



Request for Applications: Strategic Restructuring for California Community Clinics

Applications Due: Thursday, November 4, 2010

I. About the California HealthCare Foundation

The California HealthCare Foundation works as a catalyst to fulfill the promise of better health care for all Californians. We support ideas and innovations that improve quality, increase efficiency, and lower the costs of care. For more information, visit www.chcf.org.

II. Purpose

The aim of this initiative is to improve service delivery and operations among nonprofit primary care clinics in California by supporting the exploration and development of strategic restructuring efforts among interested organizations. The ultimate goal is to strengthen these organizations and help them become more sustainable so that they can continue to ensure access to high-quality, efficient, and effective health care in their communities.

III. Background

California's community clinics are facing a time of unprecedented challenge and opportunity. Between the economic crisis and the shifting landscape of health care reform, California clinics need to be highly strategic in how they adapt and respond. Now more than ever, their prospects for survival depend on both their individual ability to compete for resources and their willingness to collaborate with other organizations to expand the delivery of services, achieve operational efficiencies, and fulfill their roles as leaders in the health of their communities.

For the past year, the California HealthCare Foundation has been helping clinics better understand the range of collaborative strategies at their disposal. Working with national experts, CHCF has published materials and hosted forums to share information about the status of primary care clinic strategic restructuring projects (mergers, closings, etc.) and the potential for future efforts. (Materials are available at <http://www.chcf.org/publications/2009/06/strategic-restructuring-for-community-clinics-options-and-examples>.)

IV. Project Description

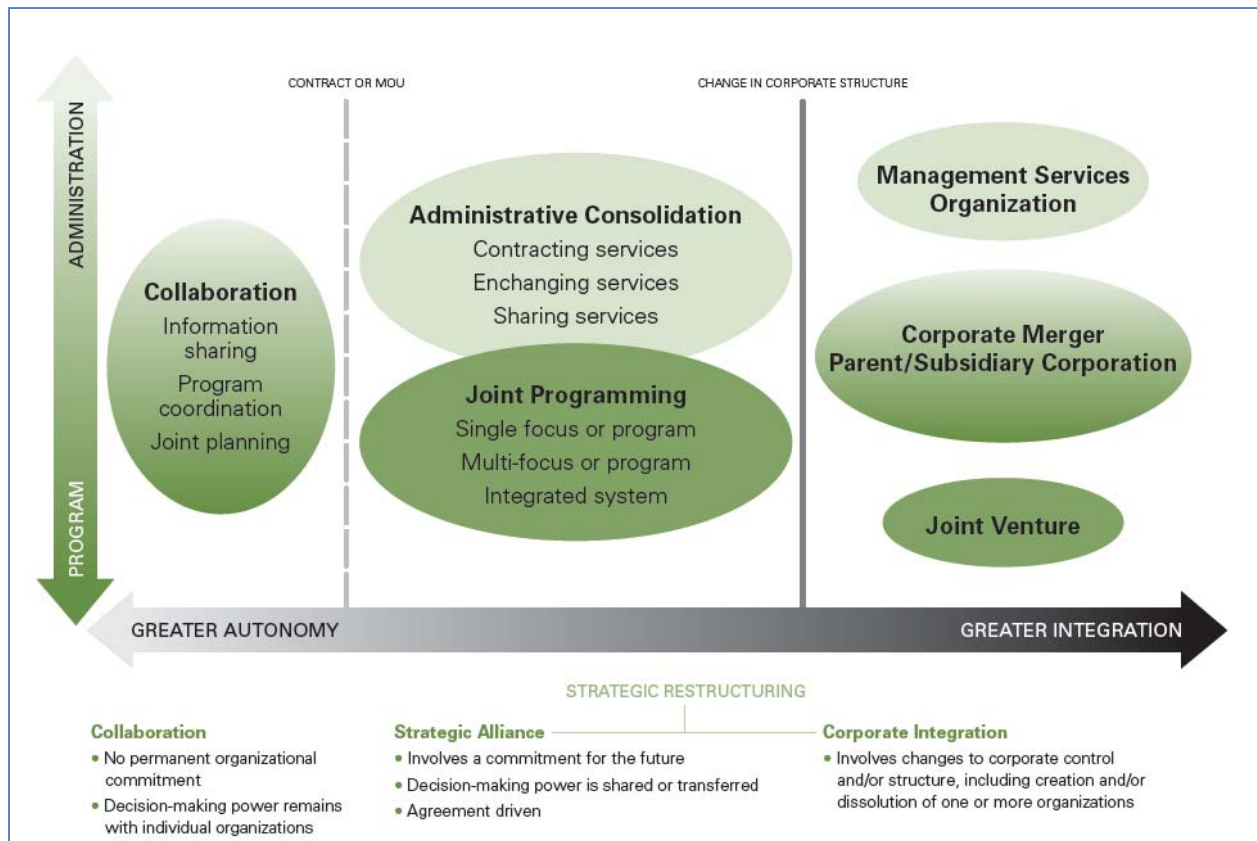
This Request for Applications (RFA) seeks to support nonprofit primary care clinics in further exploring collaborative strategies to achieve their goals. CHCF has dedicated resources to assist such clinics with the assessment and development of a range of strategic restructuring options.

