



FELDESMAN

Exploring Affiliation Opportunities, From Practice Transfers to Merger

Carrie B. Riley

HRSA Funding Acknowledgement

This training is supported by the Health Resources and Services Administration (HRSA) of the U.S. Department of Health and Human Services (HHS) as part of an award to CHCANYS' New York State Primary Care Association (NYS-PCA) totaling \$1,932,890. The contents are those of the author(s) and do not necessarily represent the official views of, nor an endorsement, by HRSA, HHS, or the U.S. Government. For more information, please visit [HRSA.gov](https://www.hrsa.gov).



TODAY'S PRESENTER

FELDESMAN

Carrie B. Riley

Partner
criley@feldesman.com

Carrie specializes in transactional and federal grant-related matters, helping her clients implement collaborative relationships that leverage benefits while ensuring compliance with applicable law. She works with a wide array of nonprofit health care entities, with a focus on federally qualified health centers (FQHCs).

Carrie helps her clients navigate the complex web of programmatic requirements and fraud and abuse laws in the context of implementing transactions between providers. She is also well-versed in matters regarding the health center program and the applicable Health Resources and Services Administration (HRSA) requirements.



2



2

5

chcanys.org

DISCLAIMER

These materials have been prepared by the attorneys of Feldesman Leifer LLP. **The opinions expressed in these materials are the views of Feldesman Leifer LLP and not necessarily the views of the federal government, any state government or of any other organization or person.**

The materials are being issued with the understanding that the authors are not engaged in rendering legal or other professional services. **If legal assistance or other expert assistance is required, the services of a competent professional with knowledge of your specific circumstances should be sought.**

COPYRIGHT NOTICE OF ORIGINAL MATERIALS

FELDESMAN

- These slides are being made available to you and your organization as a participant of a Feldesman Leifer LLP program. You are ONLY permitted to duplicate, reproduce and/or distribute these materials within your organization.
- Note: a membership organization may not consider its members to be “within the organization” for purposes of sharing materials.
- These slides may not be otherwise photocopied, reproduced, duplicated, and/or distributed outside your organization and/or posted on a website without prior written permission from the authors.
- Any other use or disclosure is a violation of federal copyright law and is punishable by the imposition of substantial fines.
- Copyright is claimed in all original material, including but not limited to these slides and other resources or handouts provided in connection to this training, exclusive of any materials from federal laws and regulations and any documents published by the federal government.

AGENDA

- Defining Consolidation Models
- Steps to Implementation
- Board Input and Direction
- HRSA Approval Process
- Final Tips and Common Pitfalls

