

# **Foundations Today: Finding A New Role In The Changing Health Care System**

## **The Kaiser Family Foundation's President Gives His Candid Assessment Of How This Information-Focused Foundation Fits Into The Larger Picture.**

**By Drew E. Altman, President and Chief Executive Officer**

Health Affairs' Founding Editor John Iglehart invited me to write about the Henry J. Kaiser Family Foundation and the choices we have made about our mission and grant-making strategies. Of course, I believe deeply in what we are doing at Kaiser, but I do so with the caveat that our choices are not necessarily the right ones for others. Each foundation has a different set of opportunities by virtue of its history and donor intent, its size, its geographic location, the character of its board and staff leadership, and other factors. I have always believed that our society is best served by having foundations that do different things.

I begin my reflections with a few basics about foundations, the constraints under which they operate, and the choices they have.

### **Foundation Primer**

A private foundation is an organization endowed with a substantial sum of money left by a wealthy individual or family to be used for a philanthropic or charitable purpose. That purpose typically is quite broad, and the recorded intent of the donor, somewhat like the U.S. Constitution, is living language that must be interpreted by successive generations of foundation trustees in light of changing circumstances and opportunities. These boards may or may not include family members (Kaiser's does). Private foundations are established to advance the philanthropic interests of the donor. Also, establishing a foundation is one of several options under the tax code that are available to wealthy persons for protecting some of their funds from taxation.

Contrary to what (in my experience) is popular perception, the law gives private Foundations wide latitude in many areas, including public policy work. The most important restrictions are that they not engage in activities aimed at influencing elections or in direct lobbying to influence legislation. However, foundations have virtually unrestricted freedom to fund and/or provide nonpartisan information, analysis, and research on policy issues.

So that wealthy persons cannot use the establishment of a private foundation to protect their wealth from the Internal Revenue Service (IRS), the law requires that foundations annually spend an amount equal to 5 percent of their overall assets (at Kaiser we spend between 6 and 7 percent). For example, a foundation with \$100 million in assets would be required to pay out \$5 million per year for philanthropic purposes. If that sounds low, note that most foundations seek to maintain the real value of their assets to benefit society in perpetuity. This requires earning a return on invested assets sufficient to cover the 5 percent annual payout requirement, money management costs, and inflation. This is achievable over a long period of time but not easily, so the 5 percent requirement is not unreasonable.

The general image of foundations in most people's eyes is that of grantmakers who view proposals, make grants (usually to a university or to a community organization), and monitor those grants. Viewed as funders, foundations have generally been expected to be fairly quiet-if not invisible-supporters of the good works of others. The image is so firmly

rooted that foundations that depart from the more conventional style often raise eyebrows in the foundation world and elsewhere.

In fact, however, foundations have a wide range of choices of how they accomplish their philanthropic missions. They can make grants (and in making them, open themselves to all applicants or limit themselves exclusively to solicited or commissioned work); they can conduct research themselves or run their own programs; and they can be as visible or even controversial as they deem useful to accomplishing the goals that their board and staff set for the foundation. Foundations have the latitude to make a wide range of choices as circumstances and opportunities change, and in no sector of our society have circumstances and opportunities been changing faster than in health and health care.

## **How Kaiser Determined Its Strategic Direction**

This was the challenge that we confronted when the Kaiser Family Foundation was substantially remade in the early 1990s. At that time we asked one overriding question: "how can we best have an impact with about \$30-\$40 million in grants to award each year in a rapidly changing, trillion-dollar healthcare system?" With a little more than half a billion dollars in assets, compared with the billions available to several larger foundations, we believed that adding another \$30-\$40 million a year in conventional grants to such a vast health care system was not a recipe for playing a special national role. Nor were we large enough to try to change things through direct action-by undertaking large, multisite national programs or supporting large numbers of community organizations as some larger foundations do.

Just as important, not only was the U.S. health care system bigger than it was in the 1980s, but it was radically different as well. When I was at the Robert Wood Johnson Foundation in the early 1980s, we saw ourselves as key players in a largely not-for-profit health care community, a community that had great interest in working with the philanthropic community and in the demonstration, research, and training projects that foundations funded. Those days are largely gone. Today's health care system is dominated by large commercial interests driven by investors' demand for profit, and by big-government policy decisions that often are shaped by larger ideological, political, or budgetary concerns. Health care has become big money and big politics, and foundations have been struggling to adapt.

