

 OUR TAKE

How Covid-19 Will Impact Health System Philanthropy

Converting crisis-motivated giving to long-term support

Published - June 2020 • 10-min read

In just the first few weeks following the spread of the novel coronavirus in the United States, billions of charitable dollars were poured into solving the problem. From grassroots efforts on crowdfunding platforms to multimillion-dollar commitments from large foundations, the rapid philanthropic mobilization around Covid-19 has been impressive and perhaps unprecedented.

The data shows that hospitals and health systems are benefitting now from this surge in support, but it's not certain to last. Here's our assessment of what comes next, and why the hard work ahead is ultimately worth it.

Table of contents

The pre-Covid-19 reality	pg. 3
Our take	pg. 4
Four key implications	pg. 6
1: Covid-19 will draw many first-time donors, but it won't guarantee their ongoing support	pg. 7
2: Shifting public perception of hospitals and government will influence donor preferences.	pg. 8
3: Health systems need to articulate bold, creative roles for future donors.	pg. 10
4: Fundraising will require a new toolkit, even after the crisis	pg. 11
Parting thoughts	pg. 12
More takes on the post-Covid-19 world.	pg. 13
Related content	pg. 14

The pre-Covid-19 reality

For years, hospitals and health systems have been raising larger amounts of philanthropy in support of capital and programmatic investments. Private donations have played an indisputably valuable role in cushioning hospitals against poor margin performance and supporting the launch of new initiatives.

But, hospitals have been earning a decreasing share of philanthropy relative to the broader nonprofit health sector. For context, charitable giving to all health-related nonprofits in the U.S. grew by 23% between 2014 and 2018. Over the same period, giving to hospitals and health systems grew by only 12%.

There are many potential causes, such as frustration around rising individual health care costs, perceived corporatization of local hospitals, and media scrutiny around surprise billing. But all we can prove with the data is that hospitals have been struggling to attract health-focused donors.

The question now is whether this trend will reverse in light of health systems' critical role on the front lines of the Covid-19 crisis and their significant need for financial assistance.

Our take

Historical evidence is clear about what happens to philanthropy during times of economic crisis: it goes down. All U.S. donations dropped by 7.2% in 2008 and then another 8% in 2009. However, these precedents may not be helpful when an economic recession coincides with a global pandemic.

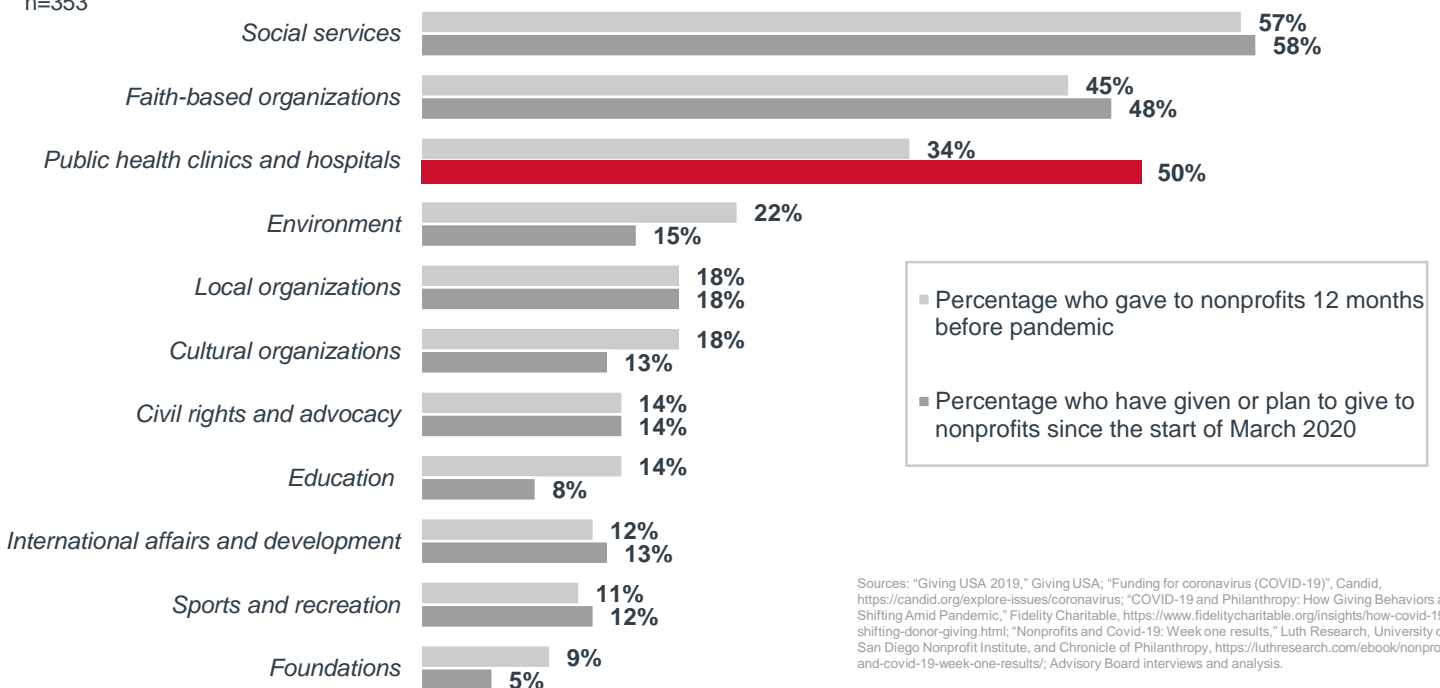
As of early June, [\\$7 billion](#) in grants had already been issued by U.S. donors in response to Covid-19, and a [Fidelity Charitable survey](#) from late March found that nearly 80% of individual donors plan to donate at least as much in 2020 as they did in 2019.