2



2

5

chcanys.org

CONSOLIDATION MODELS

2



2

5

CONSOLIDATION STRATEGIES

Merger

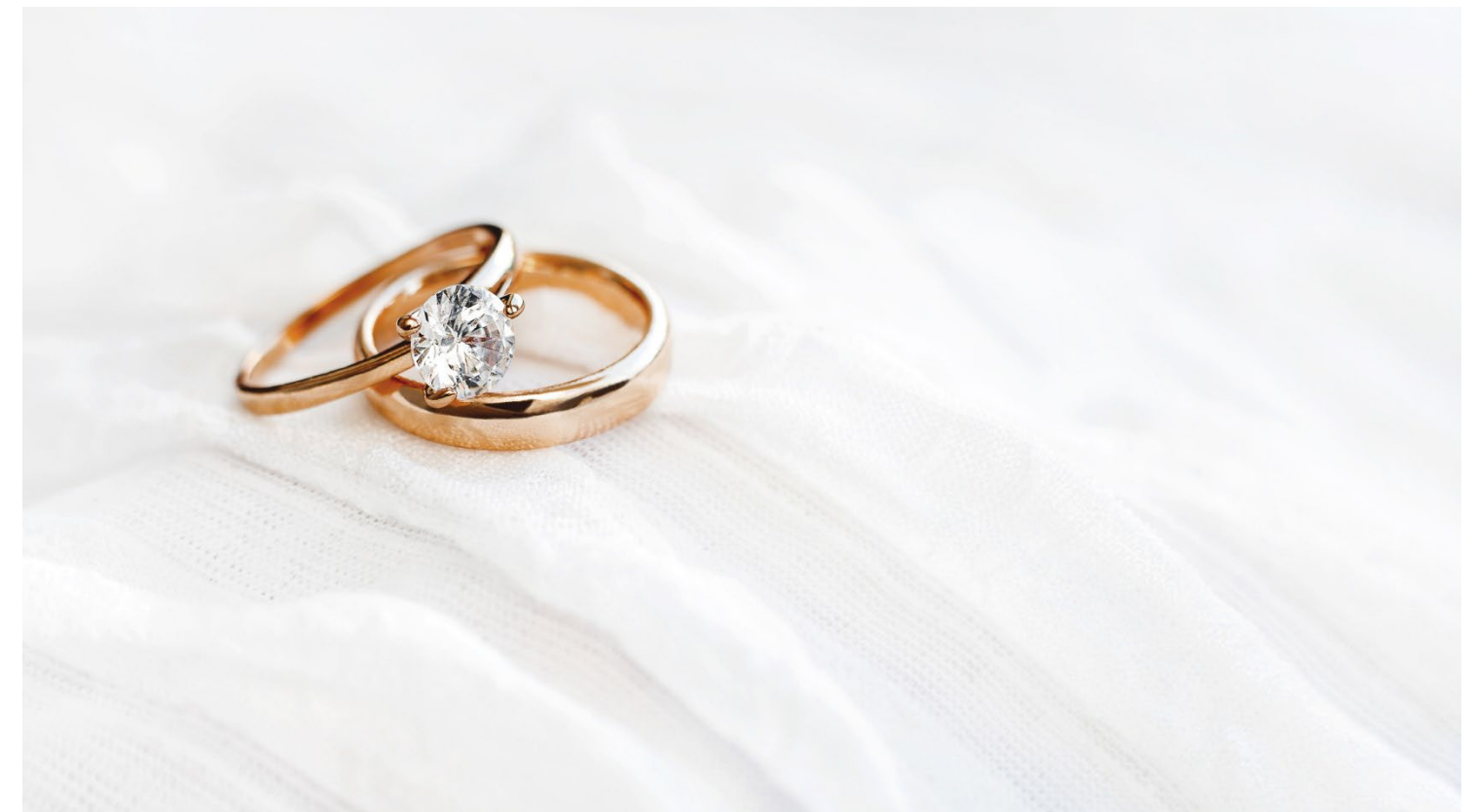
- “Surviving” organization assumes all assets and liabilities of the other organization

Asset Acquisition

- Purchasing organization assumes certain assets and (as applicable) certain liabilities of the other organization

Parent-Subsidiary Relationship

- One organization becomes the sole member (or parent) of the other organization



WHY YOUR INPUT IS CRITICAL...

The Board:

- Ensures mission alignment
- Sets forth the health center's strategic plan to ensure long-term sustainability
- Provides fiduciary oversight
- Represents the interests of the community
- Defines the scope of health center project



STEPS TO IMPLEMENTATION



2



2

5

chcanys.org

6 STEPS TO IMPLEMENTATION

1. Getting to Know You

- Defining Goals, Priorities and Mission

2. Formalize Planning Process

- Letter of Intent and Confidentiality Agreement

3. Due Diligence

- Documents Request and Review

4. Negotiate Definitive Agreements and Navigate Approvals

- HRSA, NY Article 28, etc.

5. Planning for Consolidation

- IT, staff transfer

6. Implementation/Closing!

2



2

5

BOARD INPUT AND DIRECTION

- Drivers to Consolidate: Identify Your “Why”
- Mission and Strategic Goals
- Assessing Operational Alignment
- Risk and Financial Impact
- Legal Considerations
- Impact on Health Center Project



2



2

5

chcanys.org

DRIVERS TO CONSOLIDATE: IDENTIFY YOUR “WHY”



- Expand reach to new communities
- Expand scope of services
- Achieve economies of scale
- Expand source of fundings
- Prepare for anticipated changes in leadership (for example, retiring CEO)

2



2

5

chcanys.org

MISSION AND STRATEGIC GOALS



- Does the opportunity advance the charitable mission of the health center?
- Do the strategic plans align?

