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CASE STUDY

THE CINCINNATI EYE INSTITUTE FOUNDATION

INTRODUCTION

In 2006, Cincinnati Eye Institute, the largest (45 physician) Ophthalmology group practice in the United States with a 50 year history and an international reputation formed a non profit entity whose mission is to: “fund research projects, sponsor educational programs and promote increased public awareness as part of its commitment to preserving and restoring vision. The Foundation will also encourage, support and provide resources to improve eye care services to underserved populations.”¹

The experience of starting and growing The Cincinnati Eye Institute Foundation (“CEIF”) provides useful lessons to physician group practices wishing to engage in charitable activities.

This is the study of the formation and strategic plan for CEIF. Mr. Don Holmes and Ms. Amy Scrivner, Executive Director and Director of Development, respectively, of CEIF were interviewed for this Case Study.

BACKGROUND/INDUSTRY OVERVIEW

The business of the practice of medicine is rapidly and continually changing. Some physician group practices have found interesting new ways to enhance their enjoyment of the practice of medicine, enrich the community, and distinguish their practice at the same time: engaging in “Corporate Social Responsibility” (“CSR”)² activities such as forming a non profit foundation or entity.

Currently practicing physicians operate in a legal and regulatory environment unknown to previous generations: Anti-Trust enforcement, Self-Referral/”Stark” issues, Anti-Fraud/Kickback issues, HIPAA laws, and now, with respect to non profit hospitals, allegations of insufficient charitable care and improper billing and collection practices against those who cannot pay. In addition, many specialties have experienced declining reimbursement rates, physician shortages, difficulty recruiting, and increased operating

¹ CEI Foundation Mission Statement

² The *strategic* creation and maintenance of socially impactful programs, products, or services that improves competitive context, enriches employees, provides a positive contribution to the community and enhances an organization’s public profile.

costs. Health care costs continue to rise and changes in insurance that shift costs to the consumer are becoming more prevalent. With the numbers of uninsured rising and the aging of the baby boomer generation, challenges in reaching those in need of health care expands daily.

Against this backdrop, smaller practices are having trouble competing in the marketplace and the physician group practice has undergone consolidation and expansion. This enables groups to be more competitive in the marketplace: they can improve and streamline business operations, take advantage of group discounts, enhance negotiating power with insurers, expand geographically, recruit more effectively, afford electronic medical records systems that in turn, allows them to participate in insurer's "Pay for Performance" and transparency programs. Following the lifting of a federal government moratorium, physician owned specialty hospitals are also growing, further complicating the competition in the healthcare marketplace. A large group practice allows physicians to create an organizational identity to participate in a common vision and goal of how to practice medicine.

An increased desire to give back to the community, present a positive image and enhance "brand" development, influence patient loyalty, and engage in research are among the reasons physician groups have cited for establishing CSR initiatives, such as forming non-profit entities or supporting non profit activities. Furthermore, engaging in or supporting non-profit activities can create a strategic advantage, be good for business, and improve employee recruitment and retention. In order to be successful, however, it must be aligned and integrated with the practice's core business objectives and core competencies.

For physicians who want to participate in research that improves care and treatment, investment in research at the national level is declining. Pharmaceutical companies are more reluctant to fund important research and so funding streams are drying up.

Seeing the need to invest in research and teaching that enriches the lives of the community they serve, many group practices have decided to establish federal tax-exempt entities under Section 501(c)(3) of the Internal Revenue code, with a "charitable purpose". The "promotion of health, like the relief of poverty and the advancement of education and religion, is one of the purposes in the general law of charity that is deemed beneficial to the community as a whole."³ In a non-profit, the Mission, rather than individual investors or shareholder profit drives the activities.

The following is just one example of how a large physician group engaged in CSR activities, but in fact there are many ways to do so: from promoting charitable giving among its employees, encouraging volunteerism, supporting foreign missions, partnering with non profit entities, the donation or grant of money or non cash resources, matching gifts, or as seen here, forming a non—profit entity.

³ IRS Revenue Ruling 69-545

THE FORMATION OF THE CINCINNATI EYE INSTITUTE FOUNDATION

Cincinnati Eye Institute (“CEI”) is an internationally renowned research, treatment, education and community service eye care facility based in Cincinnati, Ohio. Passionately committed to patient care, research, and education, it is the largest ophthalmology practice in the United States, with over 45 eye care professionals and sub-specialists, covering 20 locations, and a 50-year-old reputation for excellence in eye care.

Many of the eye care professionals at CEI are also professors and teaching professionals at the Department of Ophthalmology, University of Cincinnati College of Medicine. Working in a University environment gives those physicians an appreciation of the possibilities that non-profit Foundations present for research, education, and serving the underserved. They wanted to support the educational needs of future eye care specialists.