Will hospitals and health system benefit from this spike in generosity? Yes. [One recent survey](#) found that public health clinics and hospitals are the not-for-profits most likely to gain new supporters during this time. But that support must not be taken for granted.

Where donors give—before and after Covid-19

Past and planned support by organization type

n=353



Sources: "Giving USA 2019," Giving USA; "Funding for coronavirus (COVID-19)," Candid, <https://candid.org/explore-issues/coronavirus>; "COVID-19 and Philanthropy: How Giving Behaviors are Shifting Amid Pandemic," Fidelity Charitable, <https://www.fidelitycharitable.org/insights/how-covid-19-is-shifting-donor-giving.html>; "Nonprofits and Covid-19: Week one results," Luth Research, University of San Diego Nonprofit Institute, and Chronicle of Philanthropy, <https://luthresearch.com/ebook/nonprofits-and-covid-19-week-one-results/>; Advisory Board interviews and analysis.

The lasting impact of Covid-19 on hospital philanthropy is far from certain. We know from past crises that emergency donors are especially difficult to re-engage once the urgency subsides. We also know that near-term gains in hospital support could be offset by the combined impacts of further economic decline and delayed or cancelled fundraising activities. It's even possible that hospitals may find themselves further out of favor with donors once the final public narrative settles in. Negative reviews of hospital performance, the ongoing affordability crisis, problems with billing related to Covid-19, and concerns over unfair allocation of government relief funds could all weigh down donors' interest in future giving.

Nevertheless, health systems will have sizable financial wounds, due in large part to the cancellation of scheduled procedures. Philanthropy's high return on investment (nearing 5 to 1 at the median organization and surpassing 10 to 1 at high performers) cannot be overlooked by organizational leaders. But those same leaders will be sorely disappointed if they expect donors to translate—on their own—a case for crisis relief into a case for long-term financial restoration.

The typical health system can expect 5% to 20% of their fundraising revenue to be unrestricted in a given year. While those numbers may be higher in 2020 due to the urgency of your Covid-19 relief appeal, it is unlikely that donors will change their fundamental desire to restrict their gifts for specific purposes. Organizational leaders must offer restricted funding opportunities that cleanly align with the financial needs of the health system. And development professionals must approach loyal donors about re-allocating their commitments from less urgent priorities, like capital, toward more immediate needs.

Donors will be looking to be part of the solution to the problems exposed by Covid-19, but they will need to be convinced that health systems are worthy recipients of assistance. That work was worth doing before this crisis hit, and it is now more important than ever.

Four key implications

The swift and dramatic response by the philanthropic community to Covid-19 has several implications for hospitals and health systems. Below are four that will matter greatly.

01

IMPLICATION 1

Covid-19 will draw many first-time donors, but it won't guarantee their ongoing support

02

IMPLICATION 2

Shifting public perception of hospitals and government will influence donor preferences

03

IMPLICATION 3

Health systems need to articulate bold, creative roles for future donors

04

IMPLICATION 4

Fundraising will require a new toolkit, even after the crisis

01 Covid-19 will draw many first-time donors, but it won't guarantee their ongoing support

One health system in New York reported raising \$10 million for its Covid-19 response efforts in the first eight weeks following the statewide lockdown. Eighty percent of those donors were new to the organization. This outpouring of support, while striking, represents one of the core challenges to come.

