Health Philanthropy in California: The Changing Landscape

The landscape of health philanthropy in California has changed dramatically in the past decade and a half. The driving force has been the creation of new health foundations born from the conversions of nonprofit healthcare organizations. *Health Philanthropy in California: The Changing Landscape* examines the size, scope, reach, and potential impact of health philanthropy in California, with a particular focus on the role of these new health foundations in health grantmaking. The analysis considers the expected impact of these new foundations as well as other grantmakers in health, given the public policy environment in California.

California foundations devote 20.1 percent of their grant dollars to health, compared to 16.5 percent nationally.
The Size of Health Grantmaking

More than 20 health conversion foundations, with assets totaling over $7 billion, have been created in California, constituting more than half of the collective $13 billion in assets of all health conversion foundations nationally. The growth in health conversion foundations in California has increased the philanthropic assets targeting health, and increased the capacity for health-related grantmaking throughout the state.

- Total 1999 fiscal year grantmaking for health-related activities statewide amounted to more than $325 million, an overall increase of almost 15 percent over the previous year.
- Almost two-thirds of these grants came from health conversion foundations, which awarded almost $198 million in philanthropic funding for health-related programs within the state.
- The California Endowment accounts for 31 percent of the state total and the California Wellness Foundation accounts for 14 percent.
- An additional $93 million in health-related grants came from state and national private foundations, and community foundations awarded approximately $38 million.

The Scope of Health Grantmaking

The scope of health philanthropy as revealed by the funding priorities, grantmaking strategies, and funding methods are very similar across the three types of health grantmakers.

Health Funding Priorities

Health promotion, disease prevention, and health education; healthy families/healthy communities; and access to care were identified as priorities by approximately 75 percent of the foundations in this study. About 66 percent reported a focus on maternal and child health, and more than 50 percent of the foundations cited service delivery, diseases and disabilities, and improving systems of care as grantmaking priorities.

Grantmaking Strategies

More than 80 percent of the foundations provided program support for new and demonstration projects and/or established and exemplary projects, complemented by other types of support. Over 75 percent of the foundations provided money for organizational capacity-building and infrastructure development, and about 60 percent provided technical assistance and matching or challenge support. Research funding is the least-frequently mentioned type of support.

Funding Methods

In making grants, most foundations (89 percent) accepted grantee-initiated proposals. Just under half of the foundations (46 percent) reviewed foundation-initiated proposals. Many foundations (48 percent) develop strategic initiatives to coordinate grantmaking around particular issue areas, such as teen pregnancy, underage smoking, or gang violence.
The Reach of Health Philanthropy

The $325 million in grantmaking for health-related activities across the state represents $9.56 per person. But the potential access to these philanthropic health resources is not uniformly distributed across the state. Marin County ($62.64 per person) and parts of Los Angeles County ($13.02 per person) have the highest levels of per capita access to grant dollars. The lowest levels are in counties with no targeted resources (Inyo, Lake, Mendocino, and parts of San Benito). Most of the interstate variation is due to the geographic coverage of health conversion and community foundations.

Health Conversion Foundations

The foundations formed from the conversions of healthcare organizations from nonprofit to for-profit ownership vary substantially in size and geographic focus. Consequently, available grant dollars per capita vary throughout the state, ranging from $4.84 to $10.68. Los Angeles County has the highest per capita level of access to these funds. The areas with the lowest levels are concentrated in the central part of the state, reflecting the absence of conversion foundations with a geographic focus on central California.

Community Foundations

Community foundations are by definition geographically focused. These foundations have a larger range of variability in their health grantmaking than their geographically-restricted health conversion counterparts. Their health grant dollars ranged from $0 to $18.4 million. Marin County receives the largest amount of health grants from community foundations. Los Angeles County receives the next largest amount, where community foundations target between $8.7 and $9.5 million. Twenty-nine counties have no health grantmaking by community foundations, and an additional 22 counties receive less than $1 million in health resources from community foundations. Only seven counties have community foundations making health grants in excess of $1 million.

Combined Impact

The combination of health conversion and community foundations leaves only four areas without access to geographically-restricted health grant dollars – the counties of Inyo, Lake, and Mendocino, and parts of San Benito County. Sixteen additional areas have access that amounts to less than $1 per capita. Moreover, the net impact of restrictions on the geographic focus of grantmaking has left some counties with very different access within their borders. Nowhere is this more evident than in Los Angeles County. The apparent disparity within Los Angeles County raises concerns and suggests the need for additional information on the actual grantmaking patterns of these foundations and the extent to which they match community needs.
The Policy Context of Health Philanthropy

The legal and regulatory framework that establishes the parameters of conversion foundations and the scale and scope of public funding that are directed to the healthcare needs of Californians define the context of California health philanthropy and its impact within the state.

Regulatory Impact

With the rapid expansion of health conversions have come expanded efforts to regulate the conversion process, including the use of the resultant assets. California law now requires Attorney General-approval of any conversion of a nonprofit health facility to for-profit ownership. The Attorney General must ensure that proceeds from the sale of charitable trust assets are used for a purpose consistent with the charitable trust in which the assets are held, and must assess the impact of the proposed conversion on the availability and accessibility of healthcare in the affected community. Distinct patterns of restrictiveness in the geographic service area and programmatic focus have occurred as a result.

Even though these restrictions reflect efforts to protect the public's interest in charitable assets, the combined impact on the communities involved is difficult to predict. The result may be unintended, uneven access to healthcare philanthropy across communities, or distorted allocations of specific healthcare services within communities.

Public Healthcare Spending

The growth in resources for health philanthropy has been profound. Yet these resources must be considered against the scale and scope of public funding for healthcare. In California, there are currently three important sources of public healthcare funding: funding from federal, state, and county governments; Proposition 10; and the Tobacco Settlement. These three sources of funding exceed $200 per person in California. By comparison, California health philanthropy totals less than $10 per person. Philanthropic spending is no more than five percent of public spending for health services and is likely to be considerably less. This underscores the importance of health philanthropy playing a differentiated role in the health arena, and highlights the potential usefulness of public private partnerships in leveraging philanthropic resources.

Lessons

The fundamental changes that have occurred in health philanthropy in California, fueled by the boom in health conversion foundations, have had a tremendous impact on the support available for health-related activities in California. Yet there are three critical lessons from this analysis that inform health grantmakers, public policymakers, and their partners as they work together to meet the health needs of Californians:

- The changes have created substantial variations in the potential access to health philanthropy.
- The relative size of public and philanthropic spending indicates the need for realistic expectations about the role that philanthropy can play in meeting the health needs of Californians.
- The small size of health philanthropy relative to public healthcare expenditures indicates that the effectiveness of health philanthropy is likely to be enhanced by partnerships that leverage limited resources to increase the impact of philanthropic dollars.