

# Consolidate 2 Integrate

**Lanier Cansler**, CEO, Cansler Collaborative Services

**Tom Schramski**, Managing Partner, VERTESS

June 11, 2018

Raleigh, North Carolina



# TOPICS

The Goal of NC Medicaid  
Transformation



Critical Timeline



1115 Waiver Status



How to Shift to Data-  
Driven and VBR Care



# ..... **North Carolina's Goals for Medicaid Transformation**

- Maximizing Value
- Improving Health
- Increasing Access to Whole Person Care





# Maximizing Value

- Legislative Focus on Budget Predictability
- Departmental Focus on Access, Quality, and Value as evidenced by Concept Papers
- Provider Health Plans (PHPs) Focus on improving health, ensuring quality with efficiency, and achieving a positive bottom line
- Value-Based Payments with ability to incentivize providers

# Improving Health

- Concept Paper (Issued March 20, 2018) on Provider Health Plan Quality Performance and Accountability
- “The Department’s goal is to improve the health of North Carolinians through an innovative, whole-person centered and well-coordinated system of care, which addresses both medical and non-medical drivers of health.”
- “...central to these efforts is a commitment to the delivery of high-quality health care through the development of a data-driven, outcomes-based, continuous quality improvement process that focuses on rigorous measurement against relevant targets, and appropriately rewards PHPs and providers for advancing quality goals.”





# **Increasing Access to Whole Person Care**

- Removing the silos of care to understand the Whole Person
- Enhancing coordination among providers of care
- Sharing of health information and data among providers to enhance proven best practices
- Considering and Addressing Social Determinants of Health

# **The Status of North Carolina's Medicaid Transformation**

- Departmental Concept Papers
- Awaiting Approval of the 1115 waiver and other issues
- Legislative Action to address 1115 waiver and other issues
- Department's issuance of a Request for Proposal