The best precedent we have for how donors respond to an emergency – albeit a far from perfect one – is a natural disaster. When hurricanes and wildfires wreak havoc on communities, Americans respond by opening their checkbooks. [One study](#) found that 31% of U.S. households made a disaster-related donation in 2017. However, those donors tend to have very short-lasting allegiance to the nonprofits they select. The same study shows that in 2018 only 5% of households provided ongoing charitable support for disasters that had occurred the year prior.

The takeaway for hospitals and health systems is simple: spikes in giving during the Covid-19 crisis are unlikely to sustain themselves, and hard work lies ahead to regain a growth trajectory. One of the most difficult challenges hospital philanthropy teams will face is scoping the amount of time and strategic attention paid to retaining first-time donors. Some will be available for long-lasting support and relationship-building, and creative measures should be used to steward their partnership (think: personal thank-you notes from nurses). Many others will not renew their support. An over-investment in crisis-donors should not come at the expense of long-standing donors and those for whom the hospital aligns more centrally with their philanthropic goals.

02 Shifting public perception of hospitals and government will influence donor preferences

For new and existing donors alike, the attractiveness of giving to hospitals depends in large part on how the public looks back on the events unfolding now. If hospitals and health systems emerge as heroic and empathetic actors in the common narrative, that's going to help your case with donors. If the storyline is less favorable—you fail to protect your staff, take the blame for supply shortages, or appear to receive an [unfair share of government relief funding](#)—then you will likely earn less attention from health-focused philanthropists.

Early indications are favorable for hospitals. One public opinion poll found that 65% of Americans have a more positive view of hospitals and health systems because of how they've reacted to the crisis, and 88% approve of how they are responding to Covid-19. Clinicians continue to enjoy very high levels of trust and approval by the broader public.

There is also the question of what will happen to the public's views on health payment reform. One poll found that 41% of survey respondents said that the pandemic has made them more likely to support universal health care, in which all insurance is provided by the government.

America's status as the [most philanthropic nation](#) on earth is intricately linked to the limited role tax dollars play in providing for public services relative to other Western nations. If this crisis further pushes public opinion in favor of government-funded health care, for example, that might have a correlative dampening effect on personal donations to provider organizations.

Source: Morning Consult, "41% of Public More Likely to Support Universal Health Care Amid Pandemic," March 2020; "Coronavirus Response: Hospitals Rated Best, News Media Worst," March 25, 2020; "Most Americans are confident hospitals can handle the needs of the seriously ill during COVID-19 outbreak," Pew Research, March 26, 2020; "CAF World Giving Index: 10th edition," Charities Aid Foundation, October 2019; Advisory Board interviews and analysis.

2: SHIFTING PUBLIC PERCEPTION OF HOSPITALS AND GOVERNMENT WILL INFLUENCE DONOR PREFERENCES (CONT.)

While hospitals do not have full control over public perception, they do have control over their own storytelling. Donors need to see hospitals as valuable social investments. Leaders in philanthropy and across the organization must actively promote stories about the selflessness of clinicians, the generosity of local community members and businesses, the ingenuity of supply chain managers, and other cornerstones of the organization's Covid-19 response. Consider ideas such as virtual town halls, local media op-eds, and digital impact stories.

03 Health systems need to articulate bold, creative roles for future donors

In addition to proactive storytelling, hospital leaders can influence the impact of post-Covid-19 philanthropy with the funding opportunities they present to donors. Philanthropists rarely want to use their resources to cover operating losses—or just to keep your lights on. They want their gifts to build and create change, to make a measurable impact on their communities. While your organization's financial needs are acute, they won't necessarily resonate with donors after the immediate health crisis has subsided. Instead, you must make a case for support that is rooted in a vision for a better health system and show donors how they'll be instrumental in making that vision come to be.

Each health system will need to identify for itself what those opportunities are, but it is likely that Covid-19 will illuminate powerful new opportunities to support virtual access to care, create inflection points in social determinants of health, design new approaches to disaster-preparedness, and more. These are the concepts that will be most energizing to your newly acquired crisis-donors, provide the strongest counterbalance to shifting attitudes around government's role in health care, and best position your organization to capture charitable revenue for months and years to come.

04 Fundraising will require a new toolkit, even after the crisis

Strong funding priorities will be necessary for future fundraising success, but they won't be sufficient. Development leaders and their teams will also need to build a new toolkit for performing their functions at a high level.