2



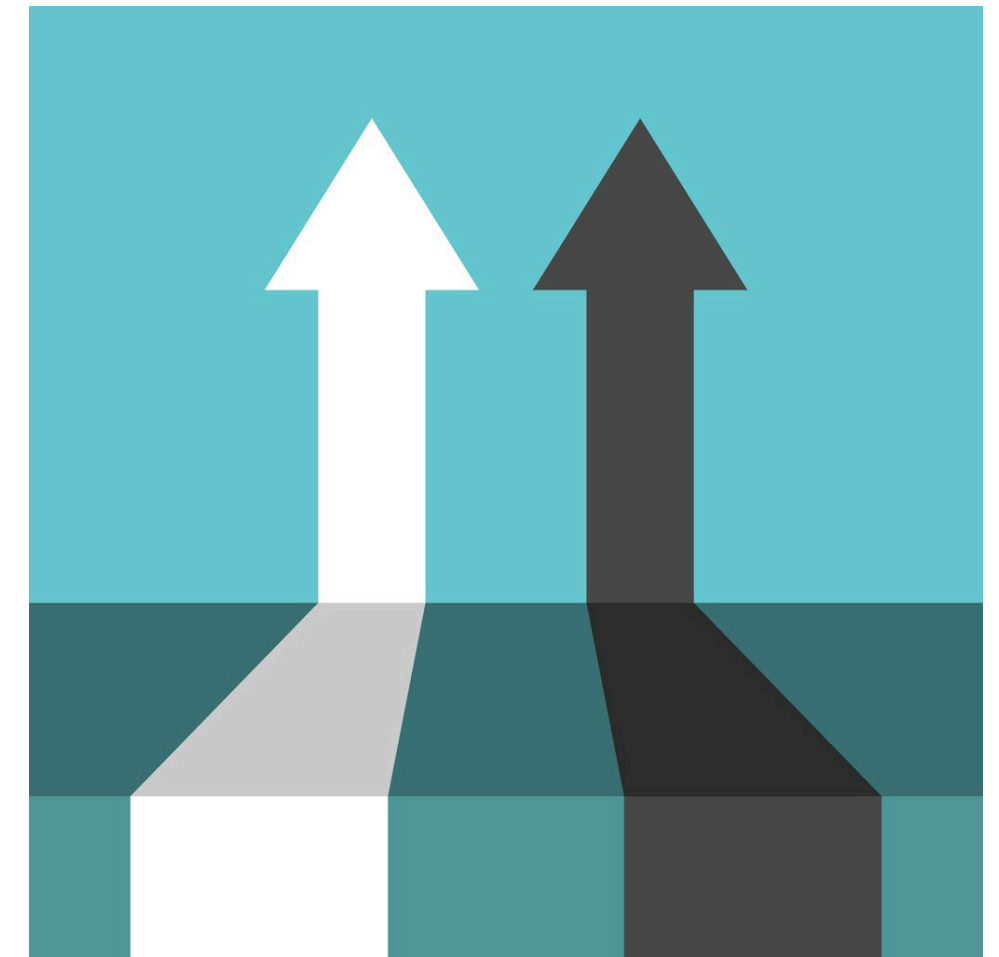
2

5

chcanys.org

ASSESSING OPERATIONAL ALIGNMENT

- Do staffing models and compensation scales align?
- How will medical records be transferred/consolidated?
- Do key policies (for example, discount schedules) align?



RISK AND FINANCIAL IMPACT



- What are the risks to the health center?
- What is the anticipated financial impact?
- What are the unknowns?

