

 **OUR TAKE**
RESEARCH PREVIEW

How Generational Change Will Upend Donor Strategy

Navigating shifting demographics in health care philanthropy

Published - August 2020 • 15-min read

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.

Table of contents

The conventional wisdom

Our take

Three key vulnerabilities

Vulnerability 1: Prospect identification strategies aren't looking for young people.

Vulnerability 2: Funding priorities are slow to encompass causes important to younger generations.

Vulnerability 3: Engagement strategies aren't meeting the mandate to be fast, impactful, and digital

Parting thoughts.

More takes on this topic


Related content

AVAILABLE
IN PREVIEW

AVAILABLE WITH
MEMBERSHIP

Thank you for your interest in Advisory Board research.

This is a preview of our research, which is helping health care leaders at 4,500+ organizations work smarter and faster. We tell you what you need to know about industry developments, and help advance your critical performance objectives by providing strategic guidance, data analytics and proven implementation tools.

 **To learn more** about Advisory Board offerings and memberships, please visit advisory.com/research or contact programinquiries@advisory.com.

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.

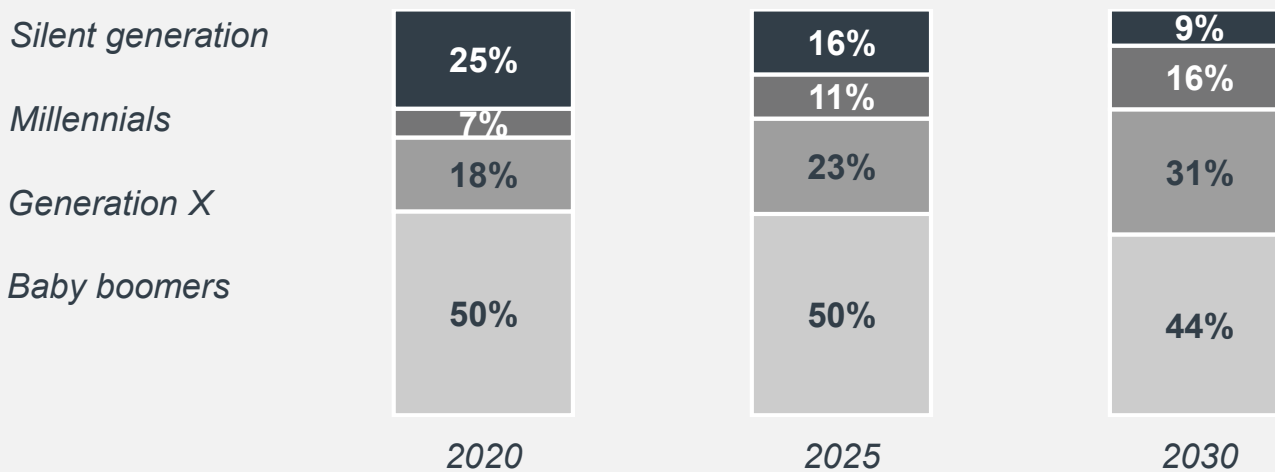
Hospitals and health systems are missing near-term opportunities to engage younger supporters, but those losses are largely masked by successes with older generations. Across the coming years, that may no longer be the case. Shifting wealth, health care utilization patterns, and societal views will affect 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.

OUR TAKE

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.

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.

 **Interested in the full resource?** Visit advisory.com/plc or contact us at programinquiries@advisory.com to find out how you can access this research and more through membership.

Project director

Nick Cericola

cericoln@advisory.com
202-568-7242

Research team

Katie Everts

Rasika Tangutoori

Program leadership

Rob Lazerow

LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.

Today's health system development executives are charged with generating larger sums of philanthropy within a complex institutional environment – all against the backdrop of a philanthropy marketplace that increasingly prefers other types of health nonprofits.

We help you tackle your top challenges and extend philanthropy's value to your organization

Our member chief development officers tell us the biggest barriers to success include: limited CXO and clinician buy-in, outdated tools and tactics, staff turnover and underperformance, increasing organizational complexity, and complicated public perception. We help mitigate these challenges and create measurable impact through multiple levels of support backed by 40 years of best practice research.



Proven strategy for you

Guidance and insights you need to drive innovative and effective fundraising strategies.



Support for your development team

Tactical implementation guidance and tools to accelerate their fundraising performance.

Advisory Board advantage

Advisory Board's team of nearly 200 experts harnesses a time-tested research process and the collective wisdom of our vast network of 4,500+ members to develop provocative insights, actionable strategies and practical tools to support execution. We support leaders throughout hospitals and health systems, and executives at the helm of medical groups, post-acute care organizations, life sciences firms, digital health companies, health plans and health care professional services firms.

 **To learn more** visit advisory.com/research or contact programinquiries@advisory.com.