



**CHANGE** KIDS' HEALTH  

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**CHANGE** THE FUTURE

Market Alignment Process

# Best Practices Guide

Children's Miracle Network Hospitals – June 2021

## IN APPRECIATION

This guide was made possible by the contributions of several individuals representing hospitals who worked together locally to complete fundraising territory realignments successfully. We have compiled the best practices that were shared by those hospital representatives into this step-by-step guide.

We would like to recognize and appreciate the contributions of each of the these individuals:

- John Bel with Children's Hospital of San Antonio Foundation
- Lora Edgell from West Virginia University Medicine Children's
- Amber Gee with United Regional Health Care System in Wichita Falls, Texas
- Amy Heron with CHRISTUS Shreveport- Bossier, Louisiana
- Chloe Hurley and Mark Slover with the University of Kentucky Children's Hospital
- Kathy McCracken with Children's Hospital Foundation, Oklahoma City
- Fred Scarborough with Arkansas Children's

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## EXECUTIVE SUMMARY

### ***The Issues***

Children's Miracle Network Hospitals began in 1983 as a telethon fundraiser. Each member hospital was assigned a fundraising territory based on television viewing areas. CMN Hospitals no longer conducts a telethon and, in some areas, the fundraising territory assignments have become challenging because the hospitals' patient services areas are not always aligned with the fundraising territory. Hospital representatives feel frustrated because their hospital is providing care while CMN Hospitals' fundraising dollars are going to a different hospital.

CMN Hospitals' fundraising partners and donors in misaligned territories are often confused. They have difficulty understanding why their donations are going to a hospital that is not caring for the majority of the children in their area. Because partners in misaligned territories often lack a connection with the hospital, their customers are sometimes reluctant to give to CMN Hospitals' campaigns. Fundraising tends to be weak in misaligned territories, often trailing national and regional averages.

### **Potential Solutions**

Over the years, a number of CMN Hospitals member hospitals have succeeded in working with other member hospitals to negotiate a local solution to their territory issues. Six hospitals who were involved in a locally negotiated market alignment process participated in interviews to help identify the process to a solution. A few consistent guiding principles helped steer these hospitals to a successful market alignment.

- **What is best for the children?** Those who focused on doing the right thing for the kids in their community were able to reach an amicable agreement. One way to help determine what is best for the children is to review the patient services data for each hospital.
- **What is best for the partners?** It is important to consider the relationships with fundraising partners. In some cases, the partners felt disconnected from the assigned CMN Hospitals member and, therefore, were less effective in raising funds. Listening to the needs and wishes of the fundraising partners and donors helped guide the decision to realign.
- **What is the financial impact on each hospital?** The costs of transitioning territory from one hospital to another can be high. When a hospital gives up fundraising territory, they are losing important fundraising revenue. The hospital receiving the territory will need to provide consideration to the other hospital for a period of time to allow them time to adjust their fundraising plan to make up the loss of fundraising revenue. Market alignment will need to be approached as a long-term investment.

This step-by-step guide is intended to demonstrate the key steps to a successful market alignment. It is important to note that no one reported the process as fast or easy.

## STEP-BY-STEP GUIDE FOR MARKET ALIGNMENT

### Step 1

## Build A Case for Market Alignment

To build a compelling case, a hospital should provide justification or reasons why a market alignment is needed. Below are some questions that might help get the conversation started.

### **Patient Service Delivery**

Gather relevant patient services data for each hospital in the counties under review.

- How many patients are treated, both inpatient and outpatient, at all locations operated by each member in the counties in question? How many inpatient days were recorded by each hospital?
- What types of services are provided by each member? Is one member providing a higher level of care and incurring more significant costs per patient?
- Is the disputed territory crossing state lines? Are Medicaid patients allowed to be treated outside of their home state? What percentage of Medicaid patients from each county are treated by each hospital?

*One Program Director related that she had several internal conversations with the team at her local children's hospital. There were eleven counties in her state that were raising money for the hospital in a neighboring state that was much farther away. They carefully analyzed the number of patients coming from those counties.*

*Many patients who lived in her state were coming to her hospital for care, but they were not receiving the CMN Hospitals fundraising dollars from those areas.*

*The team at the local hospital believed that CMN Hospitals partners would be more likely to engage and maximize fundraising if they knew the money was going to help the children's hospital in their state.*

[See Appendix A for an example of a Patient Services Analysis.](#)

### **Fundraising Partnerships**

Assess the fundraising partner relationships in the counties under review and compile information on known donor or partner experiences.

