are encroached upon by system-level initiatives. Whether this scenario is real or perceived, it undermines the trust that local fundraisers have in their system counterparts. To ease actual financial losses or counter misconceptions about the role of system-level fundraising, system offices should create channels to direct funds back to local hospitals.

Two Strategies for Channeling New System Philanthropy to Local Needs

**Option A**

1. System raises funds for a specific priority
2. Affiliate hospitals apply for system funds to advance local efforts related to that priority

**Option B**

1. System-wide annual fund generates unrestricted dollars
2. System makes discretionary distributions to local hospitals to cover immediate needs on an ad hoc basis
Elmer Health System* uses system-wide unrestricted fund to plug local gaps.

After announcing a system-wide fundraising initiative, Elmer, a 29-hospital system, received pushback from leaders at their affiliate hospitals. They were concerned that the system’s philanthropic agenda would direct funds away from local needs.

In response, the system CDO made resources available to local hospitals through Elmer’s Everyday Fund—an annual, unrestricted fund that raises roughly $1 million a year at the system level. The Everyday Fund is appealing in two ways. First, anyone can fundraise for it and anyone can benefit from it. Second, it’s an immediate resource for the system to tap when local hospitals have a need beyond their fundraising ability. Putting money back into local pockets enables the system to develop stronger relationships with their affiliates and maintain a level playing field.

Other systems with a centralized annual fund effort—or the capacity to add one—should consider a pathway to those resources for affiliate hospitals.

* Pseudonym.
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The Philanthropy Leadership Council helps leaders like you diagnose emerging challenges, identify proven solutions, and apply the latest developments in health care fundraising strategy. Through our dedicated research team’s rigorous study of leading organizations, we isolate the most valuable, actionable, and original insights for you and your team.

To learn more about our services, contact your relationship manager or visit us at advisory.com/plc.

Interested in more resources?

- **System Fundraising Integration Audit**
  
  This report provides an overview of the four predominant models of system-level fundraising and outlines the hallmarks of highly integrated development organizations. The report includes self-audits to help development leaders assess the level of integration within their own fundraising efforts.

  Download the full report at advisory.com/systemfundraisingintegrationaudit

- **Fulfilling the Donor Investor Mandate**

  Today’s donors are becoming more like investors, and health care donors are no exception. They increasingly make donation decisions with their heads instead of their hearts, and they hold non-profits accountable for results. This report provides best practices, tools, and customizable templates to help hospital and health system fundraisers satisfy the demands of these “donor investors.”

  Download the full report at advisory.com/plc/donorinvestormandate

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