AMERICA'S ESSENTIAL HOSPITALS

# Membership Committee
# Meeting Minutes
# September 30, 2013

| Committee Members Present (3): | Committee Members Absent (2): | External Consultant (1): | Staff Present (3): |
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| • David Lopez (chair)<br>• LaRay Brown<br>• Stephen McKernan<br><br>**Committee Members Present Telephonically (3):**<br>• Joseph Orlando<br>• Jim Nathan<br>• James Valenti | • Stan Hammack<br>• Gary Marchand | • Sheri Jacobs | • Kristine Metter<br>• Bruce Siegel<br>• Katherine Susman |

| Agenda Items | Minutes |
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| **Introductions** | • The dues restructuring project is underway with the help of consultant Sheri Jacobs and the Avenue M Group.<br>• Throughout this process the association will face several important questions, such as which variable rates and benefits to include in the future.<br>• A survey request was recently sent to members in an effort to analyze the dues structures of other hospital associations. |
| **Principles of Membership Dues Pricing/Benefits** | • Prioritization of goals:<br>  o Loyalty<br>  o Generate interest<br>  o Market penetration<br>  o Increase profit or revenue<br>  o Ensure members pay their "fair share"<br>  o Increase engagement<br>  o Build or maintain reputation<br>• Defining "fair" will be a challenge. A possible qualification is "are members getting a good return on their investment?"<br>• Membership size must be considered. With approximately 200 potential members in the country the association must determine how many members it would like to recruit, and how many it can accommodate with available resources.<br>• The association will also consider its core values and mission. The recent |

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| | strategic planning process affirms a determination to serve all people and specifically institutions with disproportionate amounts of under and uninsured. This process will operate with the understanding that membership prospects will still share the association's values. |
| **Project overview including goals, objectives and outcomes** | • The Avenue M Group and America's Essential Hospitals will:<br>o Conduct a "deep dive" with staff and key stakeholders<br>o Examine past research and data mined from the database.<br>o Study metrics and economics of the current membership structure.<br>o Incorporate National Benchmarking Study findings.<br>o Provide financial models using data to project the financial impact of any new membership structure.<br>o Discuss each model will and establish recommendation(s).<br>o Perform market testing to assess unforeseen challenges<br>▪ This includes a cross section of membership based on the organization's selection. There are three primary audiences: public hospitals, academic medical centers, and private nonprofits (not mutually exclusive).<br>▪ Willingness to pay will be projected, but as with any process of this nature there is still some unknown. |
| **Audience segments and value proposition (categories and benefits)** | • Some dues structures have alternative models based on different types of benefits. There are entry points at different price levels, which allows for expansion. Once you have a member you can move them forward to also believe in the organization's mission.<br>• One tactic for pricing is the "good, better, best" model. This avoids the "no or go" result of only having one option, and provides flexibility to be a member within different capacities. Another model is the "next best alternative". The group generally expressed interest in a tiered system.<br>• Some systems offer the ability to join in with higher prestige. This can appeal to some and also create incentive for those who cannot afford it to join at a lower level and be a part of things while others higher up are providing the money to keep everything going. This may result in those who join at the higher level to have more leadership opportunities and increased participation. It was noted that there is a possibility that the mission/message of equitable care for everyone will be contradicted by a hierarchical dues structure.<br>• Another trend example is joining with a base membership fee and then adding additional membership features based on engagement with the organization. Some could join as "social members" while others join as "family members". This allows members to build their membership based on the benefits they want. People tend to pay for services when they have options, i.e. when there are three options choosing the middle. This can be difficult as some members do not participate in our in-person meetings but still consider this a primary membership based on other services.<br>• Percentage of budget is a possible measuring tool, but can be logistically complicated and difficult for institutions to explain to their board. It is also very variable.<br>• Cost–based pricing ignores willingness to pay as well as competition. It is necessary to look at value-based pricing which captures the value members place on membership. |

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| **Unique differentiators and their value** | • These include brand, quality, service, physical attributes and others.<br>• Value in specific focus on safety net hospitals. Some members will pay because they believe in the work, while others have less connection and therefore incentive.<br>• Networking, in-person conferences and interactive relationships.<br>• The strongest membership incentive of this organization is advocacy. This is positive but can be complicated as all hospitals will benefit from certain advocacy work, not just those who join. This poses the "free-rider" problem. |
| **Challenges and barriers to join** | • Equating value with price, and delivering an appropriate return on investment.<br>• A member's budget and financial stability can determine how much they are willing to pay, but there are practicality issues with basing dues on resources.<br>• Pricing intangible things; some options include paying a flat rate for all services (current structure), while others offer different prices based on usage or other factors.<br>• This change must be gradual so that members can incorporate the new prices into their budget. One complication is the significant variance in when organizations begin their fiscal year. It is worth considering adjusting the implementation date for different members, so long as the association's revenue remains stable. |
| **Competitive and environmental factors that may impact success** | • The biggest environmental factor is budgetary on a local, city or state level, as well as an organization's financial position.<br>• One risk factor is building a model that allows for a lot of organizations to join that aren't ideally matched to this niche.<br>• Avenue M will be conducting a competitive analysis. |
| **Overview of next steps** | • Sheri Jacobs will be reaching out and requesting feedback, which will directly impact this process.<br>• Financial modeling has begun and will continue in the coming months.<br>• Three committee conference calls will take place between now and early March. |
| **Recruitment and prospects update** | • The committee reviewed a full list of potential members.<br>• Some organizations value the policy work that we do, but do not feel the need to join in order to benefit.<br>• America's Essential Hospitals saw a net gain of 6 members this year, which exceeds expectations. 8 new hospitals joined while 2 left. The two losses were not a result of dissatisfaction; Cooper Green is no longer offering in-patient services and Louisiana State University devolved into private non-profit hospitals.<br>• New members seem drawn to the organization primarily by policy/advocacy work.<br>• There are several other prospects in the pipeline, and the committee will be updated regularly on progress. |
| **Adjourn** | *Stephen McKernan made a motion to adjourn, which was seconded by David Lopez.* |