The Importance of a Major Gifts Program and How to Build One

April 2018
A Shift to Major Gift Programs

For nonprofit hospitals there are few clinical operations or investments that can produce a return of five dollars or more for every dollar invested each and every year. More and more, hospital executives are turning to their fundraising enterprises to help increase their bottom lines. If a community hospital foundation can add $1 million, $5 million, $10 million or more toward the balance sheet and ultimately the mission or strategic direction of the organization, it can become a game changer.

Today, more and more hospital executives are paying closer attention to how fundraising operations work, what strategies are in place and how they can be more involved in major or principal-level gifts.

The pressure on foundations and development offices cannot be denied. On the one hand, fundraising is now taking center stage and is capturing the attention of executives, board members and others as an important part of the financial viability of the organization. On the other hand, the attention comes with increased expectations from hospital CEOs, foundation boards and, in some cases, high-level donors who are exerting added pressure for foundations to be more efficient and effective. Major donors expect organizations to make a significant impact with their philanthropic investment.

The days of adding events or investing more in annual giving to significantly increase revenue are no more, although they play a role in helping identify potential larger-capacity prospects. Major gift fundraising is the most effective way to increase revenue and keep costs relatively low. When comparing the return on investment (ROI) across functional areas (annual giving, events and major gifts), mature major gifts programs typically outperform all others, providing a greater return on investment and increase in dollars raised.

To best understand some of the challenges facing nonprofit hospital major gift programs, we developed a survey and collected information from 30 small to large healthcare organizations. The following is a collection of the data that is accompanied by our observations and recommendations.

Daniel D. Otto, CFRE
Consultant

Alison Rane
Consultant
Director, Research and Development
Key Facts

- The median threshold amount that survey respondents defined as a major gift was $25,000. Ranges varied between $10,000 and $100,000.

- The annual amount of total dollars raised by survey participants was between $1.6 million and $75 million.

- Respondents rarely reported that major gift officers are assigned to specific clinical service lines. Instead, they are typically generalists.

- In cases where respondents reported that foundation executives always or sometimes participated in hospital strategic planning, average fundraising and the percentage of total fundraising from individual major gifts was higher.

- Respondents reported that most hospital CEOs (79 percent) are at least somewhat involved in fundraising efforts.

- Respondents indicated that they are largely unsatisfied with the involvement of physicians and nurses in major gift activities.

- The majority of survey respondents have explicitly identified large projects for which to raise major gifts.
Current State of Philanthropy

According to the Giving USA 2017 Annual Report on Philanthropy, total charitable giving in the United States in 2016 was $390.05 billion, an increase of 2.7 percent over the previous year. Most of those gifts came from individuals, accounting for 72 percent of the total, or $280.08 billion. By comparison, individual giving increased by 3.9 percent, or $10.53 billion, from the previous year. When looking specifically at the nonprofit health sector, giving to health realized stronger growth in 2016 as compared to previous years, growing 5.7 percent.

The Future Is Bright, but There’s Work to Do

According to The Philanthropy Outlook 2018 & 2019 (presented by Marts & Lundy and researched and written by the Indiana University Lilly Family School of Philanthropy), focusing on the fundamental principles of fundraising remains as important as ever. The field still has work to do when it comes to donor knowledge and retention; over the last five years, donor retention rates have consistently been weak—averaging below 50 percent. This figure underscores the importance of building long-term relationships with donors by understanding donors’ personal characteristics and motivations for giving. According to the Outlook, specific factors that will significantly and positively influence giving to health in 2018 and 2019 include:

- Average to above-average growth in GDP
- Above-average growth in household and nonprofit net worth
- Growth in consumer expenditures on healthcare services (close to average) and nursery school to high school education (above average)
- Growth in consumer expenditures on education services in preceding years
Key Findings, Observations and Recommendations

Survey respondents reported the average length of time they had been in their current role was 5.9 years, and the range of all survey participants was between one and 15 years. We feel the average is encouraging. The demand for qualified leaders and major gift officers is high, and it will only continue to grow as the need for philanthropy increases for nonprofit hospitals.