Strategic Restructuring Defined

Strategic restructuring occurs when two or more independent organizations establish an ongoing relationship to increase the administrative efficiency and/or further the programmatic mission of one or more of the participating organizations through shared, transferred, or combined services, resources, or programs. Such partnerships are distinguished from less formal collaborations in that they often involve a commitment to continue for the foreseeable future, shared or transferred decision-making power, and some type of formal agreement. Examples include:

- **Administrative Consolidation.** The sharing, exchange, or contracting of administrative functions to increase the administrative efficiency of one or more of the organizations (e.g., one clinic contracts with another to provide it with financial management services).
- **Joint Programming.** The joint launching and managing of one or more programs to further the programmatic mission of the participating organizations (e.g., a centralized disease management system).
- **Management Services Organization.** A new organization that the participating organizations create to integrate their administrative functions.
- **Joint Venture Corporation.** A new organization that the participating organizations create to further a specific administrative or programmatic goal, where partner organizations share governance of the new organization (e.g., a jointly established group purchasing organization).
- **Merger.** The integration of all programmatic and administrative functions of two or more existing organizations in order to increase both administrative efficiency and program quality (e.g., two clinics merge into one legal entity, or a clinic incorporates a previously independent private practice into its organizational structure).

These various options can be understood as existing along a continuum, as featured in the diagram pictured below.



Reprinted from *Strategic Restructuring for Community Clinics: Options and Examples*, June 2009, California HealthCare Foundation.

V. Support from CHCF: Technical Assistance

With this RFA, CHCF is inviting applications for customized assistance with determining organizational readiness (Phase 1) for strategic restructuring. Depending on the outcomes of Phase 1, selected applicants may be invited to request additional support to develop a more detailed strategic restructuring plan (Phase 2).

Phase 1: Assessment

Organizational readiness is a key to success in any strategic restructuring effort. Organizations must have a thorough understanding of their strengths, challenges, and critical issues, and how each may play out in the strategic restructuring process. They must be engaged in determining the potential risks and benefits of different collaborative options and be thoroughly knowledgeable about their financial positions. Most importantly, they must have a strong sense of their own motivations and goals (that is, what they hope to achieve through restructuring).

Selected applicants will be provided with consulting expertise to help them explore their organization's potential and readiness for forming a strategic restructuring relationship. The consulting team will employ evidence-based tools and methods, tailoring their approach to "meet

the organization where it is at” along the continuum of collaborative readiness. (Participants need not have identified any potential partners in order to apply.)

The assessment will include:

- One or more phone conversations with leadership;
- Review of relevant documents; and
- A one- or two-day on-site visit with clinic leadership.

To provide this assistance, CHCF has assembled a team of consultants with expertise in mergers and other forms of strategic restructuring; licensing, reimbursement, finance, and billing issues for clinics; and the details of structuring business and clinical relationships. Members of the team include Heather Gowdy, Vance Yoshida, and Melissa Mendes Campos of La Piana Consulting; Steven Rousso of HFS Consultants; and Larry Garcia of Diepenbrock Harrison.

The results of this assessment phase will assist the organization in preparing for deeper exploration of strategic restructuring options, as well as determine the participating organization’s eligibility for progressing to the next phase of consultation.

Phase 2: Plan Development

Of those participants selected to participate in Phase 1, a subgroup will be invited to apply for additional support to develop all or a specific part of a strategic restructuring plan.

Post-assessment next steps will be unique to each participating organization and its situation. For example, while it is preferred that strategic restructuring relationships emerge organically, CHCF may assume a “matchmaking role” to encourage or facilitate collaboration among two or more organizations. Once partners have been identified, the planning phase will help participants identify and begin to address the numerous questions, issues, and decisions that would ultimately feed into a formal negotiations process.

