

# *Adding Fund Development Capacity to Sustain Health Center Growth*



Prepared by:



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## About Capital Link

Capital Link is a non-profit organization that has worked with hundreds of health centers and primary care associations for over 15 years to plan capital projects, finance growth, and identify ways to improve performance. We provide innovative consulting services and extensive technical assistance with the goal of supporting and expanding community-based health care.

Established in the late 1990s as a joint effort of the National Association of Community Health Centers (NACHC), several state-based Primary Care Associations (PCAs), and the Bureau of Primary Health Care, Capital Link grew out of the community health center family and continues to support it through our activities. For more information, visit [www.caplink.org](http://www.caplink.org).

## Introduction

In recent years, the funding environment for health centers has become increasingly challenging and uncertain. Federal and state budget pressures are threatening the traditional pillars of health center funding, including both enhanced Medicaid reimbursement and federal grant funding for health center programs. Health center leaders recognize the need to diversify their revenue stream through incremental support from private philanthropic sources such as individual donors and foundations. However, efforts to attract private support are frequently limited to short-term capital campaigns which are often not organized. As the competition for both public and private support continues to intensify, health centers will need to expand their focus and commit to building long-term fund development capacity in order to meet the growing service demands of their communities.

This guide is designed to help health centers organize a fund development strategy and identify the right personnel to help improve fundraising efforts. With the right plan in place, health centers can diversify revenue sources for greater sustainability.

### *This document will:*

- Review the current fundraising environment for health centers;
- Clarify when to bring in fund development expertise;
- Outline the responsibilities of a development director and fundraising consultant; and
- Discuss how organizing a capital campaign for facilities expansion differs from raising funds for operations.

## The Current Fundraising Environment

### *Public Sources of Funding are Decreasing*

Health centers are currently faced with the realistic prospect that federal support for the Federally Qualified Health Center (FQHC) Program may actually be reduced. Current federal grant funding, which helps pay for primary care services for low-income uninsured patients, represents approximately one quarter of health center revenues. However, when the Affordable Care Act's (ACA's) Health Center Fund expires in 2015, health centers will face their biggest obstacle to date — a potential \$3.6 billion reduction in funding of that program, representing a decrease of 70 percent from current funding levels.<sup>1</sup> Although health center advocates are currently fighting to maintain future program funding at current appropriated levels, it remains unclear whether they will be successful.

At the same time, the health center business model is also largely supported by the cost-based reimbursements received for Medicaid patient visits. Health centers have come to depend on these enhanced Medicaid rates to help offset the costs of providing comprehensive primary care services to their community constituents. However, national health reform is currently transforming the traditional volume-based reimbursement models enjoyed by health centers. It is not yet clear how health centers will fare under the proposed alternative payment mechanisms, which reward care management practices that aim to keep patients healthier and out of the exam room.

### *Private Sources of Funding are Available but Competitive*

To at least partially offset the revenue uncertainties of the federal funding environment, health centers are increasingly looking to private sources of funding. These private sources often include individual donors, but it is the institutional sources of private funding that more frequently offer the most opportunity, including both private foundations and corporations. In California for example, various foundations in the state continue to invest millions of dollars annually in order to strengthen the healthcare safety net.

However, health centers are not alone in responding to flat or decreasing support from government sources. Other non-profit service providers are also struggling to grow their own programs and services in a tight budget environment, heightening the competitive pursuit of funds from private sources. To complicate matters further, health centers are typically located in the low-income communities that they serve, making local outreach for significant levels of support that much more challenging. Now more than ever, given the complexities in reaching private sources of capital, health centers are seeking fundraising expertise to help them develop and incorporate funding strategies that will help to ensure long-term organizational viability.



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<sup>1</sup> National Association of Community Health Centers, Health Center Funding for FY2015, <http://www.nachc.org/federal-policy.cfm>.

