

# Making Mergers & Acquisitions Work — Perspectives From Executives Post-Mergers

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Development Officer  
ncgCARE



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Editor  
*OPEN MINDS*

# Agenda

## 1. Overview

## 2. Presenters

- **Nicholas Riehl**, General Counsel & Development Officer, ncgCARE
- **Joe Dan Beavers**, President & Chief Executive Officer, LifeSkills
- **Eric Embry**, Chief Operating Officer, LifeSkills

## 3. Roundtable Discussion

# Overview



# Making Mergers Work: Lessons From The Field

## Clinical care & service delivery

- How are service lines integrated? How long does it take?

## Administrative department operations

- Are administrative departments simply combined? What is centralized and what is local?

## Executives & the Organizational Chart

- How did you decide which executives to keep? To add? What changes were made in the organizational chart?

## Leveraging the Merger

- What efficiencies and benefits have been achieved or are envisioned?

# Presenters



# About me in 30 seconds

- Joined ncgCARE in 2015 as part of a non-profit affiliation
- Was hired as company was prepping to launch an aggressive M&A Program
- Role has expanded to development generally



# About ncgCARE

- For-profit, multi state provider
- Mission, values driven
- 6 years of acquisitions experience
- Fast growth, strong team
- Currently about \$100mm in revenue
- 1500 employees





# ncgCARE History

- Founded 1993 as Northern Virginia Counseling Group – group counseling practice
- Early programming focused on self-pay individuals
- Focus on dual diagnosis treatment





# ncgCARE History

- Visionary owner
- Saw community-based care as the future of behavioral health, began opening offices across the state
- Changed name to National Counseling Group with an eye towards bigger things in 2005
- Our CCO is employee #2.
- Prior to acquisitions, created Embrace (Treatment Foster Care) and Envision Counseling (Private pay)



# So how did we become an acquirer?

- Grew to almost \$50mm by 2014
- Took a major rate cut in a primary program
- Decided being solely dependent on the Commonwealth of Virginia was a risky proposition
- With diversification in mind, we engaged an investment banking firm to craft our strategy



