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- 2023 Partnership Model Details
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2023 Partnership Model Details

Base Fee (blended factors):

- Population (25%)
- Average Income (with Cost of Living Index factored in) (25%)
- Partnership Fundraising Total (50%)
- *Totals – Based on an average of individual market fundraising results from 2017-2020*

Direct Costs:

- Fundraising kits, credit card processing fees, fundraising incentives, national meeting registration, etc.

Optional Costs (at the discretion of the member hospital):

- Direct mail, media buys, radiothon backend services, pilots, Hispanic media

Partnership Model Frequently Asked Questions

Partnership Model- Overall Updates

- ❖ **Question:** *Who reviewed and approved the partnership model?*

Answer: In 2016, CMN Hospitals appointed the CDO Advisory Committee and asked them to bring forth a recommendation for a membership fee structure that would begin in 2019 with an overarching goal of finding a partnership model that would be as predictable and transparent as possible — while also being fairly applied to all member hospitals across the network. The model developed by that committee was rolled out in 2018 and took effect with the 2019 fundraising year, with the decision to leave the model in place for three years before reevaluating the underlying data and components of the partnership model algorithm. In 2021, a new committee of CDOs (CDO Membership Agreement Sub-Committee) was formed to take on this task and evaluate the model. This committee, as well as the CDO Advisory Committee reviewed and approved the 2023 partnership model. The CDO Advisory Committee will formally present the information to the Board of Trustees in April 2022 for final approval.

- ❖ **Question:** *Why are we updating the partnership model?*

Answer: The committee conducted several one-on-one conversations with CDOs around the network to gather feedback on the effectiveness of the current model and solicit suggestions for

improvements for the next iteration. Taking that feedback into consideration, the consensus was that the algorithm and underlying principles of the partnership model were sound. However, since the 2019 fee was calculated based on 2016 Partnership Fundraising Totals, it was appropriate to update the calculation using more recent Partnership Fundraising Totals. In addition, the committee felt that the volatility of 2020 due to significant Covid market conditions had to be taken into consideration since it created an unprecedented impact on multiple member hospitals and their respective fundraising totals.

As a result, after careful evaluation and significant discussion, rather than basing the membership fees solely on the 2020 fundraising year, the committee recommended using the average of multiple fundraising years (2017-2020) in order to smooth out the significant volatility experienced in 2020 due to Covid. As the past couple of years have demonstrated, a single fundraising year can create circumstances with a disproportionate impact on a market's fundraising totals. Utilizing an average of multiple years allows for less variability and creates a less volatile fee model across the network. As a result, the 2017-2020 fundraising average for each market is the basis for the fee calculation in the 2023-2025 membership agreement.

❖ **Question:** *When will the updated partnership model begin?*

Answer: The updated Partnership Model will begin January 1, 2023. 2022 is the last year for the current model, which was calculated using a single year of fundraising results.

❖ **Question:** *When will I be notified of what the increase in base fee will be, if any?*

Answer: Any proposed increase will be presented for approval by the CMN Hospitals' Board of Trustees prior to the September billing. The new fee will be communicated to each market shortly after the Board approves the change.

❖ **Question:** *Who should I contact with questions regarding any changes in my membership fee calculation?*

Answer: After reviewing your market's proposed fee calculation, please contact your Area Vice President with any questions you may have. They will help to direct you to the appropriate member of the CMN Hospitals team or CDO Advisory Committee who can best answer your question.

Base Fee Questions

❖ **Question:** *Why were network base fees kept flat in 2021 and 2022, but increasing by 5% for 2023?*

Answer: Each year, the CMN Hospitals' Board of Trustees reviews network-wide fundraising results to review and assess any annual increase, with the guiding principle that no fee increases will be adopted if network-wide fundraising does not increase from the prior year. Any fee increase should not exceed 10% annually. Due to the extraordinary nature of both 2020 and 2021, CMN Hospitals was committed to helping member hospitals navigate unprecedented times in fundraising and decided to keep fees flat. CMN Hospitals budgeted by utilizing existing reserves to offset operational losses in order to help alleviate some burden on member hospitals.

The fee increase proposed for 2023 is necessary to properly resource ongoing efforts to grow fundraising across the network and to account for the reality of inflation and cost increases in the marketplace. CMN Hospitals is also investing in its five strategic fundraising pillars – Corporate

Fundraising, Dance Marathon, Extra Life, Play Yellow, and Data, Insights, and Technology, all of which are projected to increase fundraising for our hospital partners.

- ❖ **Question:** *Why did CMN Hospitals simply not increase fees by 5% across the network for all markets?*

Answer: While this would be the most simplistic way to calculate each market's fee, to be fair to individual market fundraising, the model needs to take into consideration actual fundraising and census changes over recent years.