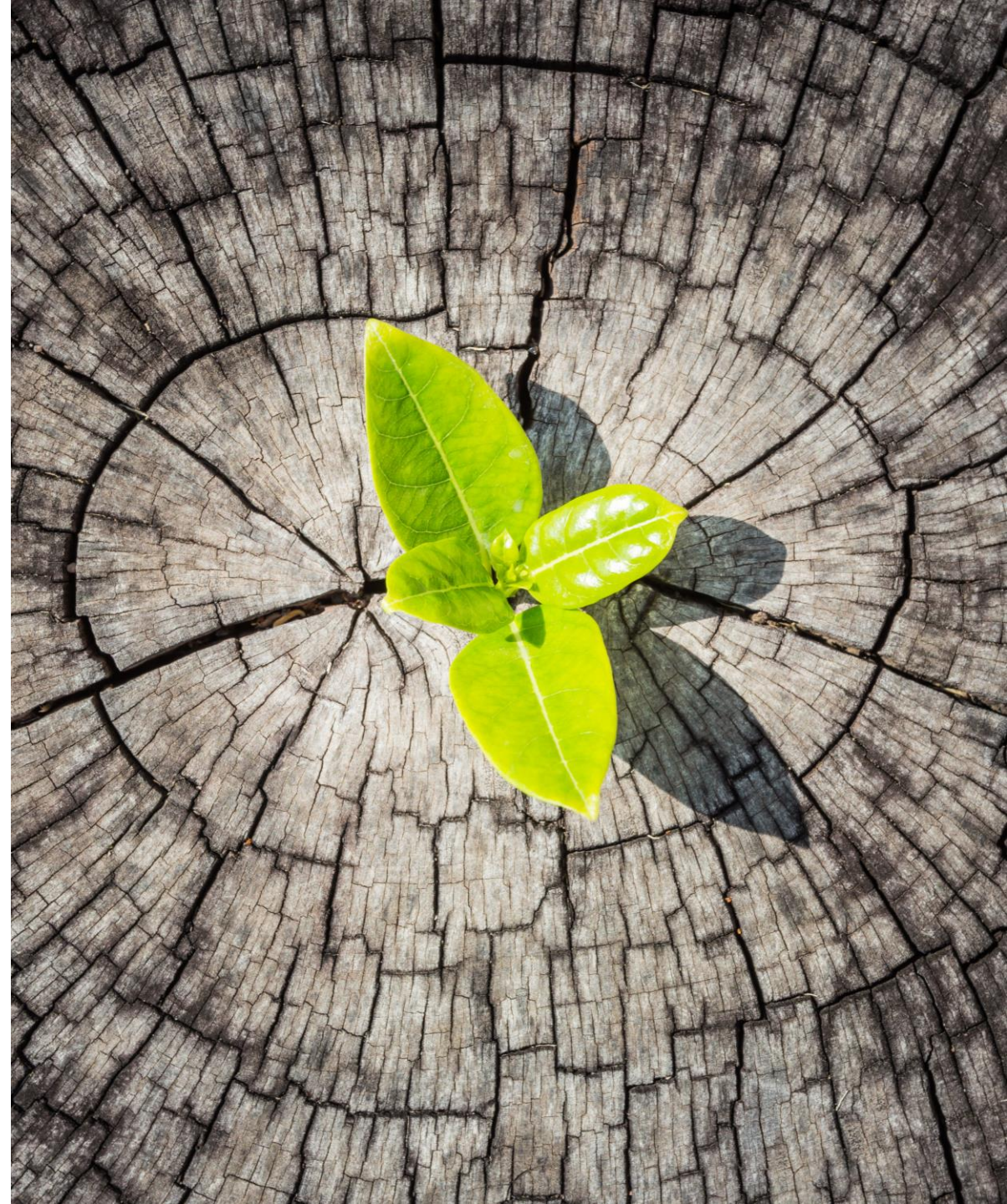




# ..... **Overview of Critical Timelines for Care Providers**

- General Transformation Implementation Date
- Temporary service and eligibility classification carveouts
- State requirements for participation in Health Information Exchange (HIE)

**Considering the  
challenges and  
opportunities around  
the shift to data driven  
whole person care and  
value-based  
reimbursement**



