

CDO Advisory Committee: Market Alignment Process Subcommittee

Approved Market Alignment Process

THE ISSUE: MARKET ALIGNMENT

The Market Alignment Process establishes a pathway to determine the best alignment among CMN Hospitals' member hospitals serving kids locally. The review process strengthens the CMN Hospitals' network as it addresses boundaries that may create confusion for national partners and donors when the member hospital receiving the funds may be different than the member hospital providing care to the kids in the community and holding us back from raising more funds locally.

CDO ADVISORY SUBCOMMITTEE APPOINTED

The CDO Advisory Committee appointed a Market Alignment Process (MAP) Subcommittee to study the hospitals' concerns with fundraising boundaries and provide a recommendation to the CMN Hospitals Board of Trustees. The MAP Subcommittee was comprised of chief development officers Susan Doliner with Maine Medical Center (Portland, ME); Phil Salerno with Children's Specialized Hospital (Mountainside, NJ); and Grant Stirling with Lurie Children's Hospital (Chicago, IL).

TENETS OF THE MAP SUBCOMMITTEE'S WORK

- Seek input from all member hospitals
 - Build trust
 - Be transparent, clear, and predictable
 - Assume positive intent
 - Apply rigor in defining the data and intent of the review
 - Advance healthy dialogue between member hospitals
 - Establish respectful and timely communications
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- The plan applies only to US Markets and current CMN Hospitals member hospitals
 - This process is not intended as a tool to renegotiate existing territory realignment agreements that were struck prior to the effective date of this policy.

IDENTIFYING ISSUES AND CONCERNS

The members of the MAP Subcommittee spent significant time identifying the issues and concerns with various stakeholders.

- Several conference calls and meetings were held with CMN Hospitals national staff reviewing the concerns reported by member hospitals with the current fundraising boundaries as well as the challenges for our national partners and donors.
- CDOs of member hospitals were surveyed to gain a deeper understanding of the issues and concerns, for which a response rate of 67% or 94 responses were received.
- Members of the MAP Subcommittee held individual calls with more than twenty (20) CDO's who have either successfully gone through the process or remain stuck. In addition, three Hospital Leadership Town Hall Calls were held to share progress and listen to the concerns of the leadership in member hospitals.

CMN Hospitals 6.10.21. Updated 11.14.22 to include references to the current membership agreement.

GUIDING PRINCIPLES

Based on the information gathered by the MAP Subcommittee, a set of guiding principles emerged for any proposed market alignment process. Any realignment change should include:

- Raise more funds to help more kids locally
- Better serve our Children's Miracle Network Hospitals mission of committing to local donations making local impact
- Treat all member hospitals equitably
- Raise CMN Hospitals and local CMN Hospitals' member hospitals' brand awareness
- MAP discussions may be triggered by the CDO's of CMN Hospitals' member hospitals with the goal of the member hospitals arriving at an amicable decision.
- Support donor intent
- Have a positive impact on CMN Hospitals' national partner relationships
- Baseline shared data will include: current CMN Hospitals fundraising by county; patient care market data; consumer opinion, and national partner input
- If negotiations are not timely and/or fail, the MAP case will defer to the Binding Decision Option described later in this document
- If territory is realigned through the MAP process, a fee will be paid by the Initiator to the Respondent to acquire the territory, which is designed to support a period of adjustment
- MAP agreements must be completed by October 1 of each year to be included in the following calendar year programming and national partner fundraising disbursements

OPTIONS FOR RESOLVING TERRITORY MISALIGNMENTS

- Local Collaboration Option to solve misalignments together, and
- Binding Decision Option with a group of CDOs (the CDO MAP Council) to review the facts and make a recommendation to be ratified by the CMN Hospitals Board of Trustees. Upon ratification, the decision is binding on all parties.

LOCAL COLLABORATION OPTION

Hospital leaders will be encouraged to resolve market alignment issues locally using tools and resources provided by Children's Miracle Network Hospitals. The local collaboration approach is the preferred approach. All new market alignments go into effect on January 1, if they are completed by October 1 of the previous year. Any member hospital may start a conversation with another member hospital to discuss a potential realignment of their assigned CMN Hospitals fundraising territory. For purposes of this document, we will refer to the hospitals as the Initiator and the Respondent. The actual amount of time it takes to complete the process depends on the parties involved. Some have completed the process in as few as 90 days where others have taken more than a year to reach agreement.

Below is the process for a local collaboration and summarizes the Market Realignment Process attached as Exhibit C to the 2023-2025 Membership Agreement. In the event of any conflict between this guidance, the language of Exhibit C to the 2023-2025 Membership Agreement will control.

Step 1: **Initial Contact** The Chief Development Officer ("CDO") of the Initiator should first contact the CDO of the Respondent. The initial conversation should be a phone call between the two CDOs to invite the Respondent to begin a dialogue regarding potential realignment.