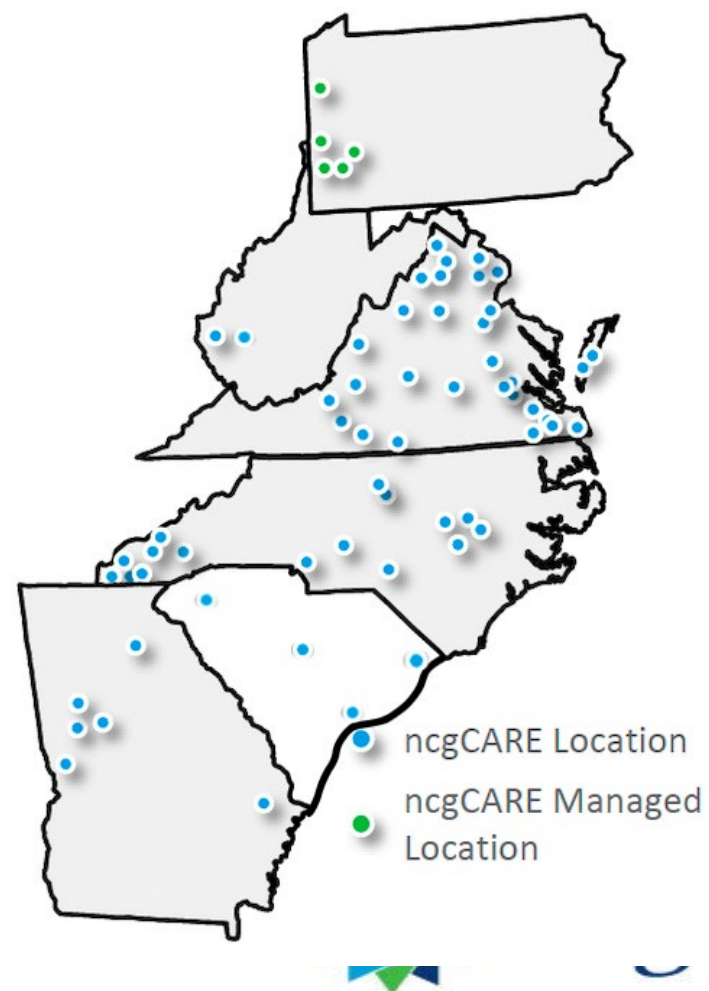
# Our acquisition strategy

- Different than non-profit...
- Wanted to be “big player” wherever we went...but also wanted to diversify geographically
- Wanted geographical continuity for ease of administration
- Ended up with mostly smaller-mid size: \$4-22mm
- The acquisition strategy drives the integration strategy



# Our Growth Experience

- 6 deals closed
- 3 New States
- 20+ new programs



**ARE**

# Our Initial Integration Strategy

- Family of Brands, not a branded family
- Integrate operational leadership
- Hire owners for continuity where possible/appropriate
- Capture as many synergies as possible and use savings to invest in direct care
- Don't integrate IT systems - we can bridge the systems together with dashboarding



# Our Initial Integration Strategy

## Turning Point Family Care

- Early on, we wanted full integration
- Engaged all departments and incorporated all local functions into NCG organizational structure
- The integration of one small company was stressful





# Our Initial Integration Strategy

## *Independent Adult Care Services*

- Small business with owner who did everything admin
- Had to fully integrate
- Small seemed easy-it took the same amount of work!



# Our Integration Approach Evolves

## *Appalachian Community Services*

- First “big” deal (\$14mm revenue)
- Had another deal in pipeline (closed 6 weeks later) so resources were tight
- Decided to “hold” on integrating
- We’re still doing it

# Our Integration Approach Evolves

## Starlight BHS

- First serious foray into IDD
- Very little internal IDD experience
- We tinkered, but left it to run itself
- Began to implement more of a corporate “oversight” versus “management” approach
- Kept local leadership, but tinkered with their structure



# We start to settle on an approach...

## Grace Harbour

- GA company, lots of evidence based services
- Older systems
- Small, not much administrative staffing

# We settle on an approach...

## Carolina Outreach

- GA company, lots of evidence based services