## Determining When to get Professional Help

A long-term fund development strategy requires a skilled professional, such as a development director, who is charged with creating an effective structure for fundraising and overseeing the financial condition of the health center. However, development directors are often hired by nonprofits under the wrong conditions or with unrealistic expectations, resulting in a history of fundraising failure. Assessing when the time is right to bring in a fundraising professional will largely be an issue of commitment. Is your health center ready to commit to having a more strategic approach to fund development? Below are some guidelines for identifying readiness and establishing the optimal conditions for success:

### *Are You Ready to Hire an Expert?*

- **Hire strategically and not reactively.** A development director should be brought on before there is a need to fund a specific program or project, not after.
- **Hire when everyone on staff and on the board of directors is ready to participate.** Fundraising needs to be an organizational priority if it is to succeed, and your health center needs to have what fundraising professionals term “a philanthropic culture.” This means that all staff must have an understanding that fundraising and stewardship are part of everyone’s job (not the responsibility of one person) and that fundraising is critical to sustain the programmatic work of the organization.
- **Hire when you can invest in systems and infrastructure.** Successful fund development plans are well organized, with databases to track prospects and monitor progress. Bring in an expert only when your internal capacity can be expanded through the necessary software and tools to manage your campaigns and fundraising relationships.

### *Pre-conditions for Success<sup>2</sup>*

- **Clear expectations among the board and health center leaders.** For most executive directors—and especially for leaders of small organizations—fundraising is an integral and important part of their jobs. Hiring a development director won’t make that go away. Leadership must view bringing on a development director as a strategy for expanding and enhancing their essential roles in fundraising, rather than a way to avoid their involvement.
- **A detailed job description for the development director,** including what the executive director and board members realistically expect from them.
- **A high level of trust and engagement, especially between the executive director and the development director.** The health center needs to make sure it hires someone that fits within the organizational culture of the health center, as this position is typically part of the senior management team.
- **Established budgets and fundraising goals,** and a willingness to seek the development director’s input on them.

The executive director should give the development director enough autonomy and time to build relationships, create a development calendar, research funding sources, and design the fund development plan. Health center leadership needs to recognize that a successful development effort takes time, often requiring more than a year before the organization sees tangible results. In the short term, it is “movement and momentum that is important.”<sup>3</sup>

<sup>2</sup>*Underdeveloped: A National Study of Challenges Facing Nonprofit Fundraising*, [www.compasspoint.org/underdeveloped](http://www.compasspoint.org/underdeveloped).

<sup>3</sup>*Hiring a Development Director*, Richard Male, [www.richardmale.com](http://www.richardmale.com).

## A Development Director's Responsibilities

A development director's principal charge is to create numerous, efficient, and compelling opportunities for donors to support an organization and to make the experience of giving satisfying and rewarding. The primary responsibility is to develop and implement a fundraising plan to support the financial growth of the health center, including strategies for generating unrestricted support for general operations as well as grants and gifts earmarked for targeted programs and specific capital projects. To have a strong fund development program, staff and volunteers (including board members) must be consistent in soliciting private donations on an ongoing basis and have fundraising programs that cultivate new donors as well as maintain relationships with existing donors.<sup>4</sup>

### *Critical Job Components*

#### **Create the long-term fund development plan.**

The development director will organize all aspects of raising funds that support the growth of the organization, including strategies for government and foundation grants, corporate solicitations, individual major gifts, individual donor appeals, special events, other contributed revenue programs, recognition, stewardship, and development data systems. The plan will ultimately encompass annual and long-range goals, departmental budgets, calendars, and reporting.

#### **Supervise implementation of the fund development plan.**

The fund development plan should identify specific fundraising tactics, including direct mail campaigns, themes for special events, specific grant opportunities, and communications materials that support the various outreach activities of the organization to raise its public profile among its constituents. The development director is responsible for ensuring all tactics are complete, and provide needed training and support.

#### **Motivate and empower health center leadership.**

The development director must delegate outreach and other fundraising activities to staff, especially the executive director and members of the board, and encourage active participation.<sup>5</sup> Board members are often respected members of the larger community with important personal connections that can help support the development efforts of the health center. The participation of board members in special events and in informal outreach efforts raises the profile of the organization and facilitates fundraising within the community, with both private individuals and corporate donors. The development director can empower the board members and help them realize that they are valuable advocates who can effectively build community connections that eventually accesses potential funders.