Building and maintaining relationships with donors, prospects, volunteers and internal constituents is critical to the success of hospital foundations. The importance of recruiting individuals who will be managing some of the most important relationships to the organizations cannot be understated. It’s important to understand what core competencies you are looking for and ensuring they relate to the specifics of the job. As important is understanding your current culture and how a new recruit can add value to your culture. Whether you’re in a start-up mode or you have several seasoned major gifts already on staff, knowing how the individual will fit in or enhance your culture is a key factor to consider.

Retaining top talent is also an ongoing challenge. Depending on your market, your organization can be “priced out” by larger organizations paying higher salaries or offering additional benefits. To compete, many organization recruit individuals who have a personal connection to their mission. They also provide continuing education or develop career growth opportunities or plans for individuals to keep a high level of motivation.
The total annual fundraising (averaged over the past three years) of all survey participants was $12 million. The range of all participants was between $1.6 million and $75 million. When asked what percentage of their total philanthropy came from major gifts, the median response was 55 percent of their total dollars raised were defined as a major gift. According to the Association for Healthcare Philanthropy 2017 Report on Giving, top performers received almost 70 percent of their total giving from what they defined as a major gift (Major Gifts 29.1 percent, Planned Gifts 10.9 percent, Corporate/Foundation 29.5 percent). The median threshold for a major gift of all participants was $25,000, and ranges varied between $10,000 and $100,000.

Figure 1: Gifts by Type - Top Performing Institutions
Sources: AHP 2017 Report on Giving
Seventy percent of respondents indicated their major gift program has room for improvement, while only 10 percent felt they have a great program in place. Several respondents cited their greatest challenge in establishing a major gift program included:

- Lack of cohesiveness between major gift officers, research, annual fund and events
- Getting budget approval to recruit major gift staff
- Integration in hospital strategy to identify meaningful projects, develop a case for support and build in enough lead time to develop meaningful prospects and solicitations
- A lack of pipeline programs that identify major and planned giving prospects
- Motivating hospital administration and physicians to take an active role in partnering with philanthropy
- Retaining fundraisers, keeping fundraisers motivated

Figure 2: State of the Major Gifts Program
The majority of respondents reported their major gift officers are generalist and are not assigned to specific clinical service lines. Many hospital foundations only have a part-time or one or two staff dedicated to major gift work. In these cases, it makes sense for a generalist approach in order to cover as many key areas as possible. For organizations that have several major gift officers, assigning clinical service lines can be advantageous to building portfolios, engaging medical staff and enhancing the culture of philanthropy. Embedding a major gift officer into a service line can create a better understanding of key priorities in the clinical area, build stronger relationships with medical staff and position the major gift staff as the “go-to” people when a grateful patient opportunity arises. In many of these cases, major gift officers’ portfolios will primarily consist of prospects and donors passionate about those areas, based on physician referrals, but the portfolios should not be exclusive to those clinical areas, as many donors will give to other areas of the hospital and you will want to direct their giving outside of the assigned service line.

Figure 3: Major Gift Officer Specialist vs. Generalist
Respondents were asked what metrics they use to measure major gift officer productivity. **Most use dollars raised (90 percent) and solicitations (83 percent) as the top key metrics.** Surprisingly, less than 50 percent of respondents measure “prospect stage moves,” “gifts closed” or “prospects identified” as key performance metrics.

**Figure 4: Major Gift Officer Performance Metrics**

![Graph showing various metrics with Dollars Raised at 90% and Prospects Identified at 10%]

Unlike events or annual giving that have specific timelines, goals and expected outcomes, for major gift activity—other than dollars raised—it is more difficult to determine what success looks like. Leaders must identify and manage key performance metrics for major gift officers that encourage productivity, create accountability and can be dissected to determine where staff is falling short.

We suggest you consider the following metrics for major gift officers: **Active Prospects and Portfolio Size; Strategic Moves; Face-to-Face Visits** (a subset of strategic moves); **Solicitations; Successful Closures; Dollars Raised** (Individual and Team); **Physicians Managed** (for clinical service line responsibility). By tracking performance in these areas, you are able to analyze each metric individually and as a complete body of work. Each should inform the other so gaps can be identified and managed.