In addition, many of the practice’s patients, grateful for the care they or a family member received at CEI, frequently inquired whether there was something they could do, some way to give back, to express their gratitude in the form of a donation, to further research, care and education in the advancement of eye care. Other patients, such as those with modest means who were given excellent care regardless of ability to pay, had a desire to contribute when their situation improved. Patients were motivated to give and were “self-soliciting”.

As Don Holmes, Executive Director of the Cincinnati Eye Foundation (“CEIF”) said: “We wanted to give back to our community in ways that transcend delivery of quality eye care. The dominos don’t start to fall until the non-profit entity is set up (in this case, a Foundation). With it in place, the charitable activities are legitimized and the donations have a place to go.”

CEI physicians and their staff were already engaged in charitable work with existing charities, such as *Cincinnati Association for the Blind*, and *Prevent Blindness Ohio*. There was a desire to have a formalized reciprocal, collaborative relationship that served the needs of the community. Other charitable activities included public education and indigent care. CEI had a view that a non-profit organization would give a three-dimensional structure around which all their existing charitable activities could be grouped, providing coherence to this good work. Finally, CEI physicians wanted to be ahead of the curve to fund research that would improve treatment options for patients.

CEIF Structure

Realizing all these factors, and motivated by a sincere desire to “give back”, CEI created CEIF in 2006, a non-profit entity. They formed a non-profit corporation and governing regulations with an all star Board of Directors. The Board engaged Mr. Holmes as Executive Director, and applied to the IRS for tax-exempt status. CEI Physicians P.S.C., Inc. is the sole member of the Foundation.

CEIF hired a professional Director of Development, Amy Scrivner, with a thorough knowledge of development and fundraising and a proven track record of success.

They also engaged a consultant, CORE Corporate Consulting, to help create, develop, and implement its plans for the work of CEIF. The consultant's work included helping CEIF to identify and establish firm consensus around the CEIF's mission, goals, and programs, and the most effective strategies to achieve success within those programs.

DETERMING THE PURPOSE AND ACTIVITIES OF CEIF

Facilitated by Core Corporate Consulting, the CEIF Board reached a decision to focus on research, education, and serving the underserved:

“The mission of the Foundation is to fund research projects, sponsor educational programs and promote increased public awareness as part of its commitment to preserving and restoring vision. The Foundation will also encourage, support and provide resources to improve eye care services to underserved populations.”

Following consensus on its Mission, CEIF still needed to determine what specific programs they would devote their time and resources to within each focus area, research, education, and serving the underserved. In order to make that determination, they first convened two sets of physician focus groups to explore the wishes, enthusiasm and expectations of the physician group members. This was also instrumental in gaining consensus for CEIF's mission and activities. The findings from the focus groups provided needed data to the Board to enable them to fine-tune a set of programs reflecting the consensus of the entire group of physicians.

The Roselawn Eye Clinic

It turned out they did not have to look far for a way to help the underserved. Local data supported the need for a community-based eye clinic that targets the uninsured working poor. Community health centers in the region do not address, or offer very limited, eye care for the working poor. In addition, the number of uninsured individuals without a medical home is steadily increasing. The Roselawn Lutheran Church in the Roselawn section of Cincinnati had already obtained zoning approval and was allowing the operation of a dental clinic run by the Cincinnati Dental Society in its facility. CEIF connected with them and agreed to add an eye care clinic to the facility to serve the underserved, The Roselawn Eye Clinic.

With the help of corporate and community partners, the Roselawn Clinic will open on January 19, 2008. CEIF staff obtained a tremendous amount of *in kind donations* such as donated space and utilities (Roselawn Lutheran Church), construction services, (Oswald Construction Company and its subcontractors), a *grant* from the Allergan Foundation for operational support, and the donation of medical supplies and equipment, (Allergan, Alcon, EXPEDEX, JMedical Supply, Reliance Medical Products, Haag Streit, and CEI), *collaboration* with The Gift of Sight Foundation for free eye wear for patients, the Roselawn Eye Clinic became the first operating program of CEIF. It has two eye exam areas, a testing station, shared reception and wait areas, and is open one Saturday per month. It is staffed entirely by volunteers, including CEI physicians, and it is hoped that as demand and the number of volunteers grows, so will its service days. CEIF are cultivating referral sources such as community health centers, social service agencies and

other community organizations. Follow up care and prescriptions are also being coordinated with other agencies.

Because of CEIF's active cultivation of community partners, the Roselawn Eye Clinic was selected from over 300 nominations to be chosen as one of the region's 2008 Health Care Heroes in Greater Cincinnati.