We saw a glaring need in this changing health care system for an independent, trusted, and credible source of information, analysis, and balanced discussion in a field otherwise dominated by large interests, and we have tried to be that source. While foundations certainly have agendas-ours is to improve health care, especially for people in greatest need-as we see it, it is our independence and our lack of a commercial or political interest that gives us an opportunity to play a special role in the health care system.

## **The Foundation's Strategy**

From this basic decision about a strategic direction came most of the characteristics of the Kaiser Family Foundation today.

**INFORMATION.** First, we are in the information, not the grant-making, business. While most foundations see their principal product as grants, we see ours as information-from the most sophisticated research to basic facts and numbers. Sometimes we make grants to produce information. (Sometimes we make such grants in response to proposals, and sometimes we make grants for work that we have solicited.) Sometimes we produce information in house or work with outside partners in think tanks, universities, consulting

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firms, and media organizations. Most typically we organize a body of work on a health policy topic; commission research from outside groups and individuals funded by grants; and work in partnership with them on the conceptualization, design, analysis, and dissemination of the work. This ability to give targeted grants to provide timely information is central to our role.

In the United States we focus our work in three areas: national health policy, human immunodeficiency virus (HIV) and acquired immunodeficiency syndrome (AIDS), and reproductive health. Whether operating in the often politically charged health policy arena or dealing with controversial issues in reproductive health or HIV, we believe that we are in a good position to take on sensitive issues amid a glaring lack of both credible research and information and balanced discussion and debate. To encourage an entrepreneurial spirit and avoid the internal "fiefdoms" that have been a problem in many foundations, we do not have separate budgets for the three areas; our funds go to the best opportunities we can identify within our program interests.

We try to inform decision making on major issues that affect millions of persons, especially the most vulnerable and disadvantaged, and to elevate the level of national debate on health issues. Our agenda is almost equal parts research and public education: developing new information on national health issues, and helping to explain health policy issues to an understandably confused public

**AUDIENCES.** Second, we have a clear sense of our three audiences: policymakers, the media, and the general public. We work to put the fruits of health services and health policy research into formats that these three audiences can readily digest. Although we fund a great deal of health services and health policy research, I believe that our most important contribution to the research community is as a representative, a translator, and an information broker. Like the adage about the tree falling in the forest, studies that are only read by those of us in the research community who follow that issue will not have much impact. We need more and better research on health issues, but even more, we need better communication of the research that is done. For this reason, the Kaiser Family Foundation places a special premium on communications and uses a wide range of strategies to cut through the information overload in health. These include operating a high-volume, toll-free publications request line and a variety of online services. Communication is everybody's job at our foundation and is viewed as a central part of our programs. The job of drafting a press release, answering a reporter's question, or designing a public service ad is not something handed off to a communications officer at the end of the hall.

**PROFILE.** Third, we have sought a somewhat higher profile than many other foundations have, though others have followed suit in recent years. It is a fact of life that if policymakers and persons in the media don't know who you are, they are not likely to pay much attention to what you do or say. A clear identity is also especially important in our case to distinguish ourselves from Kaiser Permanente, with which we have no connection, except for the founding family name we share and the occasional misdirected letters I get from the health maintenance organization's (HMO's) enrollees-both disgruntled and pleased.

**STYLE.** Fourth, to accomplish our goals, we have developed a somewhat unusual operating style. While we are part grant-making organization, we are also part policy institute, with substantial in-house analytic capacity in some areas. We also directly operate most of our major programs. For example, foundation staff direct the Kaiser Commission on the Future of Medicaid, our three fellowship programs for health journalists, our Program on the Entertainment Media and Public Health, and our Talking With Kids About Tough Issues public service campaign. Likewise, the majority of the many national surveys on health issues that we conduct each year are designed and analyzed in house, sometimes with the

involvement of outside partners whom we support, such as Robert Blendon at the Harvard School of Public Health, with whom we operate several joint projects. We also function as a resource center, on call daily to find a fact, identify an expert, or help to explain an issue for members of the media or the policy community. This role is labor-intensive, requires fast turnaround, and consumes a significant share of our overall organizational effort.

**MEDIA PARTNERSHIPS.** Fifth, to reach the general public with information about health issues, we have developed a broad range of partnerships with commercial media organizations, from the Washington Post and U.S. News and World Report, to ABC and NBC, to MTV (the cable music television network) and even Glamour magazine. In no case do we fund these organizations. Rather, these are joint ventures that combine our research capacity, subject knowledge, and ability to provide information through toll-free numbers and World Wide Web sites, with these entities' production capacity, creative talent, and audience reach.