- Older systems
- Small, not much administrative staffing

# And then we go back to full integration!

## *Therapeutic Interventions*

- VA company, same services as National Counseling Group
- Ownership group handled 90% of admin load
- It made sense to just make TI a site within NCG

# Our current approach

- Centralize (corporate run) admin
  - Accounting
  - FP&A
  - Human Resources
  - Legal
  - Contract Administration
  - Billing

# Our current approach

- Corporate Oversight Functions
  - Compliance
  - Facilities
  - Quality
    - Outcomes
    - Training
    - Accreditation activities



# Our current approach

- Local Operations Responsibility
  - Clinical Service Delivery
  - Business operations
    - File and record management
    - Credentialing
    - Authorizations
    - Licensure

# Lesson 1

- Integration is like treatment planning -
  - It takes a team and a lot of communication
  - There's a format and there's some best practices, but every company/client is different
  - Plans need to change when the situation changes, and that's ok

# Lesson 2

- Set your goalposts (metrics)
  - Financial
  - Quality
  - People
- And set your systems
  - Accounting
  - HRIS
  - EHR

# Lesson 3

- Set your guardrails
  - Even if you “fully integrate” it doesn’t happen right away
  - What stuff do you need to know about?
    - Signing contracts
    - Changing policies
    - Hiring
  - Clear is kind. Your acquiree employees just want to know what’s expected
  - Ensure your quality and compliance



# Lesson 4

- Understand your timeline & resources
  - Are you under short or long-term financial pressure?
  - Do you have enough money to implement acquisitions onto your existing systems?
  - Is your corporate staff already burnt-out?
  - Do you have former owner who wants to help or hinder?
  - If you're going to do this regularly, you will need dedicated resources

# Lesson 5

- Don't lose sight of other growth opportunities
  - Acquisitions are a lot of work, it's easy to get off track
  - Acquisitions are more expensive and riskier than organic