- Have CMN Hospitals' fundraising partners expressed confusion or concern about where their funds are going? Do the partners feel aligned and connected to the hospital in their assigned area? Which hospital is caring for the partners' children and their customers' children?

- Are fundraising partners from outside your assigned fundraising territory reaching out to you for support and assistance? If so, how often does this occur? How many partners are contacting you?
- Have fundraising partners requested CMN Hospitals redirect their donations to a hospital other than yours because the children in their community are being treated at a different CMN Hospitals member hospital? If so, how many partners are redirecting their funds outside of their assigned territory?
- Would fundraising partners be more motivated and engaged to raise funds if the funds were going to a hospital, they feel is the one treating their children? Have partners shared concerns about giving to the hospital they are assigned?
- Is it possible fundraising partners would be willing to raise funds for both member hospitals if the numbers seem to be equally divided between the hospitals?

*Note: It is a violation of the Membership Agreement to contact CMN Hospitals partners outside of one's assigned territory. Be sure to share any communications initiated by a partner outside of your territory with the hospital assigned to the territory to avoid any misunderstandings*

*Amber Gee, the CMN Program Director at United Regional Health Care in Wichita Falls, TX had been working with the partners in the six counties in Oklahoma assigned to her hospital. She said it had always been a challenge for of the partners. They wanted to help, but it seemed like they were not meeting their potential because they didn't feel good about their money leaving Oklahoma. Love's was of particular concern because they had a few stores in the Wichita Falls market, but they were part of a region that had mostly Oklahoma City stores, so they would always hear about what the others were doing for The Children's Hospital in Oklahoma City and felt a bit left out. It was a problem.*

*Amy Heron, Executive Director of CHRISTUS Shreveport-Bossier Health System cited examples of CMN Hospitals' partners approaching their hospital to find out if the funds were coming to them. Despite CHRISTUS' efforts to encourage support of Arkansas Children's Hospital, CMN Hospitals fundraising partners were disappointed to learn the donations were leaving the state of Louisiana.*

*Kathy McCracken, Executive Director of Children's Hospital Foundation (CHF), in Oklahoma City shared that there was a long history associated with territory misalignment in the market. The issues started about eight years before the realignment was agreed with a phone call from the Fort Sill Credit Union in Lawton, Oklahoma. They were the first to express concern about their funds going to a Texas hospital. The owner of the Lawton Newspaper also reached out expressing frustration that their donations were leaving the state. And a large donor to CHF was also confused by the territory alignment. There were enough signals that it seemed a conversation with United Regional Health Care was needed.*

## Step 2

## Begin the Conversation

The next step is to arrange a meeting with the other hospital to share the data and discuss the potential for market alignment.

In one situation, the initial conversation began between two CMN Hospitals program directors. They started with a casual conversation at a national meeting. In another case, the conversation began at the program director level and then moved to the chief development officers. In the third, the chief development officer at one hospital approached the chief development officer at the other and a meeting was arranged with key development leaders.

It is important to seek to understand the position of the hospital who has the territory. In the case studies, the hospitals who had the territory in question were sometimes reluctant to engage in the conversation at the beginning. In one case, the initial response was simply no. In those situations, it is important to maintain a friendly relationship and work to share your facts and stories with the other member until they are ready to talk about it.

***A Program Director** who held the territory another hospital wanted described her initial response to the conversation as, "No way!" And for a few years, she just said, "No, not interested." She had been building relationships and stewarding the partners in those counties for four years before anyone from the other hospital approached her. She had grown fundraising significantly. However, she also said she had to invest a lot of time and energy convincing them to raise funds for her hospital which was quite a distance from them. She began to wonder how much more she could raise if she focused the same effort on the partners that were closer in proximity and already felt a connection with her hospital.*

The best option is always for two hospitals to work out a local agreement together in an amicable manner. While the Binding Decision Option is also available through engagement of the MAP Committee of the CDO Advisory Board, it is the most expensive method to resolve the dispute and often results in at least one unhappy member hospital and a less than cordial relationship between the two hospitals involved.

