

Trustee Insights

PHILANTHROPY



Philanthropy as a High-Return Revenue Source

Trustees can Leverage the Value of Philanthropy

BY BETSY CHAPINTAYLOR

As many health care organizations navigate financial risks tied to federal budget constraints and reimbursement changes, they are turning more urgently to philanthropy to strengthen and sustain their mission. At the same time, the not-for-profit status of hospitals — and the community benefit obligations that justify it — is facing intensifying scrutiny. Now more than ever, nonprofit health care organizations must affirm their value as essential nonprofit organizations and lean into philanthropy as a visible, measurable expression of their

nonprofit value. Philanthropy is not only a critical source of funding; it is also a powerful way to demonstrate the organization is a charitable asset worthy of public trust, community investment and continued tax-exempt status. By illuminating the impact of philanthropy, hospitals reinforce their identity as mission-driven organizations that exist to serve — not profit from — their communities.

Given the critical role hospitals fulfill in delivering care and safeguarding community health, many receive public support through philanthropy — voluntary charitable investment from individuals,

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corporations and foundations. Philanthropy provides a low-risk, high-return revenue source that supports sustainability, innovation and growth and supports a diversified revenue strategy. The opportunity for charitable investment is also significant: According to Giving USA, total giving in the United States reached \$592.5 billion in 2024 — of which \$60.51 billion went to health causes. A hospital's nonprofit status supports charitable giving by securing tax incentives for donors and amplifies the hospital's role in fulfilling public good.

Background on Nonprofit Hospitals and Community Benefit

In 1956, the IRS formalized the requirement that tax-exempt hospitals provide charity care based on their financial ability to do so. This prompted hospitals to focus on providing community-oriented health services without feeling pressured to generate profits to benefit investors. Instead, excess revenue is reinvested to provide charity care, extend health care services to underserved populations, offer community education and prevention programs, address social drivers of health, and maintain access to essential health services

that aren't adequately supported by reimbursement. Ultimately, nonprofit status positions the health care organization to be a mission-based endeavor solely focused on elevating health and well-being. However, hospitals' nonprofit status has faced increasing scrutiny since 2023 as lawmakers and advocacy organizations cite concerns about hospitals generating large profits and question whether nonprofit hospitals provide enough charity care and community benefit to justify tax-exemptions. This has spurred calls for increased accountability, transparency and stricter community benefit requirements.

While critics argue nonprofit hospitals have become highly profitable and are not sufficiently reinvesting in community benefit, the reality is the "wealthy U.S. nonprofit hospital" is a unicorn. Data from the Kaufman Hall [National Hospital Flash Report](#) over the last five years paints a consistent picture of flagging nonprofit operating margins. Further, KFF shares that about 39% of U.S. nonprofit hospitals [reported financial losses](#) in 2023. Stories of hospital layoffs and budget reductions also fill health care trade publications — with the greatest vulnerabilities found in rural hospitals and those with a high proportion of Medicaid patients.

Despite waning finances, nonprofit hospitals provide substantial community benefits that far exceed the value of the tax exemptions received. A 2024 analysis by EY commissioned by the AHA shows hospitals delivered [\\$129 billion in community benefits](#) in 2020 — nearly 10 times the \$13

billion in tax exemptions received. Yet, as AHA President and CEO Rick Pollack [noted](#), critics have not focused on the broad array of benefits provided but instead have been "drastically oversimplifying these complex hospital-community relationships by boiling them down to a single metric — charity care," which does not completely or accurately convey impact. And the debate is escalating. In 2024, The Committee for a Responsible Federal Budget proposed reforming or repealing nonprofit tax exemption for hospitals. This shifting financial and political landscape creates inherent risks to funding health care's future and elevates the importance of alternative revenue resources like philanthropy.

Given these challenging times, now is the moment for hospitals to proactively advocate to reaffirm the value of the nonprofit hospital as an essential community asset and to increase philanthropic support to safeguard their ability to deliver excellent care and to drive transformation.

The health care governing board's fiduciary role is about more than protecting financial resources; it is about protecting all the valuable resources and assets of the health care organization. As such, the board also maintains the hospital's reputation, affirms the value of nonprofit status and creates conditions to elevate philanthropic support. Consider these messaging opportunities to fulfill this stewardship role.

Affirm the Hospital's Role as a Charitable Organization

Remind community stakeholders that nonprofit hospitals are driven by

a mission to serve the public good. Further, charitable status is not based on the absence of resources — it's based on how funds are used. Unlike for-profit hospitals, nonprofit hospitals reinvest any revenue surplus in the health care mission, rather than serving the private gain of stockholders. As such, philanthropic gifts elevate hospitals' efforts to provide community benefits.

Highlight Philanthropy's Role in Community Benefit

Nonprofit hospitals receive tax-exempt status in exchange for their commitment to serve the public good. By showcasing how philanthropy helps achieve community benefits — such as providing care to reduce health disparities or elevating key clinical programs — trustees can effectively advocate for continued public support and build positive public perception. Emphasizing how philanthropy expands access to care is an important aspect of justifying support for the nonprofit hospital's tax-exempt status.

