

Nonprofit Health Care Organization Conversions Participation by Philanthropic Leaders

Why should established foundations be interested?

Issues at stake in the conversion of nonprofit health care corporations bear directly on the experience and operations of established foundations. As institutional members of communities where conversions are underway or under discussion, foundations are interested in the potential impact on health services provided to that community. They are sensitive to any reduction in capacity of the health and human services safety net to which the nonprofit sector contributes so substantially. Moreover, as stewards of limited philanthropic resources, they have an informed perspective on discussions about changes in the health services market, including shifts in public sector commitments and expectations of what responsibilities can be transferred to voluntary corporations and philanthropy.

Local foundations have relationships of longstanding with nonprofit health care organizations as grantees and program partners and have made substantial grant investments in these organizations over the years in many cases. As grantmakers experienced in using private funds for community improvement, foundations understand how limited funds can be used to achieve larger results through planning with community partners, strategic program definition, and finding opportunities for leverage and collaboration.

Key questions that arise in the review of proposed conversion transactions, and particularly in the formation of new foundations, are in areas where local foundations have direct experience and relevant expertise. Through their participation with other community leaders and institutions in deliberation about conversion transactions, philanthropic leaders have the opportunity to contribute to optimal outcomes and the early decisions that will significantly affect the formation of new charitable foundations. This expertise and participation is critical given the limited experience of regulators with nonprofit conversions and the resulting formation of new foundations

The most recent survey published by Grantmakers in Health, identified 81 new (established since 1980) conversion foundations active primarily in health related grantmaking. With more than \$9 billion in assets, these foundations represent a major trend in philanthropy and an unprecedented reorganization of charitable assets. These developments have great significance for the field, and should attract the attention and engagement of established foundations already active in the affected communities.

Finally, the conversion of nonprofit health care corporations through merger, acquisition, mutualization/demutualization, joint ventures and other processes, including many which result in the creation of "mixed status" organizations, are drawing increased attention of regulators and the general public. The trend surfaces fundamental issues for how nonprofit corporations are viewed,

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how expectations for their behavior are set, and how they are financed, taxed and regulated.

What can foundations contribute?

Foundation staff and board members have a stake in the larger issues involved in reviewing proposed health care organization conversions, and they have expertise bearing directly on the formation of new charitable foundations. There are many ways in which the involvement of philanthropic leaders is welcome and helpful. Here are examples of actions taken by some established foundations and philanthropic sector leaders.

Organize or co-sponsor informational meetings on the subject of nonprofit conversions

Join with other community leaders and institutions in the critical review of terms and conditions of proposed conversion transactions

Through connections to business leaders, academic institutions, government and local media, reach out to other parts of the community to strengthen and broaden participation in local service and consumer coalitions

Provide funding to support the organizing, research and action agendas of community coalitions formed in response to conversion proposals

Contribute to informed discussion about the potential impact of proposed conversions on health services available in the community, and about community needs

Provide a "reality check" on the ability of the voluntary and philanthropic sector to absorb direct costs of uncompensated care

Work with regulators charged with review of nonprofit conversions to expand their understanding of the role of philanthropy, and the characteristics of effective grantmaking organizations and programs

Provide technical assistance and operating funds for local coalitions which undertake to participate in the operation of new conversion foundations, or which move on to address other issues of health care quality and accessibility in the community.