For all of the above reasons, the MAP Committee will not engage in the Binding Decision Option until it can be demonstrated such reasonable efforts have been taken to resolve the issues locally first. A locally crafted decision will always be better for the parties involved.

## Step 3

### Develop A Proposed Offer

In each of the case studies, the hospitals worked together to develop the offer. Generally, the hospital who currently holds the territory is better equipped to determine the value of the fundraising territory to their hospital. Below are some suggestions to help guide the development of the proposal.

#### **Fundraising Results Analysis**

Analyze the fundraising data for the past three years.

- Children's Miracle Network Hospitals maintains a multi-year history of fundraising information provided by fundraising partners and reported by member hospitals. A report will be provided by CMN Hospitals. Note that not every CMN Hospitals fundraising activity has a zip code or county associated with it, so it will take some manual review of the data to ensure everything is included.
- In some situations, fundraising partners have chosen to redirect their donation to the hospital they feel is caring for the children in their community. A report on the number of redirected donations by county can also be requested from CMN Hospitals.

*John Bel was president of Arkansas Children's Hospital Foundation when they entertained a proposal from CHRISTUS Shreveport-Bossier. He recalled there was only one appropriate question to consider when they were approached and that is, "What is best for the children?" There are two drivers when you try to answer that question. First is the number of children served either inpatient and outpatient. And the second is the potential for fundraising for each of the hospitals involved.*

[See Appendix B for an example of a Fundraising Results Analysis](#)

Below is an overview of the proposals accepted by the hospitals in the case studies.

- One hospital proposed to pay 100% of the CMN Hospitals fundraising from the past three-year period to be paid out equally over the next three-year period.
- Another hospital proposed 100% of the last 3-years' fundraising plus projected growth in those partnerships and programs as well. The hospital seeking the territory viewed it as the business cost of acquiring the territory and considered it a long-term investment.
- The third proposal was stepped to pay 100% of fundraising in year one, 75% in year 2, and 50% in year 3.



It is best to determine whether the transition will be a phased approach or a clean break on signing the contract.

- Some of the hospitals involved worked together initially to ensure the partners understood the transition and who would be their contact going forward.
- Others made a clean break and the new hospital assigned to the territory reached out to the partners and started working to build relationships.

## Step 4

### Develop the Legal Agreements

- Prepare a layman's list of terms from which the lawyers can prepare the legal agreements. Include a description of the points of agreement reached by the negotiators.
- Typically, one hospital's legal department will write the initial draft of the legal agreement between the hospitals. Then the other hospital reviews and makes comments or proposes new language and sends it back to the other. This process continues until both sides are happy with all of the terms in the agreement and are ready to sign.
- Once a final draft is ready, a copy should be sent to CMN Hospitals for approval before signing to ensure all the terms of the agreement can be met under the CMN Hospitals Membership Agreement.
- Both parties then sign the Agreement and send a copy to CMN Hospitals Legal Department.

**Amy Heron** from CHRISTUS Shreveport-Bossier shared, *"Timing is an important consideration. Start with the end-date in mind. It takes considerable time going back and forth between hospital legal departments. Find out how much time your legal department will need to process agreements and back up to the start date from there. "*

*It's also important to note CMN Hospitals makes territory changes to coincide with the beginning of a fundraising year. October 1 is the deadline for notifying CMN Hospitals of a territory realignment that will commence on January 1 of the following year. This 90-day period is essential to address legal agreements and to reprogram information systems.*

*See Appendix C for an example of a Legal Agreement between two hospitals.*

***Fred Scarborough, President of Arkansas Children's Hospital Foundation** suggests starting with a trial period where the counties in question are “subleased” to the hospital who wishes to acquire the territory. During the trial, the hospitals work together to ensure partners are satisfied and fundraising grows. This helped alleviate some of the angst the entire team at ACHF was feeling about giving up the territory. It was not an easy decision and they wanted to feel confident partners were happy with the arrangement.*

*Another suggestion Fred shared was to consider including in the Agreement a First Right of Refusal clause to reclaim the territory should the hospital to whom the territory is given stops operating or is acquired by another entity such as a for-profit corporation.*

## Step 5

### Notify CMN Hospitals

- When CMN Hospitals receives a copy of the signed Agreement between the Hospitals, an Amendment to the Membership Agreement will be drafted by CMN Hospital's legal department. All parties then sign the Amendment.
- All signed agreements received by Children's Miracle Network Hospitals by October 1 will activate the following changes:
  - CMN Hospitals will notify the national offices of our fundraising partners of the change.
  - CMN Hospitals will reprogram its information systems with the new hospital information including all relevant applications and reports in Mission Control.
  - CMN Hospitals Accounting team will make changes to the Disbursement and Invoicing Systems related to the Territory changes.

