

 **OUR TAKE**

for health care philanthropy professionals

How Generational Change Will Upend Donor Strategy

Navigating shifting demographics in health care philanthropy

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Baby boomers occupy a central place in hospital fundraising strategy, but younger generations are bringing new opportunities and threats. An estimated \$68 trillion wealth transfer, new care utilization patterns, and shifting societal views will disrupt health care philanthropy in the coming years. The time has come for philanthropy leaders to prepare more aggressively for this inevitable generational change.

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What is generational change?

We define generational change as the continuous evolution of societal attitudes, behaviors, and wealth characteristics caused by the aging of the adult population.

To learn more about each generation's wealth accumulation, care utilization, and giving preferences as they relate to health care, visit the cheat sheets linked below:

- [Baby boomers](#) are individuals born between 1946 and 1964
- [Generation X](#) are individuals born between 1965 and 1980
- [Millennials](#) are individuals born between 1981 and 1996

The conventional wisdom

Health system development leaders acknowledge that they are more effective at engaging baby boomer donors than younger generations. Advisory Board asked a group of leaders to provide a numerical assessment of their performance:



DATA SPOTLIGHT

On a scale of 1 to 5, how effectively does your organization engage with the following generations?

4.2

Baby Boomers

3.3

Generation X

2.1

Millennials

This is no surprise, given that the conventional wisdom among development leaders is that baby boomers are the most well suited for a valuable philanthropic partnership. For example, 73% of health care fundraisers identify baby boomer patients as the most likely to become donors out of all adult generations.

To their credit, philanthropy professionals recognize a generational shift is underway. While a majority of development leaders identify baby boomers as the most important to their success in 2020, they predict Generation X will be the most important in 2025, and millennials will be the most important in 2030.

Even though most philanthropy leaders understand the importance of eventually developing a strategy to engage younger generations, they continue to rely on a playbook that exposes them to vulnerabilities later. They also misjudge the urgency around making changes today. Not only has the Covid-19 pandemic accelerated the need to craft a more diverse engagement toolkit, but many “next generation” donor opportunities are already hiding in plain sight.

Our take

As the population ages, generational differences are going to transform the health care industry. They will disrupt the way modern health systems structure and operate themselves, and they will disrupt the way health systems raise philanthropy. Many fundraising programs are ill-prepared for those disruptions over the long term, which will lead to significant weaknesses in the donor pipeline. What's more, most development professionals don't appreciate the opportunities to engage younger donors that are already available today.

For example, Advisory Board's Patient Gratitude [survey](#) found that Generation X and millennials exhibit the most philanthropic affinity following a care experience, double the rate of baby boomers. We also know that young people today are intricately woven into the philanthropic behaviors of their elders, and vice versa. Consider the children who make care decisions on behalf of their parents. We know from data that children of patients are much more likely to develop philanthropic affinity than patients themselves. And that doesn't even account for the multi-generational estate planning and family giving that are occurring now.

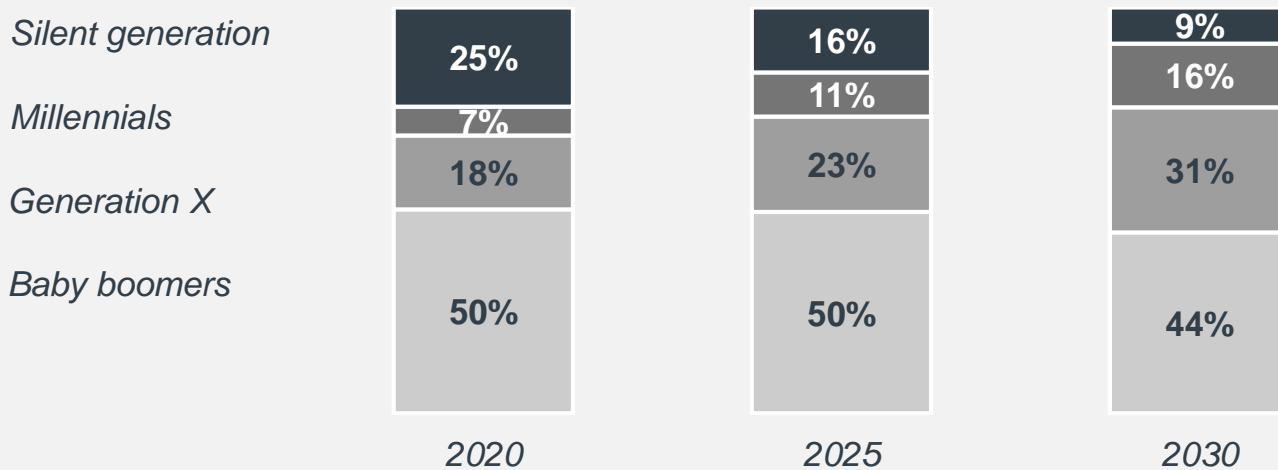
Hospitals and health systems are missing near-term opportunities to engage younger supporters, but those losses are largely masked by successes with older generations. Across the coming years, that may no longer be the case. Shifting wealth, health care utilization patterns, and societal views will affect the charitable preferences and behaviors of younger generations as they enter into their prime giving years. Without a better plan to anticipate these changes and their impacts, development teams will see damage to their pipelines.