- ❖ **Question:** *When will the partnership model be evaluated again?*

Answer: During several 1:1 interviews conducted by members of the Committee, CDOs expressed a need for predictability in their membership fees. To respond to that need, the Committee has proposed leaving the 2023 Model in place for three years, in line with the term of the new Membership Agreement, before reevaluating again. (As a reminder, the current model was actually locked in place for four years, from 2019-2022.) CMNH used the 2020 United States Census Bureau as the source of population and income data. The Census is compiled every 10 years. Partner Fundraising Total information is updated at the end of every calendar year, however, it would only be applied when the Membership Fee Structure is re-evaluated every three years.

- ❖ **Question:** *What does the Partner Fundraising Total include and how does it calculate?*

Answer: Partner Fundraising Total includes: Corporate Partners, Extra Life, Dance Marathon, and Radiothon. The calculation is based on market fundraising for each category divided by the national network fundraising for each of the same categories.

- ❖ **Question:** *Why is the partner fundraising total determined by funds raised rather than total number of corporate partner locations?*

Answer: The value of a corporate partner varies. By using funds raised instead of location number, it weights each of the individual partners and locations. Walmart stores may generate \$10,000 in fundraising while a summer-only Dairy Queen location may generate only \$100 so the value of the actual fundraising is taken into consideration.

- ❖ **Question:** *How will CMN Hospitals adjust for markets where income is high but cost of living is also high?*

Answer: Based on feedback received from various hospitals during the previous membership fee review, the committee decided to add a cost of living index to the Average Annual Household Income (AAHI) to arrive at Adjusted AAHI. The Cost of Living Index (COLI) was obtained from first quarter 2021 data aggregated by The Council for Community and Economic Research (C2ER).

- ❖ **Question:** *What time period does the base fee cover?*

Answer: The base fee correlates with the annual fundraising year, from January 1 – December 31.

- ❖ **Question:** *When will the base fee be invoiced and when is it due?*

Answer: As with the previous model, you will receive an invoice for your base fee in September and payment will be due by January 1.

Direct Cost Questions

- ❖ **Question:** *How was the direct cost estimate calculated?*

Answer: The direct cost calculation is based on an average of 2019 and 2020 donation processing costs as well as kit costs per market. While we tried to use the most accurate estimates as possible, these are best estimates and will differ based on actual costs for 2023 campaigns and online fundraising.

- ❖ **Question:** *What will the direct costs include?*

Answer: Costs will include credit card processing fees, fundraising campaign kits, fundraising incentives, required media buys (the national agreement includes Entravision and Lazer - these buys are paid prior to funds being disbursed), national meetings registration fees, and lodging (Fall Business Meeting and Children's Hospitals Week).

- ❖ **Question:** *In the direct cost estimate, it included required media buys. How much are these required buys?*

Answer: Entravision and Lazer are the required buys because of the national agreement. A portion of these funds are used to purchase advertising with media partners which is deducted for the stations prior to sending the hospital disbursement check. CMN Hospitals currently does not invoice the markets for these costs, as they are deducted from the disbursement.

- ❖ **Question:** *If our credit card processor waives the credit card fees, what arrangement can we make to run all the credit card charges through our own credit card processor? Or, does CMN need to run these charges to receive a partial fee as an income generating measure?*

Answer: We recommend every hospital in the network use the CMN Hospitals instance of Donor Drive. Together, the CMN network of hospitals generates enough volume to create pricing discounts that a hospital may not be able to generate on its own. And the more each hospital processes through the same instance, the better the pricing becomes for everyone. CMN Hospitals does not receive any portion of the credit card transaction fees. It is simply a pass-through cost, whatever we are billed is what is billed to the hospital. Hospitals are not required to process donations through CMN Hospitals. If a hospital has an opportunity to have credit card fees waived, CMN Hospitals will celebrate the donation to your hospital.

- ❖ **Question:** *What are donor paid credit card fees?*

Answer: Donor paid credit card fees are amounts paid by donors using the Donor Drive platform to cover the cost of donation processing. Donor Drive developed this feature several years ago, allowing each donor to opt in to cover credit card processing costs in an effort to minimize the cost of processing as online fundraising continues to experience significant growth.

- ❖ **Question:** *How was the amount of donor paid credit card fees estimated and will these costs be deducted from the direct cost invoice or will the amount be included in our quarterly disbursement check?*

Answer: The amount of donor paid credit card fees was estimated based on an average of each market's 2019 and 2020 actual donor paid credit card fees through Donor Drive. The donor paid credit card fees will be deducted as a separate line item on the quarterly direct cost invoices, so that hospitals can see how much total donor paid credit card fees totaled for the quarter.

- ❖ **Question:** *When will I be invoiced for direct costs and when are the invoices due?*

Answer: The direct costs will be invoiced on a quarterly basis at the same time as the sponsor disbursements (May 15, August 15, November 15, February 28) for costs during the previous calendar quarter (Jan – Mar, April – June, July – Sept, Oct – Dec). These invoices will be due 30 days after invoice date.

Miscellaneous Questions

❖ **Question:** *How are optional costs calculated?*

Answer: Optional costs include Direct Mail or Radiothon Back End Services. Optional costs are based on actual usage of Direct Marketing Services such as Direct Mail or Radiothon Back-End Services such as call center services, credit card processing, pledge fulfillment mailings and phone calls, etc.