Due to the importance of engaging physicians for the purposes of identifying and involving grateful patients, many organizations are adopting metrics that include the number of physicians managed or physician visits. The ability of major gift staff to establish a trust-based relationship with key physicians will have a direct impact on their ability to identify grateful patient prospects and engage physicians in the development of those prospects.
Most respondents sometimes or never screen new donors. Those respondents who never screen new donors have significantly lower fundraising totals. While 100 percent of respondents track prospect moves in their database, only 41 percent have access to prospect research staff. Those organizations with research staff have higher overall fundraising totals with a larger proportion coming from individual major gifts.

Figure 5: Do You Wealth Screen New Donors?
Nearly half of respondents indicated their community is not aware of their hospital’s foundation. The importance of the community understanding that the hospital is a nonprofit entity and can accept charitable support cannot be understated. This is also true for your internal audience, including nurses, physicians, volunteers and other staff. The foundation must be seen as a credible, trustworthy organization that reports back to its donor base, broader community and internal constituents.

**Figure 6: Is Your Community Aware That Your Hospital Has a Foundation?**

- Very aware: 3%
- Aware: 24%
- Unaware: 4%
- Very unaware: 17%
- Neither aware nor unaware: 52%
Most respondents participate in hospital strategic planning. In cases where respondents reported that foundation executives always or sometimes participated in strategic planning, average fundraising and the percentage of total fundraising from individual major gifts was higher ($14M and 57 percent vs. $4.6M and 46 percent).

Figure 7: Do You Participate in the Hospital’s Strategic Planning?

Eighty-three percent of respondents’ foundations have explicitly identified large projects for which to raise major gifts. Of these, 45 percent have established, written cases for all major projects, 38 percent have written cases for some of these projects and 17 percent have no written cases for these major projects.

Having specifically identified major gift projects did not correlate with higher total fundraising. However, among those respondents who do have specific major gift projects, those with written cases for some or all projects had higher total fundraising as well as a higher percentage from individual major giving ($14M and 59 percent vs. $5M and 35 percent).
Respondents reported that most hospital CEOs are at least somewhat involved in fundraising efforts. Potential donors must view the hospital positively. If they are to make a philanthropic investment, they must perceive their donation will be compounded by the financial viability and operations of the hospital. The ability to attract significant gifts has a direct correlation to the image of the hospital and the involvement of hospital leadership in the development process and in the community.

**Figure 8: How Involved in Fundraising Is the Hospital’s CEO?**

- **Very involved:** 32%
- **Somewhat involved:** 47%
- **Not involved:** 21%
Most respondents indicated that they are largely unsatisfied with the involvement of physicians and nurses in major gifts activities. When foundations don’t have the ability to add more human resources, they must find ways to extend their reach, and there is no better constituency to help than volunteers and medical professionals. Whether it’s the hospital CEO, doctor, nurse or board chair, each plays an important role in the donor’s relationship with your organization and in helping with meaningful and successful cultivation, solicitation and stewardship of prospects and donors.

<table>
<thead>
<tr>
<th></th>
<th>Satisfied</th>
<th>Somewhat Satisfied</th>
<th>Unsatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volunteers</td>
<td>10%</td>
<td>62%</td>
<td>28%</td>
</tr>
<tr>
<td>Physicians</td>
<td>0%</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Nurses</td>
<td>10%</td>
<td>21%</td>
<td>69%</td>
</tr>
</tbody>
</table>

The hospital CEO’s responsibility is to share the vision of the organization, to communicate the latest trends in healthcare and to explain how the hospital is responding to the needs of the community. The medical staff see the personal impact their care provides to patients and their families every day; their role is to articulate that impact. The volunteer represents the community and serves as an unpaid, dedicated and credible individual who believes in the hospital’s importance—not only in changing and saving lives but as an economic engine for the community. The major gift officer facilitates these conversations with the donor and concludes by requesting permission to submit a proposal for a gift.
In Closing

There is an increased expectation of hospital foundations to improve efficiency and effectiveness and ultimately increase the level of philanthropy each and every year. To meet that expectation, the community has to be aware that the hospital is a nonprofit organization and philanthropy makes a significant difference in how healthcare is delivered. The foundation needs the right amount of staff who are qualified and positioned to be successful. Fundamental programs need to be in place to identify, cultivate and secure major gifts. Finally, hospital administration, medical staff and volunteers need to be involved to help with the development process.
Thank you to the individuals, and their organizations, whose participation in this study provided us valuable feedback and meaningful insights.