Education

To fulfill their mission to sponsor eye care education, CEIF chose to participate in a collaborative funding effort between the University of Cincinnati, Cincinnati Children's Hospital Medical Center, and the Veteran's Administration Hospital to fund additional ophthalmology residents at the Department of Ophthalmology, University of Cincinnati College of Medicine. Beginning in July 2008, the cost to the funding participants would increase each year until a full compliment of three additional residents was reached. They will also engage in community outreach and education.

Research

There were a number of areas on the physicians' and the Board's wish list for research endeavors. Given the limited time, funding and other resources available to a start up, it was clear they had to limit the initial areas of research with which CEIF would be engaged. Clear consensus on what form the research portion of their mission would take was reached during the Strategic Planning phase and is discussed below.

The Roadmap

The next step after deciding on the purpose and the programs was to develop a road map for the next few years, answering the questions: Where are we now; where do we want to be tomorrow; how do we get there? A planning group was formed and a study of the internal strengths and weaknesses, and the external opportunities and threats, was conducted. The planning group then attempted to identify strategies that maximize strengths, minimize weaknesses, capitalize on opportunities, and minimize threats—and that leverage the relationships between those.

The results of that analysis led to the synthesis of a three-year strategic plan. The consultant helped to identify and recommend evaluation criteria and best practices. Measurable results were built into the plans with metrics such as number of patients served, patient outcomes, and grant, donor and sponsor income. A communication plan that enlightens the community about CEIF and enables them to widen their circle of supporters was one of the strategic goals. Fleshing out the strategic plan allowed Ms. Amy Scrivner to complete a Development Plan to increase CEIF's financial resources, donors, and volunteers to support the programs that are aligned with the organization's strategic goals. Budgets and projections for each program, and for each phase of CEIF's next three years (start-up, sustainability, and future) were created and continue to be refined and improved.

The Research Focus

Finally, a smaller committee was formed to carefully study and refine CEIF's start up research program. Championed by one of the physicians, CEIF recognized that the discovery of effective treatments for many degenerative and inherited diseases, as well as optic neuropathies would be found in the future through a paradigm shift in medicine: advancements in ophthalmic genetics would enable eye care specialists to develop groundbreaking treatments. CEIF, they felt, should be a leader in genetic and immunological patient specific research. The committee's work resulted in the decision to create a translational research program, the first phase of which would be dedicated to funding CEI physicians presenting projects involving genetic expression in the retina, glaucoma, and cornea fields. This program would have the potential to sponsor cutting edge research, attract significant donors, and would ideally serve CEIF's mission and particular expertise.

The work of CEIF is only beginning: they are now beginning to put in place and execute development plans that are specifically targeted for each funding source and program, develop, improve, and maintain a mailing list and database of donors, sponsors, and other funding sources. They are developing communication plans that establish a strong identity for CEIF and raise the awareness/profile of CEIF in the community. They will continue to build their infrastructure, governance, policies and procedures, and strive to adhere to best practice standards. All of these activities are measurable and are now aligned with strategic goals that are agreed among all the participants.

LESSONS LEARNED, SUCCESS FACTORS, AND CHALLENGES

Seek early IRS Approval

It is important to engage an expert, gather facts and have strong commitment and consensus from the Board before seeking IRS approval for non-profit status. The IRS can and does ask a lot of questions to ensure the entity has a true charitable purpose. Award of its tax exemption could take up to a year. For example, the IRS needs to make sure that the research supported by the tax exempt organization serves a public purpose, and not a private benefit to the physicians. In order to obtain tax-exempt status from the IRS the charitable purpose should be clear and permissible. Expert advice is strongly recommended.

Review/Identify/refine/simplify the mission/purpose

Before anything else, there is a need to have a committed Board and build consensus for the non-profit's Mission. It is important to have a disciplined step-by-step process. Begin by identifying and simplifying the organization's mission/purpose. This is not as easy as it sounds.

The development of the non-profit's mission can be challenging with multiple input from a large physician group's doctors. There may be different opinions about what the non-profit does or should do.

Review, gain consensus, on program plans

Carefully develop and plan the activities of the organization: Program plans can only be made after review, consensus and simplification of the mission. Make sure the programs are realistic and doable with the resources available.

Develop a Strategic Plan

It is not enough to decide the purpose and activities. Goals to accomplish the mission over the long term need to be developed. Identification and prioritization of major issues needs to be made. The organization needs to decide how much it wants/needs to raise, and how it will be spent. There is infrastructure building to be done, policies and procedures to be put in place, and marketing communications to be created.

Develop a Fundraising Plan; be careful about access to the patient database:

CEIF learned that unlike a non-profit hospital, the non-profit formed by a for profit physician group will not have automatic access to the physician group's existing patient database. HIPAA privacy rules will prevent access to that historical base, and patients must sign a separate consent form to enable the non-profit entity to access that data. This adds an extra administrative step and purchasing donor management software is very helpful.