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While baby boomers will continue to hold the most wealth this decade, the significant wealth accumulation by Generation X and millennials cannot be ignored. It is estimated that \$68 trillion in wealth will be transferred among generations across the next 25 years. Generation X alone will gain \$32 trillion of that share. In fact, by 2030, Deloitte predicts that Generation X will double their current share of total wealth in the United States. Cerulli Associates consulting firm estimates that Generation X will overcome baby boomers in wealth by 2041.

Estimated generational share of net household wealth

By percentage of total in the U.S.



Beyond the wealth transfer, younger generations will also fundamentally change the health care industry’s product portfolio by demanding health care outside of traditional care settings. Generation X and millennials prefer fast and convenient care, a significant driver of ongoing site-of-care shifts (outpatient revenue was already at 95% of inpatient revenue in 2019). A telehealth revolution that was slow to proceed before the Covid-19 pandemic has gone into full swing. Likely more than 1 billion telehealth visits will occur in the U.S. in 2020 alone.

Sources: "The future of wealth in the United States," Deloitte Center for Financial Services, 2015; "The Neglected Generation," Cerulli Associates, 2019; "The outpatient shift continues: Outpatient revenue now 95% of inpatient revenue, new report reveals," Advisory Board Daily Briefing, 2019; "Healthcare Predictions 2020: Virtual Care Visits Will Soar To More Than 1 Billion In The US," Forrester Research, 2020; Advisory Board interviews and analysis.



OUR TAKE

Shifts in societal views are also promising further disruption in health policy. Younger generations tend to favor more government involvement in health care. One public opinion [poll](#) by Morning Consult and Politico found that 63% of millennials support a Medicare-for-all health care system, compared to just 44% of baby boomers.

Covid-19 has made well-understood societal shifts even more apparent, and more urgent. Care patterns shifted almost overnight. The pandemic has accelerated better understanding of intractable issues related to social determinants of health, health equity, and more. The moment to respond to emerging generational preferences no longer exists in an abstract future; it is upon us now.

Unfortunately, hospital and health system development teams remain nearsighted in their focus on engaging baby boomers. The tactics they continue to use—while successful so far—leave them vulnerable as generational change takes hold.

Three key vulnerabilities

The effects of generational change illuminate areas where philanthropy leaders need to revamp current strategies. Below are three key vulnerabilities in health care development strategy that leaders must address.

01 **VULNERABILITY 1**
Prospect identification strategies aren't looking for young people

02 **VULNERABILITY 2**
Funding priorities are slow to encompass causes important to younger generations

03 **VULNERABILITY 3**
Engagement strategies aren't meeting the mandate to be fast, impactful, and digital

In the following pages, we'll look at these vulnerabilities in greater detail while pointing toward solutions.

01 Prospect identification strategies aren't looking for young people

Popular prospect identification strategies favor baby boomers and miss Generation X and millennial opportunities. As a result, development staff are perpetuating the current pipeline while delaying the necessary steps to engage new donors. There are three ways this happens:

Physician referrals of grateful patients

Current state: Inpatient, high-acuity patients

Future state: Addition of outpatients, telehealth patients, and family members

Most grateful patient referral programs focus attention on inpatient admissions, overlooking the younger generations, who are much more likely to use retail clinics, urgent care sites, and telehealth. An Advisory Board [consumer survey](#) found that 37% of millennials used a virtual care visit during the Covid-19 pandemic, as compared to only 23% of baby boomers. Consider coaching physicians who see patients at alternate care sites—including virtual care—about recognizing and responding to expressions of gratitude.

Development professionals should also encourage providers to pay attention to gratitude from family members, who often develop a greater level of philanthropic interest than patients themselves. These family members frequently make decisions on a patient's care, and they are disproportionately Generation X or millennials. Examples include: spouses, children of older patients, and parents of pediatric patients.



1. PROSPECT IDENTIFICATION STRATEGIES AREN'T LOOKING FOR YOUNG PEOPLE

Foundation board referrals of donor prospects

Current state: Long-standing donors, elder community members

Future state: Addition of new donors, rising young community members

Volunteer leaders are a great resource for identifying potential donors, but it's inevitable that peers will refer peers. Most foundation boards are ill-equipped to refer younger donor prospects due to a lack of youthful representation on foundation boards themselves. In fact, health nonprofit boards are among the oldest, with only 13.6% of board members under the age of 40. Boards should be diversified in a number of ways, including age, to expand the universe of potential supporters as the generational shift unfolds.

Wealth screening of patient census

Current state: Inpatient census

Future state: Addition of alternate care sites

Traditional wealth screening focuses predominantly on the inpatient census, despite site-of-care shifts that have been ongoing for some time. By focusing on inpatients, development teams miss younger patients who use alternative care sites. In addition, they miss grateful family members, who are disproportionately young relative to the actual patient population. Consider screening select outpatients and telehealth users.

