

**TO: NCACH Board of Directors**

**FROM: Community Choice Assessment Workgroup**

**DATE: 5/1/16**

**RE: Recommendation to further explore merger with Community Choice**

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The Community Choice Assessment Workgroup as appointed in the 4/4/2016 NCACH Board meeting met twice to assess the Community Choice (CChoice) proposal to merge entities. We met via conference call on 4/11/16 and in person on 4/25/16. The workgroup consisted of Patrick Bucknum (Chair), Barry Kling, Theresa Sullivan, Kevin Able, and Peter Morgan.

### **Process**

The workgroup reviewed the bylaws, current year budget, recent audited financial statements, a summary of the grants and programs, and the recent litigation for CChoice. The workgroup also conducted a stakeholder feedback survey and reviewed the responses from 30 stakeholders representing all sectors of the NCACH across all 4 counties.

### **Recommendation**

The workgroup considered two possible recommendations to make to the NCACH Board:

1. Decline the opportunity presented by the CChoice Board and focus on our core task of fulfilling the responsibilities of the NCACH.
2. Further explore the merger opportunity with Community Choice.

We recommend the second option, that we take another step to further explore this opportunity.

Our review of the available information expanded our understanding of the financial condition and program operations of CChoice, but not enough to inform a confident recommendation to proceed with a merger. We feel that adequate due diligence would require further commitment from the workgroup and the Community Choice staff and Board of Directors, and would not likely result in a confident recommendation until the June or possibly the July NCACH Board meeting. If CChoice is unable to delay their search for a new Executive Director until July we would recommend they proceed with their search.

## What we know

The following are some of our conclusions after our review of the available information:

1. The survey responses were largely indifferent to the merger opportunity. 84% of respondents indicated that a merger between CChoice and NCACH would either have “little effect on participation with NCACH” or “Don’t know”.
2. Both entities have or will struggle with challenges associated with a small business handling public funds.
3. Both entities have uncertain futures.
4. The CChoice lawsuit has been resolved to our satisfaction.
5. CChoice is doing a solid job managing disparate programs.
6. CChoice has provided valuable ancillary benefits to the community in the past, such as the Community Needs Assessment.
7. CChoice appears to be financially stable based on historical financial statements.
8. CChoice has grown since 2013, and its budget is projected to more than double this year. How will that be managed?
9. CChoice is highly dependent on future grant opportunities, and a lot of energy has and will need to continue to be exerted on program startup and wind down. In addition, the current programs are complex and require substantial management involvement. This could significantly detract from the time a new NC ACH E.D. could spend on ACH work unless there is already a fully informed capable program manager already in place at CChoice.
10. NCACH has to be poised to deliver results in relatively short order to meet the demands of the CMS/HCA funding requirements.

## What else we need to know

The following are important questions that remain unanswered even after our review of the available information. We feel these questions must be considered before the NCACH Board can decide whether to proceed with the proposed merger.

1. Are the existing CChoice grants assignable to the new merged entity?
2. What is the value of the existing CChoice infrastructure to NCACH? Are the internal administrative systems scalable? The funding NCACH has been awarded will require a high degree of accountability. Are the existing CChoice internal control processes on par with our grant requirements?
3. How sustainable and successful are the existing programs? Although we received more information about each program, we remain unclear about how well each program is performing, when the funding runs out, and how likely the funding is to be renewed in the future.
  - a. What is the future value of the healthcare homes database project?

4. What is the timeline to receive the 2015 annual audit? Are there any new findings that will likely be reported this year? Have the 2014 findings been resolved?

### **Key Decisions for NCACH Board**

If the NCACH Board ultimately chooses to proceed with the proposed merger, we will need to be prepared to make several key decisions before the merger can progress. Although this list is likely to expand, we would call your attention to these decisions that have caught our attention as we reviewed the CChoice bylaws:

1. CChoice is a membership entity, and receives ~\$90k in membership dues per year. Will NCACH revise our bylaws to become a membership entity? If not, how will the ~\$90K shortfall be handled?
2. Central WA Hospital's role on the CChoice Board is explicitly stated in the CChoice bylaws. Will Central WA Hospital require the same role on the NCACH Board? Assuming this is not an option the NCACH board is willing to consider, will this impair the ability of NCACH to offer a competitive compensation and benefit package to the Executive Director?