# Lesson 6

- Acknowledge complexity
  - Working in a highly regulated environment is challenging
  - Working in multiple, highly but DIFFERENTLY regulated environments is potentially impossible
  - Consider structuring in a way to minimize confusion



# Advice

- Be humble. It's hard to do due diligence on the culture of a company. You have lots to learn
- Be flexible. Things change fast in BH-they may even change during the integration process
- Know your core competencies - are you good at MH, or are you good at MH in \_\_\_ state? Are you really as effective at admin as you think?
- Don't underestimate the amount of in-person time needed - even if it's just lunch, you have to build relationships



- Kentucky-based, traditional Community Mental Health Centers (CMHCs)
- Founded in the mid-1960s from the Community Mental Health Act
- Quasi-Governmental Agencies with a regional geographic model
- For most Kentucky CMHCs, support predominantly rural communities
- Full continuum of community-based services, mostly outpatient
- Medicaid (via managed care organizations) is primary revenue stream
- Three primary clinical divisions: Mental Health, Substance Use and Intellectual & Developmental Disabilities

# Kentucky's System:

14 Community Mental Health Centers



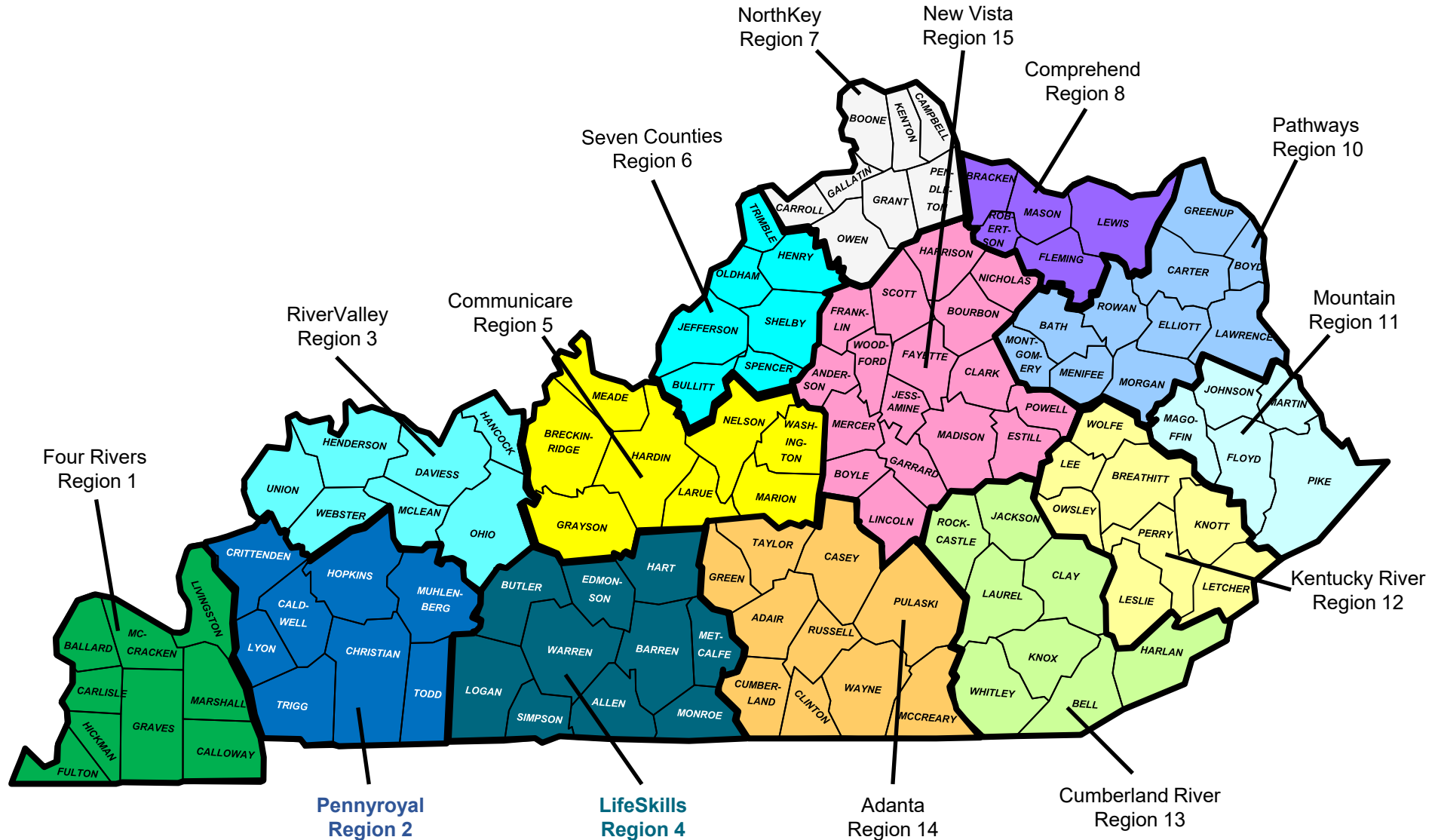
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# First Step Forward:

MERGER – SISTER AGENCIES

Summer 2019



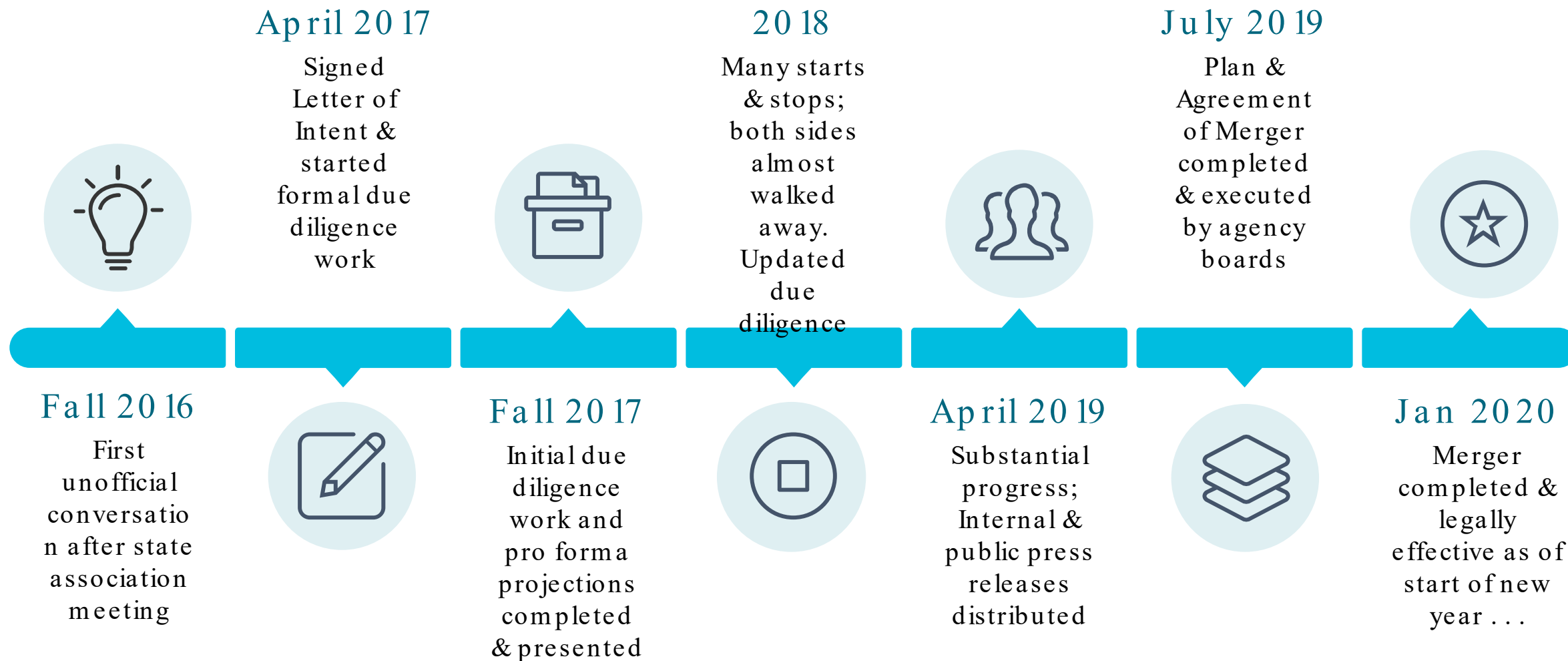
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. . . *But little did we know a global pandemic was on its way*