During this process, the consulting team will again customize their approach to meet the unique needs of each organization; however, anticipated activities include:

- Support to organizational leadership in planning, scheduling, and facilitating meetings of a discussion/negotiation team;
- Consultation with leadership to discuss and address progress, opportunities, and barriers to be addressed and decisions to be made; and
- Support for planning, research, documentation, and other needs during the financial and legal due diligence process.

The scope of the consultants’ work in Phase 2 will NOT include the provision of financial or legal services (such as those necessary to complete a strategic restructuring transaction), and support will not include funds to cover the costs associated with the provision of such services.

The formal execution of a strategic restructuring transaction depends on many unique variables. Although the plan developed through Phase 2 activities will provide a sound roadmap for helping

to guide that work, clinics will be responsible for obtaining any additional funds or expertise that may be needed to assist them in the legal and structural completion of such a transaction.

VI. What Is Required of Program Participants

In exchange for access to technical assistance, participants will be expected to meet the following requirements:

- **Participation in the assessment process.** Organizations must devote two to three days of staff time to the process between November 29 and January 11. Staff must be responsive to requests from the consulting team, including requests to schedule calls and site visits and requests for documents and information. Organizations that are unable to meet these requirements may be withdrawn from the program.
- **Participation in a formal evaluation.** An evaluator may be assigned to assess the impact of the overall initiative. Clinics are expected to provide data to help evaluate the success of the program and to participate in one or more interviews, as needed.
- **Willingness to share lessons learned.** CHCF is particularly interested in supporting a variety of nascent strategic restructuring efforts that might serve as models from which the health care field can learn. If asked, participants should be willing to share their experiences (challenges, what's going well, etc.).
- **Commitment from leadership.** The program requires each clinic to provide stable staff and leadership to oversee the program. Participation must include the executive director or CEO of each clinic, and may include other staff or board members as needed.

VII. Eligibility

To be eligible, applicant organizations must be nonprofit providers of primary care based in California and serving primarily underserved populations. Eligible clinics include federally qualified health centers (FQHC), FQHC look-alikes, rural health clinics, free clinics, county-operated clinics, and clinics owned and operated by critical access hospitals. Clinics owned and operated by academic medical centers or large nonprofit health care systems are not eligible.

While applicant organizations must meet all of the above criteria, potential partner organizations (if identified at this time) are not required to do so.

VIII. Selection Criteria

It is the intent of this RFA to support nascent strategic restructuring efforts that might serve as useful models from which the health care field can learn. In making its selections, CHCF will seek to balance these considerations (Selection criteria will be similar for Phase 1 and Phase 2.):

- Demonstrated need for assistance: Need should be well met by the type of assistance offered at this time (assessment in Phase 1; planning next steps in Phase 2);
- Likelihood of a successful strategic restructuring;
- Potential for community impact as a result of strategic restructuring;
- Geographic variety among the cohort of successful applicants;
- Different types of organizations reflected in cohort of successful applicants; and
- Evidence of commitment to participation in necessary activities.

IX. Application Packet and Submission Timeline

Please include the following materials in the application packet submitted to CHCF:

- a. **Project cover sheet.** Completed and signed by an authorized representative of the clinic. (Download the form at <http://www.chcf.org/grants>.) Note: Because CHCF is not offering financial support for this project, applicants may leave blank the budget item.
- b. **Application form.** Complete the form using no more than seven pages of double-spaced text in a 12-point font. (Download the form at <http://stage.chcf.org/rfps/2010/rfa-strategic-restructuring-for-california-community-clinics>.)
- c. **Letter of support.** Letter should be signed by both the organization’s board president and the executive director or CEO. The letter should affirm support for the project and commitment to allocating the necessary staff (to participate in the assessment) and resources (supporting documentation) for the assessment process.

To apply, send a paper copy of the complete application packet with the signed originals to Glenda Pacha, California HealthCare Foundation, 1438 Webster Street, Suite 400, Oakland, California, 94612. In addition, email items A and B of the application packet to gpacha@chcf.org as Adobe PDF or Microsoft Word attachments.

Applications due to CHCF:	November 4
Applicants notified:	November 19
Assessment site visits:	November 29 – January 11

X. Webinar

Applicants are strongly encouraged to participate in an informational webinar on Tuesday, October 12, from 12:00 to 1:00 p.m. PST, when CHCF and members of the consulting team will be available to answer questions. A recording of the webinar will be available after October 13. Register at: <https://chcfevents.webex.com/chcfevents/onstage/g.php?d=666208264&t=a>.

XI. For More Information

Questions may be emailed to Melissa Schoen, senior program officer, at mschoen@chcf.org.