2

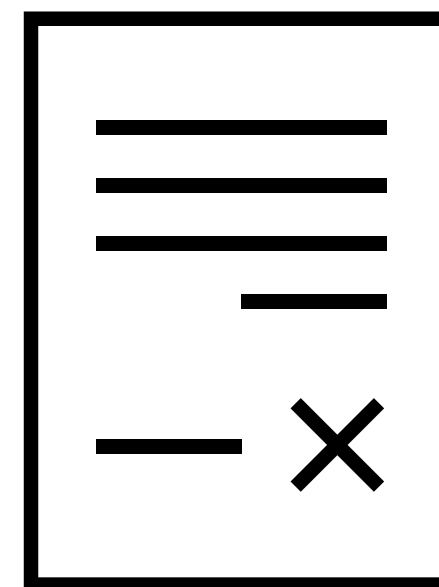


2

5

chcanys.org

LEGAL CONSIDERATIONS



- Is the health center coordinating its efforts with counsel/consultants?
- What are the necessary approvals (federal, state, other)?
- How do these approvals impact the timeline?

2

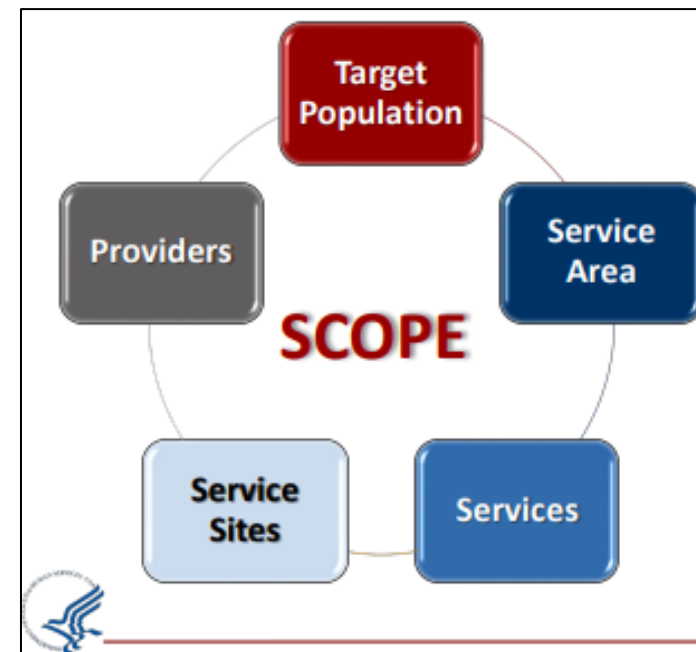


2

5

chcanys.org

IMPACT ON HEALTH CENTER PROJECT



- Will the consolidation result in a change to the named Health Center Project grantee?
- Will the opportunity add new sites/services to the health center project?
 - If so, are the [Change in Scope Assurances](#) satisfied?