#### **Act as caretaker of the public image of the organization.**

Similar to the role of a director of public affairs or public relations, the development director must maintain and enhance the public profile of the organization through various communication efforts within the community. If the health center is well respected and well known, its ability to attract support is much easier than if the reverse were true.

<sup>4</sup>Strateo Consulting, Inc., [www.strateo.ca](http://www.strateo.ca).

<sup>5</sup>*Hiring a Development Director*, Richard Male, [www.richardmale.com](http://www.richardmale.com).

## Using a Fundraising Consultant

In many instances, a health center may not be in a position to hire a full-time development director and will instead seek to increase fundraising capacity on a temporary basis for a specific project. In which case, a consultant may be brought on to focus on very specific deliverables such as:

- **Train staff and board.** Consultants can help board members better understand their responsibilities, or help recruit and train new board members. In addition, consultants may study and recommend changes to the organizational structure to improve fundraising efficiency. Finally, consultants can help hire fundraising staff and recruit volunteers.
- **Create, implement, and evaluate short-term fundraising plans.** Consultants can research prospective donors, write grant proposals, and measure impact.
- **Set up tracking systems.** Consultants can create methods of tracking and monitoring donor information.
- **Conduct feasibility studies.** Consultants can check that community support is available before a specific campaign is launched.
- **Handle communications.** Some larger organizations hire consultants to conduct direct mail campaigns, manage mailing lists, and keep the flow of donor communications constant. Specific tasks can include sending out pledge reminders, thank-you notes, and renewal letters. Generally, it is not cost-effective for small organizations to pay a consultant to do these tasks.



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Since consultants are temporary players for your organization, they typically do not get involved in the following:

- **Soliciting money from individuals,** unless they do so in partnership with someone from the organization.
- **Using their personal contacts to raise money directly.** If the consultant is local, they may be familiar with wealthy donors in the community and, with discretion, the consultant may share that knowledge in prospect research. However most consultants do not personally raise money but rather focus on building the capacity of the organization to do so for themselves. Many consultants are from outside the community and are therefore not well-positioned to facilitate strong and enduring relationships with key local players.

## Fund Development and Capital Planning

Although the fund development plans at a health center are largely driven by the need for operational funding support, there is often an additional need to raise money for a specific capital project such as a new or renovated facility. In these cases, a development director may recommend structuring a capital campaign specific to that project. Capital campaigns are very effective sources of funding a “brick and mortar” project as they provide donors with an opportunity to invest in a way that will have tangible, visible, and long-lasting impact. These campaigns have a limited duration offering donors the opportunity to make a one-time gift, which can be more appealing to certain health center supporters and stakeholders than the open-ended funding of on-going operations.

Capital campaigns also offer health centers the chance to develop new community relationships while nurturing existing alliances. Facility projects in particular can dramatically raise the profile of a community health center, especially those planning to replace an existing cramped and antiquated clinic with a larger, more modern structure that considers local culture and traditions.

Raising private money for capital expansion also provides the health center with better options to borrow funds. Typically, lenders will want to see at least 20 percent equity participation in a project before they will provide a loan for the remaining 80 percent. Without sufficient private support, such as funds generated by a capital campaign, the health center may not be able to borrow the amount necessary, which may cause delays in moving forward with the project and ultimately increased project costs. On the other hand, funds generated through ongoing fundraising efforts may allow the health center to pay off long-term loan balances that were initially used to fund the expansion project, providing additional financial flexibility as the health center reduces its debt load.



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## Conclusion

It is likely that public funding sources will be less able to continue supporting the growth needs of community health centers. Increasingly, health centers are finding it necessary to diversify their revenue streams by looking to private sources of capital to sustain their operations as well as fund capital expansion requirements. As competition for these sources intensifies, health centers with a firm strategic commitment to fund development will be the most successful in securing private support. Those who are unable to elevate fund development as an organizational priority will ultimately be prone to development staff turnover and fundraising disappointment.