

NEWS

Association for Healthcare Philanthropy

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Obama's Budget Proposals Will Thwart Charitable Giving to Keep Nonprofit Hospitals Operating, Association for Healthcare Philanthropy Says

WASHINGTON, D.C., (February 3, 2010) – President Obama's budget proposals to reduce tax deductions for charitable donations and freeze discretionary spending will harm fundraising for nonprofit hospitals by thwarting giving by wealthy donors and drying up funds meant to help the poor and underinsured, according to the Association for Healthcare Philanthropy whose members direct fundraising for some 2,200 hospitals and health care systems across the U.S. and Canada.

"Despite signs that the economy is starting to recover, nonprofits hospitals are struggling to keep up with the burgeoning numbers of under- and uninsured Americans that are seeking medical care in their local community emergency rooms," said William C. McGinly, president and CEO of AHP. "A limit on charitable deductions aimed at those who are in a financial position to make the most significant contributions sends the wrong message at the wrong time."

"This is a significant challenge," McGinly said. "Hospitals have cut back on spending, mainly at the expense of necessary capital improvements. A three-year discretionary spending freeze is likely to cut back the ability of state and local governments to provide health-related grants and Medicaid funding, making it imperative for individuals, businesses and foundations to step up their philanthropic support."

Last year was difficult for health care fundraisers. A December survey of AHP members sheds light on their attempts to cope with strained economic conditions by boosting efforts and controlling costs. Three out of four increased involvement with donor relations and many put more emphasis on major gifts. Almost half applied for more grants and put more energy into annual giving and planned giving programs, while at the same time more than half reduced their fundraising budgets and about one quarter decreased staff.

Despite these extra efforts, 85 percent of survey respondents said their philanthropy programs were negatively affected by the economy last year, forcing almost half to downgrade giving projections for the year. Annual direct mail campaigns and special event fundraisers were hard hit. Overall, far fewer major gifts were secured, and 40 percent of respondents reported declines in revenue from government and private grants, and 80 percent cited declines in investment income, with 43 percent seeing a significant decrease.

Fully 27 percent of development organizations used more of the money they raised in 2009 to meet increased demands for hospital charity care, the report found, highlighting the increased need for philanthropic support to cover costs that nonprofit hospitals are no longer able to fund from decreasing margins. A November 2009 American Hospital Association (AHA) study found that 34

percent of U.S. hospitals expected financial losses in the first half of 2009 – up from 29 percent for the same period in 2008 – placing a growing need for philanthropic funding to fill the gap.

A separate January 2010 study of 58 AHP member organizations used benchmarking techniques to detect characteristics of organizations that did the best job of securing charity funds as the recession's impact was going into full swing in 2008. The findings highlighted the need for development offices to invest wisely in staff and resources, cultivate donor and public support, and focus on the most profitable fundraising programs such as major gifts and planned giving.

“A key takeaway from the benchmarking study is the value of cultivating donors through a personalized approach by finding and retaining talented staff,” McGinly said. “Adequate resourcing for philanthropic fundraising will be even more important in 2010 and beyond, especially if we will face declines in government support for nonprofit hospitals in our communities.”

AHP will soon issue a white paper exploring the impact on health care fundraising in future years of new approaches to health care delivery, new modes of philanthropy, changing social and economic traits of donors, and the growing involvement of small business.

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The Association for Healthcare Philanthropy, established in 1967, is a not-for-profit organization whose 4,500+ members direct philanthropic programs in 2,200 of North America's not-for-profit health care providers. AHP members provide essential services such as wellness programs; mobile health vans; mammography screenings; hearing and eye exams; and other health care services. AHP is comprised of professionals in the fields of fundraising, development, public relations and marketing, as well as trustees, administrators, and executives interested in health care fundraising.

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