SUCCESSOR-IN-INTEREST VS. CHANGE IN SCOPE

2



2

5

chcanys.org

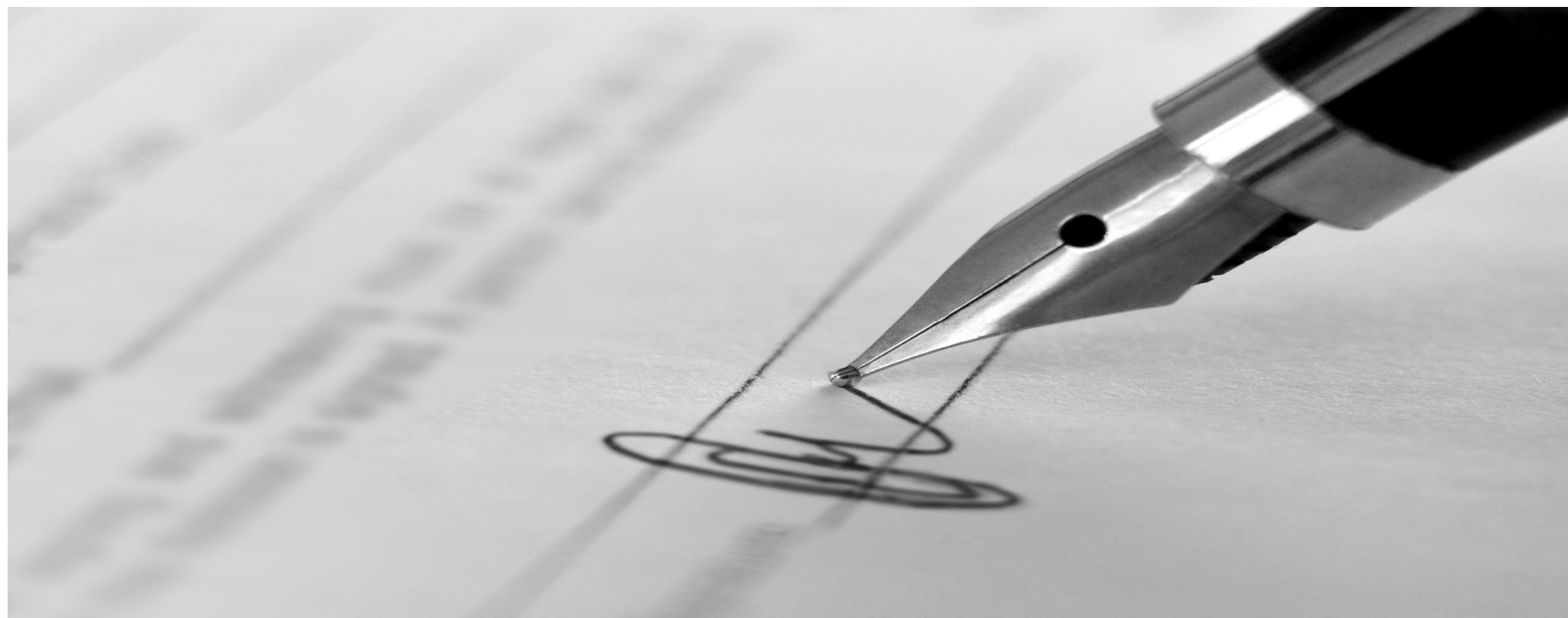
SUCCESSOR-IN-INTEREST

- Consolidation would result in a change to the named Health Center Project grantee
 - Section 330 grant (and the health center project activities) must transfer to the other entity pursuant to the “successor in interest” grant transfer process.



SUCCESSOR-IN-INTEREST

- Submit board resolutions demonstrating that the boards of each entity approved the merger/acquisition and the board approves the relinquishment/assumption of the HRSA Health Center Project award.



SII: HRSA TA RESOURCE



**HRSA Technical Assistance Resource:
Health Center Mergers, Acquisitions and Other Organizational Changes and
Related Successor-in-Interest Requests**

