COLLABORATION, AFFILIATION, ACQUISITIONS, ALLIANCES AND MERGERS

Jennifer Craig, MA, MS, LCPC, SPHR, SHRM-SCP
Chief Operating Officer
Centerstone of Illinois

WELLSPRING RESOURCES: ORGANIZATION OVERVIEW

Located in St. Louis Metro East in Alton, Illinois

Annual revenue of approximately $10 million

160 employees

Served 7,600 unduplicated clients per year

Service lines include:

- Outpatient mental health and substance use services
- Psychiatric and medical services including MAT
- Residential and housing services
- Crisis services
- Integrated health home services
- Community and school-based services for children and families

ENVIRONMENTAL CHALLENGES & OPPORTUNITIES

After successful implementation of an open access intake model, the organization's annual revenue, clients served and employees increased by more than 50%

In spite of growth, we were not at an optimal size to attract managed care contracting opportunities and found ourselves missing out on funding opportunities with a broad, state-wide focus

While we had lofty goals, we struggled with having resources needed to achieve these goals, especially in the following areas: IT, EHR, data analytics, finance and cost accounting, contracting.

INITIAL GROWTH STRATEGY

We acquired the state contracts of a community behavioral health center located just north of us when they closed their doors

Initial strategy was to discuss possibility of joining forces with organizations who shared our mission and values, were geographically close to us and were smaller than us; we were looking to lead and acquire

We were looking to grow our annual revenue by 150% within a 5 year period though mergers and ongoing service line growth

NEW GROWTH STRATEGY

After some discussions with smaller organizations in our area we came to the following conclusions:

- We were struggling to find partners who shared our vision and had the revenue size to help us achieve our 5-year goal
- As smaller organizations, we were all struggling with similar pain points and joining together might exacerbate those weaknesses rather than make us stronger
- We needed to change our thinking and approach and look for stronger, more complimentary partnership opportunities if we were going to achieve our 5-year goals

FINDING THE RIGHT PARTNER

We had been approached by a few larger organizations and also identified a few organizations we thought might be a good fit for us

We did our preliminary research and engaged in conversations

One organization quickly stood out to us

- Similar mission, vision and values
- Reputation for quality services and considered a leader in our industry
- Commitment to local community and local representation on board
- Organization had recently expanded into our state
- National presence and brand will improve competitiveness
- National policy development expertise and presence
- Significant managed care contracting expertise

MAKING THE DECISION

Our board and key staff decided to sign a letter of interest with Centerstone

6-month period of due diligence and collaborative meetings to determine if partnership was the “right fit” for both organizations

All boards reviewed potential benefits and risks associated with merging and voted unanimously to proceed to a letter of intent phase of the process

EXECUTION OF THE MERGER

Boards of each company voted to authorize their Chief Executive Officer to enter into a letter of intent.

Final due diligence and regulatory approval will be conducted within 60 days.

Centerstone's attorney prepared draft definitive documents in consultation with the attorneys representing WellSpring Resources.

Upon satisfactory completion of due diligence and regulatory approvals, the boards of WellSpring Resources, Centerstone of Illinois and Centerstone of America authorized their respective Chief Executive Officers to execute the final documents to make the affiliation effective.

The executed documents were then be filed with the Illinois Secretary of State in accordance with Illinois law.

A two phase affiliation took place beginning July 1, 2015:

- Phase 1 – July 1 to December 31, 2015: 2 companies via a single board
- Phase 2 – Beginning January 1, 2016: 1 company via one board

EXECUTION OF THE MERGER

Work groups were formed to develop written affiliation plan to address the following key areas:

- Corporate Structure
- Board of Directors
- Staffing Plan
- Benefits Plan
- Aligning Systems (i.e. accounting, payroll, EHR, IT, etc)
- Aligning Policies
- Communications
- Regulatory Issues
- Budgeting and Financial Performance
- Clinical Models and Practices

CHALLENGES FACED

Confusion over new name and identity – need strategic internal and external marketing plans

Retaining top talent throughout the merge process

Aligning bonus and incentive programs

Aligning benefits and other "perks" that are ingrained in the culture

Cultural differences not initially identified in pre-merger process

Aligning and transitioning systems – goal is to create efficiencies

Moving from "us" vs. "them" to "we"

LESSONS LEARNED

Be careful about making promises you may not be able to keep

It's important to create a budget to support merger initiatives including potential for temporary productivity loss associated with process and systems changes

Coming together as one new organization is a process not an event

Identify early wins to create enthusiasm about the merger; prioritize areas that have been pain points and deliver immediate improvements

Every merger is different – don't assume it will be the same as the last one

ADVICE FOR ORGANIZATIONS CONTEMPLATING A MERGER/AFFILIATION

Keep in mind culture – sharing core mission, vision and values is critical to success

While we are in the business of helping people change and grow, the process is not an easy one – be prepared for a period of rapid change

Be strategic – don't just focus on getting bigger but on getting better and stronger

Be honest – be upfront with each other about strengths and weaknesses throughout the process

Prioritize the mission – make key decisions based on what supports mission and not what is best for individuals