# First Step Forward:

MERGER – SISTER AGENCIES

Summer 2019



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**875**

Total Employees

**26**

Service Locations



**95 Million**

in Total Revenue

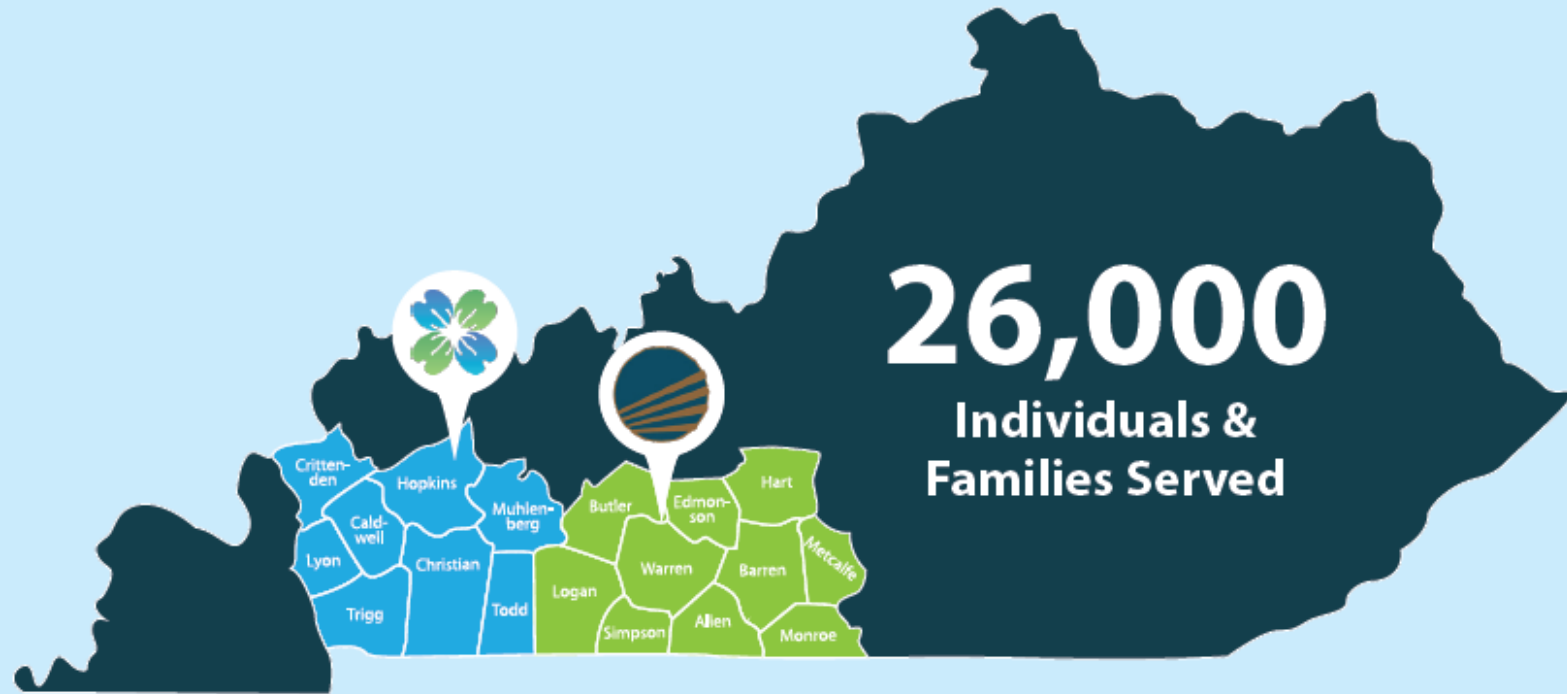
**50+**

Services & Programs



**155,000**

Medicaid Covered Lives



**BEDS**  
Available

189 Addiction Treatment  
32 Crisis Treatment

**125**

Foster Care  
Providers

**8**

**Sites**

Employing 210 Individuals  
with Disabilities



Partnering with  
147 Schools  
(across 21 districts)