*See Appendix D for an example of an Amendment to the CMN Hospitals Membership Agreement.*



## Step 6

## Develop A Local Communication Plan

- When an agreement has been reached, both parties have a role in ensuring the orderly transition of the partners from one hospital to the other.
- Some hospitals developed joint communications to the partners.
- Others made introductions for the new program director to the local contacts.
- In two of the case studies, the hospital acquiring the territory held kick off events in the territory to introduce the hospital to the new partners.

## Appendix A – Example of a Patient Services Analysis

<b>Please provide the following information for each county:</b>	<b>County Name 1</b>	<b>County Name 2</b>	<b>County Name 3</b>	<b>County Name 4</b>
Number Pediatric In-Patient Visits	890	199	96	12
Number Pediatric Patient Days	6,004	1,836	770	139
Number Pediatric Out-patient Visits	32,283	3,214	1,366	177
Number Pediatric ER visits	1,516	4,222	352	53
<b>Number Patient Visits by Diagnosis for each county</b>				
Cardiology	553	197	87	10
Congenital Defects	445	195	76	6
Diabetes	345	63	3	2
ER/Trauma	1,611	4,251	369	57
Endocrine	291	367	132	65
Gastrointestinal	115	10	3	0
General Medicine	22,358	2,380	347	25
General Surgery	554	84	18	1
Neonatology	450	391	245	23
Nephrology	0	0	2	0
Neurology	112	306	97	14
Oncology/Hematology	29	90	213	1
Organ Transplants	0	0	0	0
Orthopedics	5	9	5	0
Pediatric Intensive Care	67	373	91	24
Psychiatry	145	257	94	14
Respiratory (including Asthma)	0	10	26	0
Sickle Cell	10	7	1	0
Urology	16	22	14	0

## Appendix B – Three-Year Fundraising Analysis

### CMN HOSPITALS FUNDRAISING ANALYSIS

County	Entity	2014	2015	2016	Average
BENTON	Ace Hardware Corp.	\$845.10	\$988.17	\$1,044.33	\$959.20
BENTON	Casey's General Stores	\$828.00	\$870.00	\$876.00	\$858.00
BENTON	Greek Partners - Phi Mu	\$1,060.72	\$1,204.00	\$1,309.00	\$1,191.24
BENTON	RE/MAX, LLC	\$2,892.20	\$2,927.70	\$5,814.12	\$3,878.01
BENTON	Walmart Stores, Inc.	\$2,458.10	\$2,830.17	\$3,090.47	\$2,792.91
GEORGE	Ace Hardware Corp.	\$1,382.04	\$1,156.00	\$179.28	\$905.77
GEORGE	Casey's General Stores	\$2,307.58	\$1,047.00	\$315.49	\$1,223.36
GEORGE	RE/MAX, LLC	\$3,607.63	\$4,559.47	\$6,387.96	\$4,851.69
GEORGE	Marriott International	\$566.33	\$722.00	\$1,067.00	\$785.11
GEORGE	Rite Aid Corp.	\$4,608.69	\$4,967.57	\$8,179.50	\$5,918.59
GEORGE	Marriott International	\$3,577.71	\$3,571.96	\$3,515.40	\$3,555.02
GEORGE	Walmart Stores, Inc.	\$3,089.00	\$3,049.98	\$3,125.34	\$3,088.11
LAWSON	Ace Hardware Corp.	\$1,897.00	\$2,473.00	\$1,194.95	\$1,854.98
LAWSON	Love's Travel Stops		\$1,423.78	\$1,539.32	\$1,481.55
LAWSON	RE/MAX, LLC	\$25.00	\$100.00	\$800.33	\$308.44
LAWSON	Rite Aid Corp.	\$269.25	\$232.36	\$343.69	\$281.77
LAWSON	Walmart Stores, Inc.	\$6,660.62	\$7,718.85	\$10,149.03	\$8,176.17
MONTGOMERY	Love's Travel Stops	\$1,940.00	\$2,723.00	\$1,516.08	\$2,059.69
MONTGOMERY	RE/MAX, LLC	\$1,399.38	\$1,517.56	\$2,150.01	\$1,688.98
MONTGOMERY	Rite Aid Corp.	\$1,971.76	\$2,419.00	\$1,064.01	\$1,818.26
MONTGOMERY	Walmart Stores, Inc.	\$1,798.50	\$1,965.00	\$2,332.59	\$2,032.03
SMITHFIELD	America Tech Credit Union	\$401.44	\$486.34	\$558.26	\$482.01
SMITHFIELD	Casey's General Stores	\$2,950.70	\$3,756.27	\$7,434.76	\$4,713.91
SMITHFIELD	Love's Travel Stops	\$1,490.00	\$1,588.88	\$3,027.44	\$2,035.44
SMITHFIELD	Panda Restaurant Group, Inc.	\$5,960.58	\$6,570.46	\$7,418.24	\$6,649.76
SMITHFIELD	RE/MAX, LLC	\$1,425.54	\$1,986.65	\$2,447.76	\$1,953.32
SMITHFIELD	Walmart Stores, Inc.	\$15,962.35	\$17,532.00	\$20,148.29	\$17,880.88
WASHINGTON	CEFCO Convenience Stores	\$2,704.00	\$2,945.43	\$3,051.00	\$2,900.14
WASHINGTON	Dairy Queen Corp.	\$1,346.08	\$1,417.00	\$1,504.97	\$1,422.68
WASHINGTON	Re/MAX, LLC	\$1,300.00	\$1,484.58	\$1,615.06	\$1,466.55
WASHINGTON	South Military Credit Union	\$1,615.00	\$1,746.00	\$1,861.04	\$1,740.68
WASHINGTON	Walmart Stores, Inc.	\$11,819.58	\$12,071.64	\$14,495.80	\$12,795.67
		<b>\$90,159.88</b>	<b>\$100,051.82</b>	<b>\$119,556.52</b>	<b>\$103,749.92</b>