Why? Most significant, the return to normalcy will be slow across all facets of society. Only 1 in 5 Americans say they're ready to resume their pre-Covid-19 routines today. Many individuals will think twice about going to large, in-person events—including fundraising galas—for a long time to come. Donors whose age puts them at high risk may not be interested in seeing development officers face to face, or touring a hospital, until an effective vaccine is widely available.

That's to say nothing of the fact that prior fundraising goals and forecasts for the next one to two years are now unreliable. Or that current campaigns may seem out of alignment with the environment by the time standard fundraising activities resume. For instance, if digital health transformation and behavioral health weren't campaign priorities before, should they be now?

Some modifications are a given, and are already being used successfully. For instance, video visits with donors are a more-than-adequate stand-in for in-person visits. Other ideas are being tested. While virtual happy hours might not be for everyone, online town halls are likely to provide the type of access and engagement that funders desire. And there are plenty of other tactics that haven't yet been discovered.

The organizations that innovate their philanthropy strategy today will find themselves with a stronger footing in the emerging new normal. Institutional leadership must take active roles in facilitating that innovation.

Source: McCarthy, J. "Americans Differ Greatly in Readiness to Return to Normal," Gallup, <https://news.gallup.com/poll/309578/americans-differ-greatly-readiness-return-normal.aspx>, April 2020; Advisory Board interviews and analysis.

Parting thoughts

The Covid-19 crisis is creating a philanthropic opportunity for providers—but capturing it depends on the actions they take.

Questions for hospitals and health systems:

1. Reflect on the highs and lows of your organization's preparedness in dealing with the current crisis—its assets and its liabilities. Where among the highs and lows do you see the best opportunities for philanthropy to help the system become stronger in the future?
2. Your donors are in the process of developing perceptions of your organizational response to the crisis. How can your philanthropy team and other institutional leaders help to shape those donor perceptions? What story do you want to make sure you're telling the market as it continues to unfold?
3. What are the top modifications your development strategy needs to make in this era, such as virtual donor engagement and crowdfunding? Of those changes, which are opportunities to create lasting innovations that will deliver benefits beyond the crisis?

More takes on the post-Covid-19 world

For more takes on how Covid-19 is reshaping the future of the U.S. health care industry, please visit www.advisory.com/covid-19impact

How will Covid-19 impact...



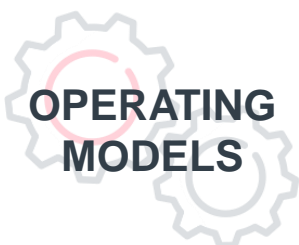
- + ...the health status of the U.S.?
- + ...telehealth?
- + ...behavioral health?
- + ...senior care?



- + ...payer enrollment mix?
- + ...employers' health benefits strategies?
- + ...the government's role in health care?
- + ...the future of value-based care?











- + ...disruptive market entrants?
- + ...public perception of the industry?
- + ...health system philanthropy?
- + ...the health care innovation pipeline?



- + ..."systemness" efforts?
- + ...capacity expectations?
- + ...the structure of the U.S. supply chain?
- + ...the future of the clinical workforce?

Related content

-  EXPERT INSIGHT
Guidance to hospital philanthropy teams regarding Covid-19
[Read now](#)
-  EXPERT INSIGHT
Q&A: How Bridgeport Hospital Foundation is communicating with donors, and raising needed funds, during the Covid-19 crisis
[Read now](#)
-  EXPERT INSIGHT
Key observations about initial Covid-19 response funds
[Read now](#)
-  EXPERT INSIGHT
How the CARES Act will – and won't – impact charitable giving
[Read now](#)
-  RESEARCH REPORT
How to earn donors in a market that's leaving hospitals behind
[Read now](#)
-  EXPERT INSIGHT
The data is clear: hospitals should fundraise during Covid-19
[Read now](#)
-  EXPERT INSIGHT
8 ways to strengthen your hospital's culture of philanthropy during Covid-19
[Read now](#)
-  EXPERT INSIGHT
Hospital philanthropy teams: seize the virtual mandate of Covid-19
[Read now](#)

Project director

Nick Cericola

cericoln@advisory.com
202-568-7242

Research team

Katie Everts

Dan Galambos

Helen Liu

Rasika Tangutoori

Program leadership

Rob Lazerow

LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



655 New York Avenue NW, Washington DC 20001
202-266-5600 | [advisory.com](https://www.advisory.com)