# Why Consider M&A:



# Why Consider M&A:

## LEADERSHIP

Long relationship with partner CEO; worked well together

Comfortable with each other, with mutual respect & trust

Shared a similar view of the landscape & mission

## SIZE & SCALE

Move us closer to a size to allow us more control over our own destiny

Aligns with national & local industry trends

Defense against 'Barbarians at the Gate'

## EFFICIENCIES

More purchasing power: software/EHR, insurances, etc.

Provided opportunities for broader staff career paths

Help each other with staff changes and transitions



# Why Consider M&A:



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Premium Healthcare Services

## FINANCIAL

Had strong balance sheet;  
improved payor contracts

Looking for more strategic  
deployment of capital

Protect favorable contracts  
with more covered lives

## LEADERSHIP

History of working well  
together

Complimentary leadership  
styles

Started this process with a high  
degree of personal trust

## ST/LT CHALLENGES

Saw the national & local  
landscapes in a similar way

Same thoughts on how to  
respond

Both very thin administratively;  
no deep benches separately

# Why Consider M&A:



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## MISSION: THE "WHY"

Similar corporate & personal missions

Both committed to maintain & improve service access

Especially across rural Kentucky

## SERVICE ARRAY

Adjacent geography with similar service offerings

Opportunity to share & expand best practices

Chance to increase scope within service areas

## THINKING AHEAD

Felt that if successful, this would open the doors for additional opportunities

*And it did!*



**Community Health Network**  
*of Kentucky*



# Next Step Forward:

MULTI-CMHC AFFILIATION

FALL 2020



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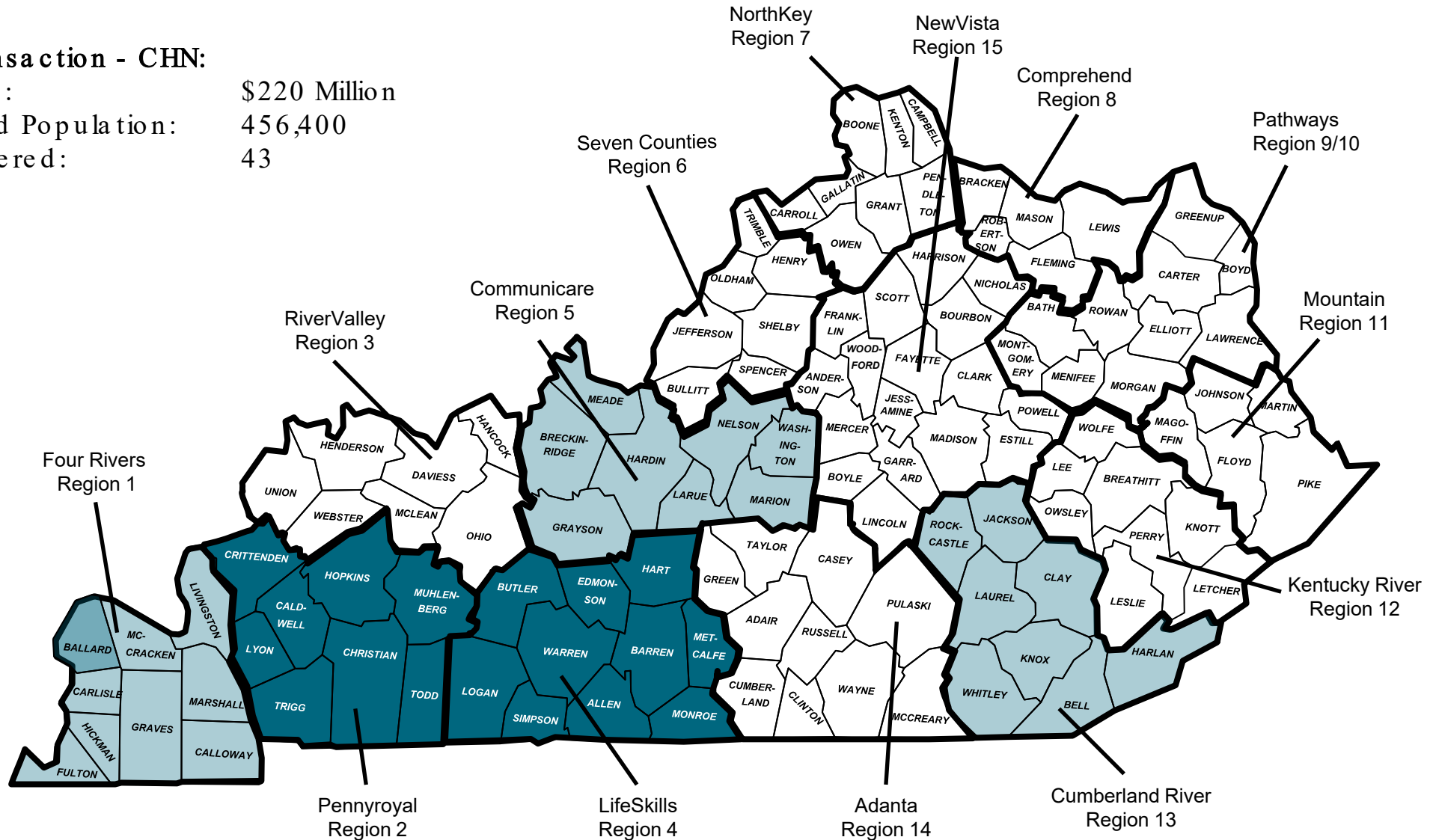
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## Affiliation Transaction - CHN:

Total Revenue: \$220 Million

Total Medicaid Population: 456,400

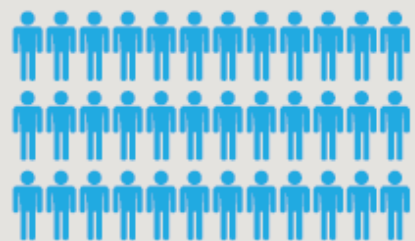
Counties Covered: 43



# Next Step Forward

MULTI-CMHC AFFILIATION

Fa 11 2020



**456,400**  
MEDICAID  
COVERED LIVES



**360**  
SCHOOLS



**2,700**  
EMPLOYEES



**220 Million**  
in Total Revenue

## MENTAL HEALTH



**254**  
LICENSED BEHAVIORAL  
HEALTH CLINICIANS



**46,000**  
CRISIS SERVICES  
PROVIDED ANNUALLY



**83**  
CRISIS TREATMENT BEDS



**54**  
SCHOOL  
DISTRICTS  
SERVED

## INTELLECTUAL & DEVELOPMENTAL DISABILITIES



**5,500**  
PERSONS SUPPORTED  
IN OUR COMMUNITIES



**171**  
ADULT FOSTER  
CARE PROVIDERS

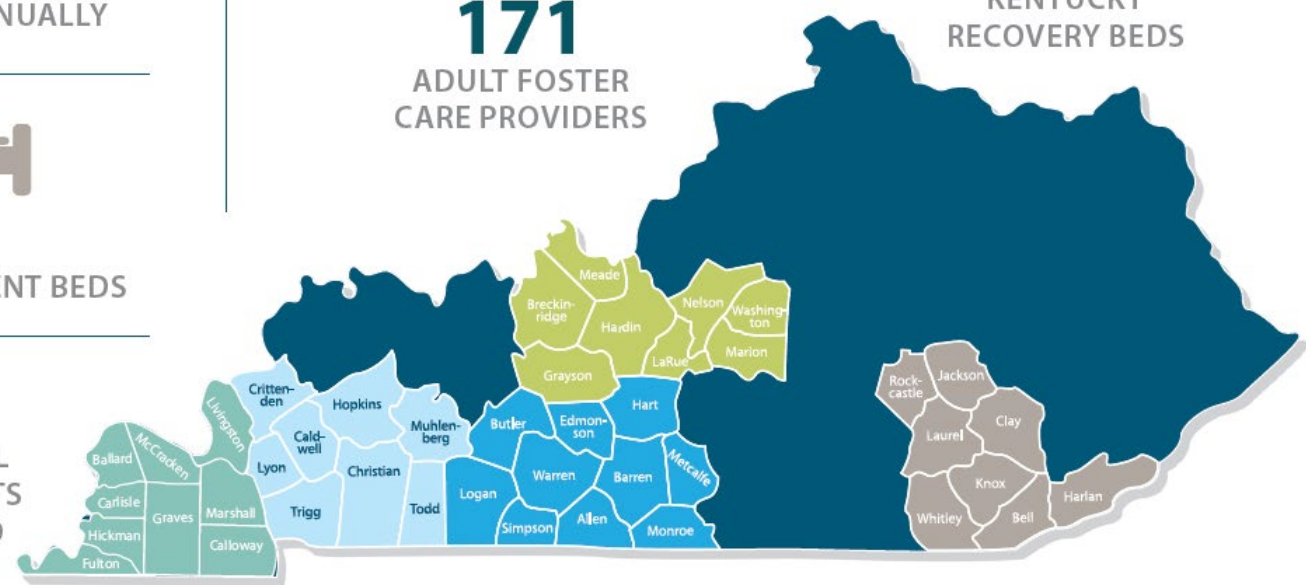
## SUBSTANCE USE



**313**  
TREATMENT BEDS



**200**  
KENTUCKY  
RECOVERY BEDS





# Lessons Learned:

## COMMUNICATION



Be evangelists for the transaction

Sell the idea & vision to all key stakeholders – staff, board, community

Not everyone will want to come along for the journey

Some of our peers felt threatened with announcement

Respond with emphasis on humility, empathy & kindness

Messaging, messaging, messaging!

Early, Often & Be Candid



# Lessons Learned:

## PEOPLE



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### LEADERSHIP TEAM

Get the consolidated/new leadership team in place sooner vs. later

We tried to find places for all the people first

Should have first defined high value/key roles

### CULTURE

Underestimated how challenging culture alignment can be

Both felt we ran 'good ships', but bristled at suggested improvements

### TEAM/INDIVIDUAL EGO

Must keep it all in check!

*"Humbitious"*

The right balance of drive & humility is critical



# Lessons Learned:

## GOVERNANCE



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Organizational chart decisions were much tougher than we thought

Traditional Hierarchy vs. Matrix model vs. Helix model

Both had traditional hierarchies with minor differences

Matrix model: struggle with decisions & authority (regional vs. centralized)

Helix model: helps aligns 'what work gets done' & 'how work gets done'

Think ahead when you can – intentionally build for growth

The secret of the helix lies in disaggregating the traditional management hierarchy into two separate, parallel lines of accountability—roughly equal in power and authority, but fundamentally different



McKinsey  
Quarterly

# Lessons Learned:

MAKE IT SIMPLE



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## SYSTEMS

Decide on software early

Develop integrated package: EHR, Finance, Payroll/HRIS at a minimum

Build internal expertise as foundation for future transactions

## EXPERTS

Take advantage of outside expertise

Legal, Strategy/Consulting, Communications

We knew enough to know we did not know enough!

## VISION

Keep the main thing, the main thing

We had a few years of challenges & chaos

Never waivered from what we wanted to be

## **COVID-19** *Try to avoid operationalizing a merger during a global pandemic!*

Every thing on this list seemed harder over Zoom/Teams/Meet vs. in person

Extremely challenging to build relationships, transmit culture virtually