11%

19%

## Appendix C – Example of An Agreement between Hospitals

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### TERRITORY REALIGNMENT AGREEMENT BETWEEN THE STANDARD CHILDREN'S HOSPITAL AND THE NORTHWEST HOSPITAL FOR CHILDREN

As members of Children's Miracle Network Hospitals ("CMNH"), the Standard Children's Hospital ("SCH") and the Northwest Hospital for Children ("NHFC"), each have been assigned certain territories for fundraising activities in their respective CMNH fundraising territories with their respective geographic areas of interest and the populations served by each Hospital, SCH and NHFC have agreed to realign their fundraising territories as more particularly described herein. Such realignment is subject to the approval of CMNH.

SCH has agreed to acquire from NHFC certain counties located within the Eastern Peninsula now within NHFC's assigned CMNH fundraising territory, and NHFC has agreed to transfer those Eastern Peninsula counties to SCH's CMNH fundraising territory, all on the terms and conditions set forth herein and as to be further defined in subsequent agreements between SCH and NHFC, as may be necessary.

The Eastern Peninsula counties being transferred by NHFC to SCH are: Benton, George, Lawson, Montgomery, Smithfield and Washington (the "Counties").

In consideration of the transfer and reassignment of the Counties by NHFC to SCH, the parties agree as follows:

1. SCH shall pay NHFC a transfer fee totaling \$309,749.92, to be paid in installments over the course of 2017-2019 as further described below (the "Transfer Fee").
2. Transfer of the Counties shall occur effective January 1, 2017 at which time SCH shall have full authority over the Counties as to CMNH participation matters, and NHFC shall relinquish all rights to any CMNH fundraising participation as to such Counties.
3. 2016 shall be a "Transition Year" during which NHFC shall retain exclusive CMNH fundraising participation rights in the Counties subject to the following:
  - a. NHFC shall assist in the transition of the Counties to SCH by introducing SCH officials to key corporate partners and transfer responsibility for maintaining and stewarding these relationships to SCH;
  - b. NHFC shall share fundraising best practices with SCH;
  - c. During the Transition Year, NHFC and SCH shall equally split the cost of promotional materials for corporate partners in the Counties. NHFC shall

account for such expenditures and invoice SCH for reimbursement based up appropriate supporting documentation.