Some of these partnerships are substantial undertakings. For example, in 1997 and 1998 Kaiser and the Johns Hopkins University School of Public Health produced forty-seven different Following ER reports on health issues featured on that popular program. The reports will run on NBC affiliates nationwide during the evening news following the television show. ER has thirty-five to forty million viewers per episode; we hope to capitalize on its popularity to convey critical health information to the public. We also will be surveying ER viewers regularly to determine what information and health messages they take from the show. Similarly, a public service ad we did with MTV in October 1997 concerning safe sex yielded more than 85,000 phone requests-in less than two months-for informational booklets we had developed.

**PROGRAM IN SOUTH AFRICA.** Sixth, since 1988 we have operated a major program in South Africa, our only international involvement, although it is not as well known in the United States as our other activities are. In South Africa we do many of the things we do in the United States. The work is directed to helping that nation to develop a more equitable health care system and a successful democracy. Our South Africa enterprise receives about one-fifth of our funds and is work to which we are deeply committed.

## **Assessing Kaiser's Role**

I am often asked how we know whether our efforts are having an impact. Although foundations are quick to trot out evidence of their successes, the fact is that selecting priorities and determining success are essentially a series of judgment calls. In some cases, it is relatively easy to judge. For example, it is clear that the Kaiser Commission on the Future of Medicaid has become an authoritative source of analysis and information on health care for low-income persons and has played a significant role in debates about Medicaid issues. In other instances, of course, projects were not successful. For example, we were less than satisfied with two CD-ROMs that we developed on HIV and contraception. In most cases, however, success or failure is more difficult to assess.

Foundations are not accountable in the traditional sense. They do not make a profit or a loss that can be evaluated by investors. Unlike government agencies, they are not constantly scrutinized by the press or by legislative bodies that must approve their programs and budgets. This difference gives foundations their freedom to take risks and to try new things not generally possible in the commercial or public sectors. But it also means that accountability is essentially self-imposed; the evaluation of performance and impact is a judgment call that must be made by a foundation's board and staff.

The Kaiser Family Foundation is trying to play a special role as an independent source of information and analysis. We believe that role is sorely needed in the health care system today, and, based on the reception that our work receives, we are convinced that we are on the right course for us. It bears noting, however, that choosing to be an information provider has real implications for a foundation. First, information is costly; there is a trade-off between an emphasis on grants and an emphasis on information, because both take resources. Analysts, writers, editors, designers, and media experts all need to be paid, and it takes a real investment in in-house staff expertise to know what information to produce, how to organize it, and how to get it into the right hands. Second, even the best analysis and most balanced report can be unwelcome by those who have a special interest or an ideological point of view. In terms of the potential for attention and criticism, there is a big difference between being the source of information and analysis and funding the work of others. It's the difference between direct and indirect accountability. For foundations interested in moving in a direction similar to ours, the willingness to invest in staff capacity and expertise and an understanding that the role by its nature will bring criticism from time to time are necessary preconditions for success.

Finally, I have a philosophical comment to make on foundations and their role in health. An insiders' debate has been bubbling just beneath the surface lately between those who believe that foundations should be quiet charities that support the good works of others and those who believe that foundations should play a more proactive role in whatever areas they choose to work in. I believe that the nation is best served by having a strong independent sector and that foundations should take leadership in that sector. Nonpartisan does not mean invisible, and there is no way to play a meaningful role in today's health care system without occasionally raising someone's ire. I also believe that society is best served by having foundations of different kinds, with different philosophies and program agendas.

The need for an aggressive independent sector and for a strong foundation role is perhaps greater in health than in any other sector. In no field is there a greater need for an independent voice that is not driven by the desire to make money or to win votes. In no field would a role as simply a charity be less useful; foundation funds are a drop in the bucket in today's health care system.

At the same time, it is also important to be practical about what foundations can and cannot achieve in today's health care system. During the years I have both worked in the foundation world and viewed it from the outside, I have often felt that foundations are overly impressed with their own importance. In health the challenge to foundations is to understand that we are bit players in a giant health care system but also that we have a unique and vitally important role to play.

*The author especially thanks Bruce Vladeck for his contributions to this essay.*

Published by *Health Affairs*, March/April 1998, Vol. 17:2, pages 201-205

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