# TOPICS

Consolidation Factors



Make It Tight



Know Your Landscape



Consolidation Options



Q+A



Insurance Co. Is  
Provider



Reimbursement  
Pressure



Unstable Funding



Managed Care



Transparency



Healthcare Expense



Opportunities  
Growing



Technology Cost



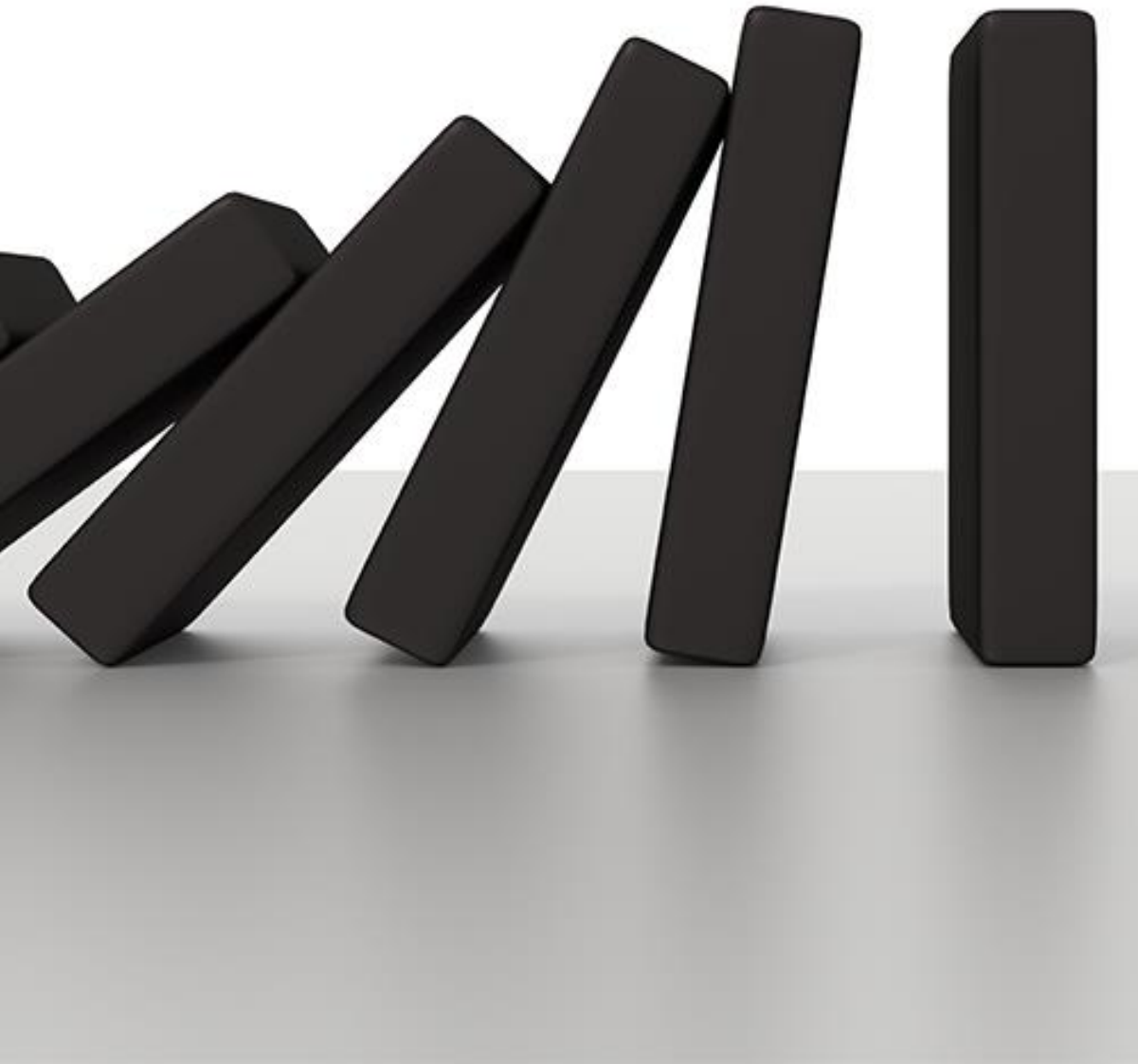
Capital Abundance



.....

# **Understand Your Landscape Well**





# **What Are The Factors That Will Likely Impact You?**



---

Make It Tight Internally To Increase Options

# ..... **Option 1**

## ORGANIC GROWTH

Makes sense when opportunities +  
resources are present





## Option 2

### DIVESTITURE

Makes sense when you are stagnant,  
losing \$\$, or not aligned with vision

# .....

## Option 3

### AFFILIATION

Makes sense when you are new to a market, working with limited resources, or exploring a relationship



# Affiliation (General Agreement)

## PROS

- Easy to initiate
- Can be done verbally
- Individual brand maintained
- Often inexpensive
- Easiest to walk away from

## CONS

- Usually limited resource allocation
- Limited capital formation
- Difficult to add others to the mix
- Limited flexibility and agility
- Tough to compete with other models

---

# Joint Venture (Project-Specific Agreement)

---

## PROS

- Limited risks and investment
- Focused with limited scope
- Method to build care continuum
- Can be starting plan for more substantial integration

## CONS

- Need to negotiate control
- Limited scope can limit innovation
- Can detract from individual brand
- How do you liquidate?

---

# Partnership (Legally Binding Agreement)

---

## PROS

- Greater potential for synergies
- Broader opportunity to expand business activity
- Share in profit/risk specified
- Can be testing stage for more significant integration

## CONS

- Greater risk for conflict – cultural and operational
- Usually requires significant revenue commitment
- May dilute partner's brand
- Can lead to major liabilities



## **Option 4**

### ABSORPTION

Makes sense when you don't have to pay much, target wants out, and it fits

# Absorption (Assets Subsumed)

## PROS

- Can lead to significant asset acquisition at little or no cost (esp. nonprofits)
- Little question of dominant culture
- Continuation of mission and community service
- Can increase reimbursement depending on parent rates/ contracts

## CONS

- Likelihood of inheriting headaches and hidden liabilities
- Cultural conflicts
- Usually requires quick action
- Can drain parent organization

.....

## **Option 5**

### MERGER

Makes sense when you have alignment,  
cultural match, and boards are in sync



# Merger (Separate Entities Merged Operationally and Legally)

## PROS

- Mutual benefit if done well
- Can expand/deepen a care continuum
- Resources for expansion (external)
- Resources for sophistication (internal)

## CONS

- Loss of perceived autonomy and cultural identity
- Challenges in Board integration
- Loss of one brand
- Risk of choosing the wrong partner



# Option 6

## ACQUISITION

Makes sense when it fits, you have the resources, and it can strengthen or accelerate your strategy

---

# Acquisition (Stock/Assets Purchased)

---

## PROS

- Clarity of management structure
- Control of all operations and ability to make changes
- Ability to align leadership for strategic action
- Brand fidelity

## CONS

- Risk associated with purchase price
- Key management may walk
- Disconnection between M+A and integration of operations
- Lack of alignment with strategic direction of acquirer

# Differences In Nonprofit and For Profit M+A

## NONPROFIT

- Typically mission-driven
- Long-term orientation
- Community focus and donations
- Easy to put a positive spin
- M+A often with modest transaction expense

## FOR PROFIT

- Typically economics-driven
- Short to long-term orientation
- Profit without donations/tax benefits
- Can be viewed negatively
- M+A includes purchase price and significant expense

A background image showing a crowd of people from behind, with many of their hands raised in the air, suggesting an interactive session or a meeting. The image is slightly blurred and has a warm, muted color palette.

# THANK YOU

Questions

+

Answers

+

Discussion