On the one hand, patient donations are often emotionally driven and patient donors can be self-selecting—they find you, not the other way around. They are usually interested in supporting a program or a larger goal the organization wants to achieve. For example, following the establishment of the CEI Foundation, a CEI patient who had nearly no eyesight from birth in one eye and underwent successful surgery in the remaining sighted eye was so relieved and gratified following surgery, that he donated \$10,000 to the Foundation's Roselawn Eye Clinic to serve the underserved. It is not just financial need, but also a vision that will create enthusiasm. People want to create a difference in medical care in the community and understand that medical care is expensive.

Even people who are struggling with health care costs can support the organization. As Ms. Scrivner stated: "One patient who could not pay her surgery bills from CEI years ago whose debt had long since been written off, but had experienced an improvement in her circumstances, learned of the establishment of CEIF and has begun 'paying her bill' in the form of a \$25 weekly donation to CEIF to support future indigent eye patients."

On the other hand, the rising cost of healthcare and a perception among outside donors that the physician group already has enough money and he/she does not need to donate to a separate non-profit entity counterbalances donor self selection. A carefully thought out strategic plan will be needed to deal with overcoming that misperception.

In some ways, though, the fundraising story can be more challenging than a non-profit hospital, which for example, may have a campaign to raise money for a specific piece of equipment.

Misconceptions abound (particularly among physician group members) about whether and to what extent corporations are willing to donate. Vendors can be surprising. Due to the current regulatory climate and other factors, many vendors are reluctant to fund certain activities.

The physician group may have to agree that it will financially support the start up and operating costs for the non-profit entity for a period of time. Buy in is required both psychologically and financially. Desire to donate money themselves and do the work to fulfill the mission must both be present.

Individual physician donations of time, money, and/or resources are important hurdles to overcome. The question of whether the group mandates that the individual physicians donate money, time, or resources to the non-profit entity is a thorny one. CEI found that the better path was to strive for “100% participation”, and that no minimum donation would be required. Physicians are the core source of volunteers to perform the work of the non-profit, and 100% participation is important to donors and their families.

Develop a communication plan

The public will want to know about the charitable benefits the organization is providing to the community. They will want to know dedicated health care professionals who care about their needs back it. It will need to reach potential donors, distinguish and leverage the relationship with the physician group, and be capable of building a reputation for growth.

Seek the help of corporate and community partners

Actively cultivate community partners and funders that share the organization’s objectives. They bring resources, ideas, and volunteers and will enhance the chances of success.

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Miscellaneous Matters

Finding an excellent Direction of Development, ideally with the additional capabilities possessed by an experienced Executive Director, is critical to the non-profit’s success.

It takes a lot of time to accomplish all of these things; do not underestimate the amount of time it takes to establish and run a non-profit entity. Implementing projects require extra help and program leaders. Volunteer staffing needs to be adequate to accomplish the task.

An advantage of a physician group establishing a non profit entity, on the other hand, is the ability to take advantage of the administrative resources it has already at hand.

An outside consultant can keep the process focused and on track.

CONCLUSIONS AND RECOMMENDATIONS

For start ups, **make sure there is a common vision, concern or goal** and leaders who are willing to volunteer their time, energy, and other resources to the project. Then, make sure the organization's goals, purposes and programs are clear and agreed to in as much detail as possible. A committed Board is essential.

If there is an interest in starting a non-profit entity, **do some basic research** to stimulate ideas and learn whether there are other organizations in the region that are active with the issue concerned, or that have similar programs. This is helpful for many reasons: it clarifies whether there is a need for a new program, it will help to locate groups to work with, and it identifies potential competitors for resources and clients.

Decide what form the organization will take: whether it will be a corporation or an unincorporated association, a membership organization or a directorship organization. Determine whether the organization meets the IRS criteria for 501(c)(3) tax-exempt status. IRS Publication 557 may be helpful for this step.

Whether it is existing physician owned non profits or a start up, **a consultant can help** to evaluate the effectiveness of the current programs, develop new programs, devise and implement creative strategies to improve the non profit's effectiveness and reach, develop long-term sustainability plans, budgeting, forecasting, and effective management tools to implement best practices.

A non profit entity allows a physician group to make a positive contribution to the community through such things as sponsorship/funding of communities services and outreach, community education, medical education, clinical and/or basic research, and providing healthcare without regard to ability to pay, and promoting healthy living and a culture of health.

CSR activities are strategic initiatives that create a competitive advantage, are beneficial employee recruitment and retention tool, and a powerful public relations instrument, but more importantly, it is the right thing to do.