Step 2: **Email/Written Follow Up** After the initial contact, or attempted contact by phone, the Initiator must send a follow-up email request to the Respondent CDO identifying the territory the Initiator is hoping to acquire and send a copy to CMN Hospitals' Vice President, Experience Operations to establish the date of this initial email.

No Response to Initial Email If the Respondent does not respond to the initial email within 30 days, the Initiator may then commence the *Binding Decision Option*, which will result in a final decision for both parties. Skip to Binding Decision Option, Step 7, for further instructions.

Step 3: **Children's Miracle Network Hospitals Provides Information** When CMN Hospitals' Vice President, Experience Operations is notified by an Initiator that the initial email has been sent and discussion/negotiation is ready to begin, CMN Hospitals will then provide the following information to both hospital CDOs:

- a. A Best Practices Guide that includes step-by-step guidance from the experiences of other hospitals that have successfully reached agreement to realign fundraising markets.
- b. Realignment process timing requirements -- see the Best Practices Guide for examples of timelines used by other hospitals.
- c. Fundraising Data for the territory in question for the past three years by county/zip code and by national partner will be provided to the Respondent. The Respondent will have an opportunity to review for accuracy and completeness before the data is shared with the Initiator.
- d. If either party wants to augment or validate the data, such as through third-party audits or surveys, those activities must be requested and completed between the parties during this phase. These 3rd party activities will be funded by the hospital initiating the action. They are not the responsibility of CMN Hospitals' national office.

Step 4: **Initiator and Respondent Required Meeting/Discussion** Within 60 days of the initial email, the two hospitals' CDOs set a time to meet to exchange data and discuss the elements of a potential realignment proposal. The meeting must take place within 120 days of the initial email and CMN Hospitals Vice President, Experience Operations should be notified when this step has been completed.

No Response to Meeting Request If the Respondent does not respond or refuses to schedule the required meeting within 60 days of the initial email or fails to participate in the required meeting within 120 days, the Initiator may initiate the Binding Decision Option which will result in a binding decision for both parties. See Step 7 for further instructions. If the Initiator fails to schedule the required meeting within 60 days or participate in the required meeting within 120 days of the initial email, the issue will be closed and may not be reopened for a period of three years.

Step 5: **Negotiation Period Following Required Meeting** To provide both hospitals sufficient time to negotiate a mutually-agreeable resolution, if the required meeting has taken place, the Initiator may not initiate the Binding Decision Option until one year after the initial email.

Extensions of Time Any time period in the Local Collaboration Option may be extended by agreement of the Initiator and the Respondent. Any agreement to extend the time period must be communicated in writing electronically to all parties with a copy to CMN Hospitals' Vice President, Experience Operations.

Step 6: **Realignment by Mutual Agreement** If the Initiator and the Respondent reach an agreement, the terms of the proposed agreement should be shared with CMN Hospitals' Vice President, Experience Operations as soon as possible. CMN Hospitals' General Counsel will draft an Addendum to the Membership Agreements of the Initiator and the Respondent. The Initiator, Respondent, and CMN Hospitals will work together to ensure the Addendum is mutually-agreeable and contains all agreed-upon terms. The Addendum must be signed by October 1 to officially realign by January 1 of the following year.

No Response to Addendum If the Respondent does not sign the Addendum, the Initiator may begin the Binding Decision Option- assuming all other conditions for doing so are met. If the Initiator fails to sign the Addendum, the issue will be closed and may not be reopened for a period of three years.

BINDING DECISION OPTION

If the two hospital leaders are unable to reach an agreement using the Local Collaboration Option, and one year has passed since the initial email, the Initiator may move on to the next step, the Binding Decision Option. The pace of the process will be dependent upon the volume of applications. The management team at CMN Hospitals and the members of the CDO MAP Council will address all applications in a time frame which is reasonable relative to the volume. Applications will be addressed in the order in which they are received.

Step 7: Initiating the Binding Decision Option and Associated Fees

The Initiator may engage the Binding Decision Option by submitting an application to CMN Hospitals' Vice President, Experience Operations which is signed by the hospital's CDO and chief executive of the hospital, together with an initial administrative fee sufficient to cover the out-of-pocket expenses and administrative time of CMN Hospitals, the CDO MAP Council and the Board of Trustees in considering the Application. This fee is non-refundable. Under the terms of Exhibit C to the 2023-2025 Membership Agreement, the fee is \$12,150.

Additional fees may apply to the member hospital requesting additional services to allow the CDO MAP Council to reach a decision (for example, any third-party validation or audit of fundraising data or patient services data, third party national partner opinion survey, third-party consumer opinion survey, etc.).

An Application form will be provided by Children's Miracle Network Hospitals. The Initiator will send completed copies of the Application to both CMN Hospitals and the CDO of the Respondent.

Response from the Respondent

Within 60 days of receipt of the Application, the Respondent will be asked to submit to CMN Hospitals a response to the Initiator's Application by addressing the same questions from the Respondent's perspective.