- d. NHFC shall not in any way diminish its fundraising activities in the Counties during the Transition Year.
  - e. NHFC shall continue to receive all Children's Miracle Network Hospitals funds raised in the above listed Counties during the Transition Year and shall credit those sums received against the Transfer Fee. NHFC shall provide a quarterly accounting to SCH of funds raised in the Counties during the Transition Year. All sums raised in the Counties during the Transition Year shall be credited against the installment payment due January 1, 2017. If the amount exceeds the installment payment due for 2017, any excess amounts will be credited against the 2018 installment payment.
4. After transfer of the Counties to SCH on January 1, 2017, SCH shall pay to NHFC the following amounts to be credited against the Transfer Fee, all sums to be paid on May 1 of the subject year:
    - a. 2017: \$175,000.00
    - b. 2018: \$ 85,000.00
    - c. 2019: \$ 49,749.92
  5. SCH agrees to:
    - a. Assume responsibility for maintaining and stewarding these relationships via face-to-face visits
    - b. Share fundraising best practices
    - c. Split evenly the cost of promotional materials for corporate partners in the Counties during the Transition Year with HFC.
    - d. Partner with NHFC to track funds raised in the Counties.
  6. Each party agrees to execute any and all additional documents necessary to give effect to the agreements herein stated, including but not limited to any addenda required by CMNH, and to fully cooperate as necessary to obtain the CMNH approval for the transfer of Counties provided for herein. In the event CMNH is unable to approve the transfer by December 31, 2016, the parties shall amend this Agreement to apply the principles of Section 3 to the 2017 calendar year.

STANDARD CHILDREN'S HOSPITAL

NORTHWEST HOSPITAL FOR CHILDREN

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## Appendix D – Example of an Addendum to the CMN Hospitals Membership Agreement

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### **CHILDREN'S MIRACLE NETWORK HOSPITALS 2016-2020 MEMBERSHIP AGREEMENT FUNDRAISING TERRITORY REALIGNMENT ADDENDUM**

This Addendum amends the 2016-2020 Membership Agreement between Children's Miracle Network d/b/a Children's Miracle Network Hospitals, a Utah non-profit corporation ("CMN Hospitals") and \_\_\_\_\_(Hospital Name), a \_\_\_\_\_(State) nonprofit corporation ("ABC Hospital"), effective September 1, 2015 (the "ABC Agreement"); and the 2016-2020 Membership Agreement between CMN Hospitals and \_\_\_\_\_(Hospital), a \_\_\_\_\_(State) nonprofit corporation ("XYZ Hospital"), effective September 1, 2015 (the "XYZ Agreement"). CMN Hospitals, ABC Hospital and XYZ Hospital may be collectively referred to herein as the "Parties" or individually as a "Party."

#### **RECITALS**

WHEREAS, pursuant to Section 1.07 of the CHF Agreement, CMN Hospitals has granted ABC a fundraising territory described in Exhibit C to the ABC Hospital Agreement (the "ABC Territory");

WEHREAS, pursuant to Section 1.07 of the XYZ Hospital Agreement, CMN Hospitals has granted XYZ a fundraising territory described in Exhibit C to the XYZ Hospital Agreement (the "XYZ Territory");

WHEREAS, the XYZ Territory includes certain counties in the State of \_\_, namely Middleton, Norwich, Orange, Potter, Quincy, Reston, and Thomas (collectively, the "XYZ/State NameTerritory");

WHEREAS, ABC and XYZ have reached an agreement with respect to the realignment of the ABC Territory to include the XYZ/State Name Territory; and

WHEREAS, CMN Hospitals has approved the realignment proposed by ABC Hospital and XYZ Hospital and the Parties desire to memorialize the terms of the realignment in an addendum as described in Section 1.07 of the CHF Agreement and the United Agreement.



NOW THEREFORE, for the mutual agreements and promises set forth herein and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

### **AGREEMENT**

1. Subject to the terms and conditions herein, the Parties agree that the ABC Hospital Territory shall be realigned to include the XYZ/State Name Territory, and the XYZ Territory shall be realigned to exclude the XYZ/State Name Territory (the "Realignment"), with the Realignment to take effect on January 1, 2017 (the "Effective Date").

2. The Parties agree that Exhibit C to the CHF Agreement is hereby amended to add the following counties: Middleton, Norwich, Orange, Porter, Quincy, Reston, and Sequoia.