Health care trustees are valuable allies in securing and stewarding philanthropic support. They can leverage their networks to secure financial support and communicate the hospital's role as a trusted community asset. When they ensure philanthropic dollars advance the hospital's mission and strategy, board members demonstrate why philanthropy is crucial to achieve the hospital's immediate and long-term goals.

Build Trust with Transparency

By clearly communicating how charitable gifts advance health and well-

being, nonprofit hospitals reinforce their role as community-focused organizations, not just entities with tax-exempt status. Transparency is a powerful tool to shift the conversation from skepticism to shared purpose.

Philanthropy begins with trust. It drives giving, fosters loyalty and enables lasting impact. Donors give to causes they believe in, and they give most generously when they trust their contributions will be used ethically and effectively to achieve a meaningful result. In this context, transparency is more than a best practice, it is a strategic advantage. Silence around major gifts or vague reporting on their use doesn't convey discretion; it conveys opacity. When organizations fail to connect gifts with outcomes, they forfeit a vital opportunity to demonstrate integrity and inspire generosity. Trust is earned and sustained through accountability, clarity and consistent communication. Sharing the purpose and impact of large gifts isn't just stewardship — it's a public statement the organization honors its donors, respects its community and stands behind its commitments.

Illuminate Impact

High-capacity donors often see philanthropy as a form of social impact investment. Therefore, it is essential to illuminate the solution a gift will advance and the measurable human outcomes it will achieve. When donors see major gifts publicly acknowledged and tied to tangible impact, it bolsters confidence that their own gift will also be valued, well used and reported on.

Organizations should celebrate

the impact created by large gifts to build a powerful and credible narrative, rather than simply reporting a gift was received. Highlighting the arc from investment to outcome shifts the communication from a transactional message to one of meaningful transformation. Sharing how philanthropic investments address broader public health needs — especially in a time of heightened sensitivity to wealth disparities — provides assurance the hospital is focused on fulfilling a broad public mandate rather than serving the agendas of donors. Ultimately, what resonates most with the public and donors is a clear link between a donor's gift and the tangible results it will achieve, whether those are improving a clinical program, elevating patient experience or expanding access to care.

When health care organizations consistently communicate the real-world difference philanthropy makes, they reinforce their reputation as trustworthy stewards of charitable resources and affirm the donor's role in driving meaningful change.

Share Significant Amounts Proudly. Tell the Story

Some organizations shy away from publicly sharing large gift amounts out of concern it could attract criticism or questions about nonprofit status. However, downplaying information about major gifts does not eliminate risk; it simply wastes the chance to tell a positive story. When a hospital or health system receives a transformational gift, it is an opportunity to share how charitable dollars supplement, not replace, operating revenue. Sharing gift amounts also demonstrates financial openness

and shows the organization is accountable and above board. So, the answer is not silence — it's education.

Transparency about the most generous gifts provides context and creates understanding of the scale of investment required to drive transformation and affect meaningful change. It also provides an opportunity to educate the public on the high cost of care, showing how philanthropy closes critical gaps that revenue and reimbursement do not while emphasizing the needs are still great. The most powerful stories illustrate how philanthropy enables the hospital to exceed what is possible through operations alone: Large gifts create outward ripples in the pond to benefit people from all walks of life and amplify the hospital's ability to provide community benefit.

Failing to explicitly share that the hospital receives significant philanthropic gifts cedes both competitive advantage and credibility. Many health care organizations compete with other nonprofit health organizations for philanthropic dollars. When your competitors actively share gift amounts but your organization does not, the public may raise questions about why their vision is worthy of investment and yours is not.

Accelerate Giving with Recognition

Public acknowledgment of gifts inspires others to give. When organizations celebrate philanthropy, it signals to prospective donors that their contributions will make a difference. Recognition is also a stewardship tool — recognizing donors publicly (with their permis-

sion) demonstrates the health care organization honors generosity. Recognizing donor gifts affirms people believe in the hospital's mission and are willing to make personal investments in its future.

Simple human behavior is at play here, too. Seeing others, especially peers with similar values, experience or social status, engaged in charitable giving creates a sense of social validation and credibility and sparks others to be generous, too.

When the hospital receives a significant gift that is used well and creates positive change but doesn't tell the story of how that happened, an opportunity is lost. The donor feels unseen and undervalued. Potential donors never hear the story that might inspire their own giving. Community members miss the opportunity to understand how philanthropy supports better care. And the organization forfeits the reputational benefit of being a trusted community

asset. Philanthropy done well should never be invisible. Visibility builds energy, pride and possibility.

In Conclusion

Health care trustees on both hospital governing and foundation boards play a vital role in sharing the importance of their organization's nonprofit status and philanthropy. Trustees bring significant credibility for sharing the organization's merit and societal impact. They can help build appreciation for the outsized value of philanthropy in securing the long-term success of the health care organization and in fulfilling the social contract to improve patient care, ensure access, reduce disparities and more.

The current scrutiny of nonprofit hospitals presents an important opportunity to educate and to advocate for their critical role as community linchpins. By effectively commu-

nicating the tangible and intangible community benefits hospitals provide and how philanthropy accelerates those benefits, hospitals strengthen public perception and make a compelling case for why they deserve charitable support. For health care trustees, the message is clear: Don't silence your story of impact. Let your mission and philanthropic transparency become a beacon that affirms the hospital's role as an essential nonprofit organization worthy of support.

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