02 Funding priorities are slow to encompass causes important to younger generations

Younger generations reflect different backgrounds and experiences than previous generations, and those differences influence their philanthropic goals. Hospitals and health systems need to present a case for support that meets the emerging priorities and expectations of younger donors.

Funding priorities

Current health care funding priorities focus on capital projects, technology, and research. However, younger generations are cause-driven and are less likely to invest in institution-centric needs than previous generations. Their priorities include, but are not limited to, social determinants of health and health equity. A Fidelity Charitable [report](#) found that millennials are passionate about social issues and civil liberties. Hospital philanthropy leaders report similar observations, arguing that issues like access to care resonate more with Generation X and millennials than capital projects.



Millennials and Gen X are cause-oriented, focused on community health and social determinants. Boomers are more institution-oriented; they are more likely to personally connect and trust in institutions and their leadership.

Kate Konzen, *Development Officer*
IU Health Foundation



2. FUNDING PRIORITIES ARE SLOW TO ENCOMPASS CAUSES IMPORTANT TO YOUNGER GENERATIONS

Impact reporting

A Blackbaud [report](#) shows that younger generations are particularly concerned about the impact of their donations. Yet because younger generations are not often included in hospital major gift portfolios, they do not receive the same rich and detailed impact reporting that high-end donors are familiar with. If they receive anything at all, it is likely an annual report or non-specific program update.

Hospitals and health systems must continue to explore novel approaches to providing differentiating information about the specific ways philanthropy makes a difference. Young people in particular conduct their due diligence online and through social media, so it will be beneficial to offer digital and bite-sized examples of impact through web channels.

03 Engagement strategies aren't meeting the mandate to be fast, impactful, and digital

The engagement tactics that most health care development professionals use today are “good enough” while baby boomers remain a central focus, but Generation X and millennials will demand changes. The table below outlines the key challenges associated with prevailing approaches, and offers guiding questions for modifying your strategy.


Engagement Tactic	Challenge	Questions to consider
<i>Direct mail</i>	To maintain cost-efficiency, foundations often impose age floors on their outreach, which cut younger prospects out. Young people often prefer digital channels over print.	<ul style="list-style-type: none"> • Do direct mail lists need to be expanded? • Is email a better way to reach younger prospects? • What is the social media strategy?
<i>Events</i>	Timing and nature of events do not appeal to younger cohorts, who tend to be busier and more selective with participation. Covid-19 has forced major changes to event strategies.	<ul style="list-style-type: none"> • Do fundraising events have a focus on specific causes and impact? • Can events be hosted virtually or at more accessible times for young attendees?
<i>Volunteerism</i>	Foundations lack meaningful volunteer opportunities beyond their boards.	<ul style="list-style-type: none"> • What volunteer opportunities are offered throughout the broader health system? • Which departments would prove to be good partners?

Parting thoughts

Philanthropy leaders must begin to tackle the challenges created by generational change now, even while existing strategies focused on older donors seem sufficient. Covid-19 has accelerated several inevitable trends, and your future pipeline depends on a proactive engagement strategy. Every hospital and health system will need to reconcile the philanthropic consequences of generational change with their own market dynamics, and our team is here to help.

To create a sustainable and effective fundraising strategy for the long haul—one that anticipates and responds to generational differences—pursue the following:

- Analyze current and projected generational utilization patterns at your organization. Use patterns to predict where and when you need to invest in baby boomer, Generation X, or millennial prospects. Coordinate with your marketing team to better understand existing market intelligence.
- Investigate which priorities resonate with each generation in your community. Collaborate with your clinical allies and population health team to develop funding priorities that resonate with various donor cohorts.
- Identify your engagement strategies that exclude cohorts of prospects from current fundraising activities. Instead, adopt a segmented strategy for each generation, or aspire toward an all-inclusive strategy that responds to the variety of preferences and behaviors that span all age groups.

We captured a few examples of these insights within this brief. For additional support, please access our additional generational giving resources listed on page 16, or contact philanthropy@advisory.com with questions. 

More takes on this topic

GENERATIONAL INTERDEPENDENCIES

Demographic and health care trends are not happening in a vacuum, and generations do not make choices in isolation. Each generation influences those before and after through economic choices, health choices, value systems, and giving behaviors.


This is embodied by parental influence on their children’s values and preferences. A [survey](#) from the Johnson Center for Philanthropy found that 89% of Generation X or millennial donors say they are influenced by their parents’ philanthropic giving. Consider how to engage younger generations within families of long-standing donors or community members.

AGE INSTEAD OF GENERATION

In 2020, a 50-year-old is from Generation X. In 2030, a 50-year-old will be a millennial. Answering the question of “Which characteristic—age or generation—presents a more effective basis for engaging that individual?” is a difficult exercise.

The argument in favor of age over generation goes like this: In general, life takes a predictable arc in terms of family dynamics, wealth accumulation, and health care utilization. Age offers a consistent input for finding donors who are most inclined, and able, to provide support based on where they are in their life arc.

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