3. The Parties agree that Exhibit C to the United Agreement is hereby amended to remove the following counties: Middleton, Norwich, Orange, Porter, Quincy, Reston, and Sequoia.

4. CMN Hospitals approves and consents to the Realignment in accordance with Section 1.07(c) of the ABC Agreement and the XYZ Agreement.

5. The Parties agree that this Addendum constitutes the Addendum specified by Section 1.07(c) of the ABC Agreement and the XYZ Agreement.

5. In consideration for the Realignment, ABC agrees to pay XYZ the sum of Five Hundred Twenty-Five Thousand Dollars (\$525,000.00) (the "Realignment Fee"), payable in three equal installment payments due and payable on or before January 1, 2017, January 1, 2018 and January 1, 2019, respectively.

6. The Parties agree that CMN Hospitals is not responsible for payment of the Realignment Fee or enforcement of ABC's payment of the Realignment Fee under paragraph 5 of this Addendum. In the event ABC fails to pay the Realignment Fee or any installment payment thereof, CMN Hospitals has no obligation to reassign the XYZ/State Name Territory to XYZ Hospital or to engage in negotiations to resolve such dispute or further amend the ABC Agreement or the XYZ Agreement. XYZ's sole remedy for any failure by ABC to pay the Realignment Fee or any installment payment thereof shall be a claim for monetary damages against ABC.

7. CMN Hospitals acknowledges and agrees that the Realignment will not increase or otherwise affect the Membership Fees of ABC under the ABC Agreement or XYZ under the XYZ Agreement through 2017.

8. This Addendum may be executed and delivered in any number of counterparts, each of which so executed and delivered shall be deemed to be an original and all of which shall constitute one and the same instrument.

9. The exchange of executed counterparts of this Addendum or of signature pages by facsimile or other electronic transmission shall constitute effective execution and delivery of this letter and may be used in lieu of the original for all purposes.

10. Except as modified by this Addendum, the ABC Agreement and the XYZ Agreement shall remain unchanged and in full force and effect. This Addendum is to be construed as part of the ABC Agreement and the XYZ Agreement and is incorporated therein. In the event provisions of this Addendum conflict with provisions of the ABC Agreement or the XYZ Agreement, the provisions of this Addendum shall control.

IN WITNESS HEREOF, the Parties have executed this Addendum to be effective as of the Effective Date stated above.

ABC HOSPITAL FOUNDATION

XYZ HOSPITAL FOUNDATION

By:

By:

\_\_\_\_\_

\_\_\_\_\_

Name:

Name:

\_\_\_\_\_

\_\_\_\_\_

Its:

Its:

\_\_\_\_\_

\_\_\_\_\_

CHILDREN'S MIRACLE NETWORK d/b/a  
CHILDREN'S MIRACLE NETWORK HOSPITALS

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Its:

\_\_\_\_\_

## Appendix E – Quick Market Alignment Checklist

### Develop A Timeline

- Work backward from January 1--the beginning of the fundraising year.
- Notify CMN Hospitals no later than October 1.
- Work with your legal department to determine how much time will be needed to get an agreement signed.

### Build a Case for Market Alignment

- Gather relevant patient services data
- Compile known partner/donor experiences

### Begin the Conversation with the Other Hospital

- Arrange a meeting with the other hospital
- Share your facts of the Case for Market Alignment
- Seek to understand the other hospital's position

### Develop a Proposed Offer

- Gather relevant fundraising data
- Make a proposal
- Negotiate and agree on terms

### Develop Legal Agreement

- Prepare a layman's list of terms
- Attorneys draft a legal agreement
- Business negotiators work together to finalize details
- Share the final draft with CMN Hospitals
- Once approved, both parties sign the Agreement

### Notify CMN Hospitals of Completion

- Provide CMN Hospitals a copy of the signed agreement
- CMN Hospitals provides an Amendment to the CMN Hospitals Membership Agreements for each member
- Both hospitals sign the Amendment

### CMN Hospitals Activates the Changes

- Notifies all partners at the national level
- Reprograms Information Systems
- Changes Disbursement and Invoicing Systems

### Develop a Local Communication Plan

- Work together to create a smooth transition
- Agree on a plan to communicate the changes
- Begin implementation of the plan

For additional information concerning market alignment issues, please contact:

CHILDREN'S MIRACLE NETWORK HOSPITALS

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