Date of Issuance: January 27, 2020

Contents

Purpose 1

Overview - HRSA Recognition of a Successor-in-Interest (SII)..... 2

Key Points for Health Centers Considering a Successor-in-Interest Request..... 3

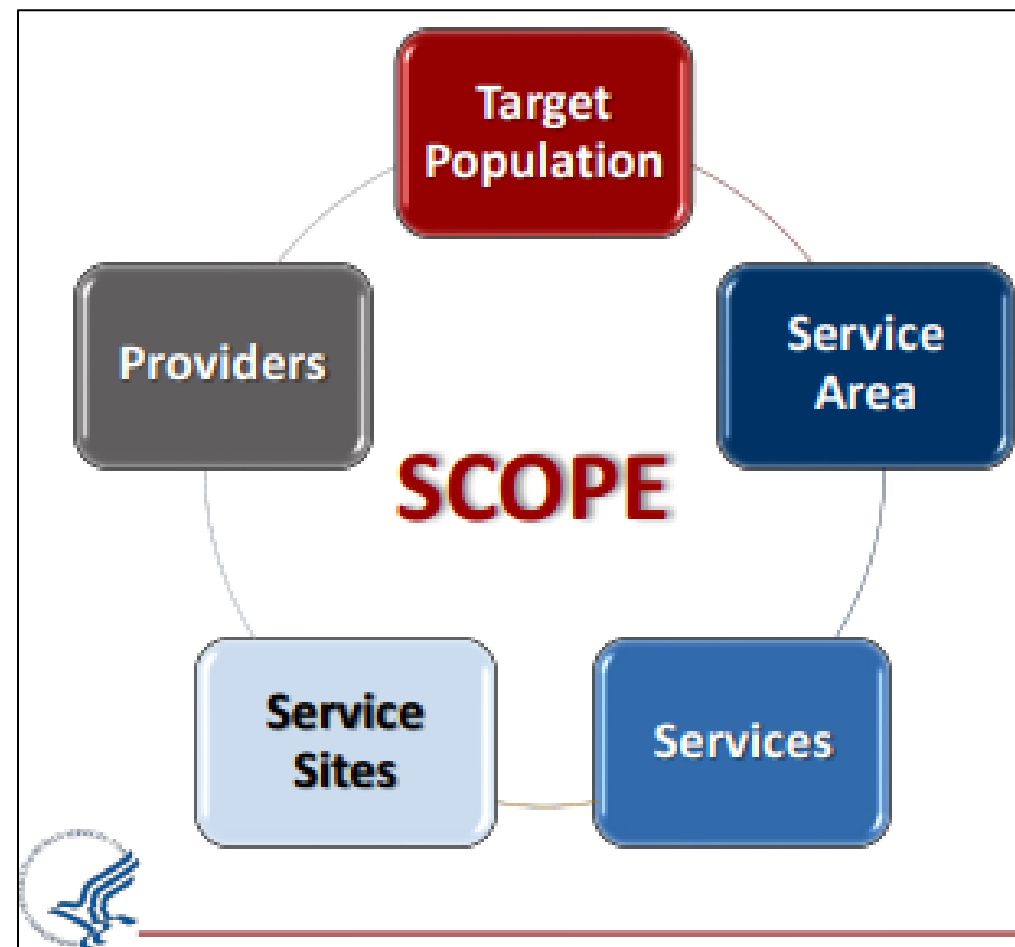
Requirements for Requesting HRSA Prior Approval..... 4

Process for Requesting Recognition by HRSA of a Successor-in-Interest..... 5

Appendix A: Documentation for SII Prior Approval Requests 6

Appendix B: Successor-in-Interest Agreement Suggested Template 11

<https://bphc.hrsa.gov/sites/default/files/bphc/compliance/hc-rg-changes-sii-requests.pdf>



SCOPE OF PROJECT RESOURCES

HRSA APPROVAL: CHANGE IN SCOPE (CIS)

- Adding a new site or service, without assuming another health center's H80 grant
 - Review the “change in scope” application and the “assurances”
 - HRSA review process is typically within 60 days

CHANGES IN SCOPE (CIS): ASSURANCES

- Required to add/remove an in-scope service or site
 - This CIS will be for the benefit of the current or proposed health center patient population, and the health center's governing board will retain oversight over the provision of any services and/or sites.
 - This CIS will be accomplished without additional Health Center Program Federal award funding and will not shift resources away from carrying out the current HRSA-approved scope of project.
 - This CIS will not diminish the patient population's access to and quality of services currently provided by the health center.

2



2

5

chcanys.org

FINAL TIPS AND COMMON PITFALLS



2



2

5

chcanys.org

DON'T FORGET YOUR DUTY OF CONFIDENTIALITY



COORDINATE WITH MANAGEMENT



2



2

5

chcanys.org

DON'T RUSH THE PROCESS



<https://bphc.hrsa.gov/sites/default/files/bphc/compliance/hc-rg-changes-sii-requests.pdf>

Carrie B. Riley

(202) 466-8960

(855) 200-3822

www.ftlf.com



Washington, DC

1129 20th Street, NW
Suite 400
Washington, DC 20036
P: 202.466.8960
info@feldesman.com

Sacramento, CA

400 Capitol Mall
Suite 2580
Sacramento, CA 95814
P: 916.500.0755
info@feldesman.com

FELDESMAN

A large, faint pink heart outline is centered in the background of the slide.

Thank you!

COMMUNITY
HEALTH CARE
ASSOCIATION
of New York State
chcanys.org

questions@chcanys.org