Following receipt of the Application and the Response, CMN Hospitals staff shall compile the data submitted by the Initiator and the Respondent for the CDO MAP Council.

Burden

The burden is on the Initiator to show that the requested realignment should be granted.

Chief Development Officers Market Alignment Process Council

A CDO MAP Council of three to five CDOs will be formed from the members of the CDO Advisory Committee for the purpose of reviewing market realignment requests and coming to a binding and final decision about the assignment of the fundraising area. The CDO MAP Council members will be elected by a majority of the CDO Advisory Committee and serve a term of two years, and may be elected for an additional, two-year term. If any CDO MAP Council member has a conflict of interest with any proposed realignment, the Chair of the CDO Advisory Committee will replace the CDO MAP Council member with another member of the CDO Advisory Committee that does not have a conflict.

Binding Decision

The CDO MAP Council will make a recommendation regarding the proposed realignment. The recommendation and any terms, if the realignment is approved, will be presented to the Board of Trustees for formal action and approval.

The recommendation of the CDO Map Council must be supported by a majority of the CDO MAP Council members.

Step 8: **CDO MAP Council Telephone Conference** After receiving each hospital's documents, the CDO MAP Council will schedule a telephone conference to take place within 30 days after receipt of the Respondent's submission. Participants on the call will include all CDO MAP Council members and representatives of the Initiator and the Respondent. The purpose of the call will be to permit the CDO MAP Council to ask questions and seek clarification regarding the parties' written submissions. The parties will not be given the opportunity to make presentations on this call. All data and argument supporting or opposing the proposed realignment should be contained in the parties' written submissions.

Step 9: **CDO MAP Council Decisions**

- a. The CDO MAP Council will make a recommendation to the Board of Trustees within fourteen business days after the telephone conference. The CDO MAP Council will provide their decision in writing to both parties following the Board of Trustees ratification.
- b. In determining what to recommend, the CDO MAP Council will consider both quantitative and qualitative factors in reaching its decision.
- c. If the CDO MAP Council recommends realignment, the CDO MAP Council will determine the amount of compensation the Initiator will be required to pay the Respondent to acquire the relevant county or counties. The fee paid by the Initiator to the Respondent is designed to support a period of adjustment. The CDO MAP Council will determine that the Initiator make payments to the Respondent as follows:
 - i. **Base Fee** A base fee will be calculated by determining the amount of CMN Hospitals fundraising as reported in the CMN Hospitals Performance Metrics Reporting system in the realigned territory for the most recent completed fundraising year.
 - ii. **Growth Factor** A growth factor will be calculated by determining the average percentage CMN Hospitals fundraising has increased in the realigned territory in the preceding three completed fundraising years.
 - iii. **Year One Payment** By June 1 of the first year in which the realignment is effective, the Initiator will pay the Respondent an amount equal to the Base Fee, plus an amount equal to the Base Fee multiplied by the Growth Factor. For example, if the Base Fee is \$100,000 and the Growth Factor is 4%, the first year payment would be \$104,000. If the Growth Factor is negative, the first year payment will be equal to the Base Fee.

- iv. **Year Two Payment** By June 1 of the second year in which the realignment is effective, the Initiator will pay the Respondent an amount equal to the first-year payment plus an amount equal to the first-year payment multiplied by the Growth Factor. For example, if the first-year payment is \$104,000 and the Growth Factor is 4%, the second-year payment would be \$108,160. If the Growth Factor is negative, the second-year payment will be equal to the Base Fee.
- v. **Year Three Payment** By June 1 of the third year in which the realignment is effective, the Initiator will pay the Respondent an amount equal to the second-year payment plus an amount equal to the second-year payment multiplied by the Growth Factor. For example, if the second-year payment was \$108,160 and the Growth Factor is 4%, the third-year payment would be \$112,486. If the Growth Factor is negative, the third-year payment will be equal to the Base Fee.

Step 10: **Board of Trustees** The CDO MAP Council's review, including a final recommendation of both market assignments and financial commitments will be presented to the Children's Miracle Network Hospitals Board of Trustees for ratification. Once the recommendation is ratified, written notice of the final and binding decision will be provided to the Initiator and the Respondent.

Step 11: **Addendum Following Board of Trustees Ratification** Once the CDO MAP Council's decision has been ratified, CMN Hospitals will draft an Addendum to the Membership Agreements of the Initiator and the Respondent that contains the terms of the binding decision for the realignment.

Step 12: **Effective Date of Market Realignment**

Local Collaboration Option Addendums memorializing local collaboration realignments must be signed by October 1 to be effective on January 1 the following year.

Binding Decision Option Decisions made by October 1 will become effective on January 1 the following year.

Step 13: **Period Following Resolution** If the territory is realigned as the result of an agreement between member hospitals or as the result of a decision of the CDO MAP Council, no member hospital may initiate the Market Alignment Process with respect to that territory for a period of six (6) years following the effective date of the realignment.