Heritage Day Health Centers Merges With National Church Residences

Participating Organizations

- National Church Residences, Columbus, OH

Please note that all data below was derived from the collaboration's nomination for the Collaboration Prize. None of the submitted data were independently verified for accuracy.

Formation
Type of Collaboration:

- Joint Programming to launch and manage one or more programs
- Administrative Consolidation to share, exchange, or provide back office services such as accounting, IT, human resources
- Merger by which governance, programs and administrative functions have been combined but which may or may not have included the integration into a single corporate entity.

Geographic Scope: State

Collaboration Focus Area:

- Health
- Human Services

Population Served:

- Aging and Elderly
- Economically Disadvantaged

Year Collaboration was Established: 2008

Goals Sought Through Collaboration:

- Expand reach and/or range of services / programs
- Address unmet and/or escalating community need
- Leverage complementary strengths and/or assets

Reasons Prompting Collaboration:

- High / increasing costs
- Advancement of a shared goal
- Response to a community need

Who Initiated Collaboration:

- Board member(s)
- Executive Director(s) / CEO(s) / President(s)

Number of Participating Organizations: 2

Were Partners Added or Dropped?: No

Consultant Role: To facilitate negotiations or discussions that led to the formation of the collaboration
Heritage Day Health Centers (HDHC) and National Church Residences (NCR) are 501(c)3 corporations headquartered in Columbus, Ohio. HDHC is the largest non-profit provider of adult day care services in Ohio; NCR is the largest provider of affordable family and elderly housing in the nation. Within Ohio, NCR is a significant provider of health care services to the elderly, operating skilled nursing facilities, assisted living sites, community care retirement centers, and a home health care service and hospice program.

On July 1, 2008, the boards of trustees of HDHC and NCR made the courageous and selfless decision to merge their missions. Both organizations serve similar constituents: the frail elderly and disabled, the poor and the vulnerable. The two organizations are mission driven and share a vision of community based care for the elderly. The wedding of the innovative organizations was contemplated with the future needs of an aging population in mind. In the short time that the organizations have been linked, the wisdom of their decision has been confirmed. Each brings to the collaboration a specific expertise in elder care and the predicted synergies been proven. The unified missions of HDHC and NCR addresses the continuum of elder care needs so completely as to suggest a model of integrated care.

The formal merger proves each organization’s commitment to the belief that many of the answers to the looming crisis in elder care could be found in community based services. Long term strategic planning exercises by HDHC in 2007 culminated in discussions with NCR that suggested the possibility of a formal partnership.

The transparency and candor exhibited by both organizations facilitated rapid progress towards a decision to merge. HDHC was motivated by a desire to expand its mission of adult day services and saw in NCR a partner with the organizational resources that would benefit HDHC’s current and future clients. NCR saw HDHC as a partner that with a demonstrated capability for delivering adult day services to the frail elderly and disabled, a capability critical to NCR’s vision of integrated community based care.

The merger of HDHC and NCR was facilitated by several factors: both organizations came from a position of strength, both were confident that the other’s motivations were driven by mission, and they were guided by shared values. Posturing was all but eliminated during negotiations by the abandonment of personal and institutional egos. Mutual respect established between the two staffs created a harmonious working relationship that minimized any potential tension that might be expected in the combination of two organizations.

Management

Management Structure: One Executive Director / CEO / President

After considerable deliberation of the various methods available to accomplish a formal partnership, it was mutually agreed that the simplest approach to wed the two missions was to establish HDHC as a subsidiary of NCR. HDHC would retain its identity, independent 501(c)3 status and significant autonomy in the operation of its core mission. Three members of the HDHC board were recruited to join the NCR parent board and serve as members of the newly formed HDHC board of trustees.

The over arching concern of the leadership of both organizations was integrating adult day care services with NCR’s program of community based services while enhancing and expanding HDHC’s mission of adult day care. Second only to the concerns for the frail elderly served by the HDHC mission were the concerns for the HDHC staff. Maintaining the continuity of leadership at HDHC was recognized as vital to the success of the affiliation. The agreement that was reached resulted in the preservation of the HDHC team and there has never been a question of NCR’s commitment to the HDHC staff.

Communications during and after the merger have been key to the success of the collaboration. Regular weekly and monthly meetings between NCR’s executive staff and HDHC’s administrative team provide the opportunity for formal dialogue and assessment of progress towards established outcome objectives. The autonomy provided HDHC by the merger structure encourages the agency’s long standing culture of social entrepreneurship that is now “back stopped” by NCR’s advanced administrative processes.

Challenges

Challenges to Making the Collaboration Work:

● Coordinating / merging / integrating operations
● Creating a shared culture
● Coordination / integration of programs & services
● Internal and external communication
We anticipated that merging two strong, mature, and fully developed institutional cultures would create challenges but were pleased to find that we experienced no exterior challenges. We found the “good news” message of our collaboration was received with applause and endorsement by our community partners.

We knew that our greatest challenges would be internal and prepared for them accordingly. NCR is an organization of more than 2,500 associates with highly structured administrative processes. HDHC is an organization of slightly more than 125 employees that is much less mature in its processes and bureaucracy. A gradual and measured plan ensured that the HDHC staff was not overwhelmed physically or emotionally by either the volume or pace of change.

Impact

Internal Efficiencies and Effectiveness:

- Financial savings - Consolidation of management / administration
- Financial savings - Bundled insurance policies
- Human resources - Increased access to technical expertise (e.g. HR, Finance, IT)

Community Impact:

- Able to serve a greater geographic area
- Greater range / variety of services/programs offered

Growing the adult day care mission in central Ohio and beyond was a major objective of the merger and the following measurable outcomes are noteworthy:

- In 2009, HDHC provided a 13% increase in days of care (6,737 days) over 2008.
- In October 2009, HDHC accepted responsibility from Riverside Methodist Hospitals to succeed them in running the adult day care programs they had operated for over 25 years.
- In August 2010, HDHC will open an adult day care program in Chillicothe, OH in a newly constructed building they will share with sister business units in the NCR family.
- HDHC and NCR are currently in discussions with The Ohio State University regarding the creation of an intergenerational day care program and officials of Union County, OH pertaining to the development of an adult day care program to serve their rural community.
- In 2011, HDHC will break ground for an adult day care center in a recently funded NCR affordable housing complex to be built in Dublin, OH.
- NCR’s housing division will break ground in July 2010 on property shared by an HDHC Adult Day Center for a supportive housing center to serve formerly homeless military veterans.
- HDHC finished 2010 with its best financial performance in 3 years, largely due to the cost savings and economic and program synergies resulting from its merger with NCR.
- The truly significant outcomes are on the horizon and will be realized once the frail elderly and their caregivers fully understand and benefits of integrated service our model offers.

Model

We are convinced that the success of our collaboration model is due largely to the pursuit of a partnership based on mission enhancement and not from a position of desperation or necessity. We contend that our compatible but dissimilar service missions, having never positioned us as competitors, lessened the friction and negative preconceptions that are likely to test or even preclude the advancement of many collaboration discussions.

Efficiencies Achieved
Since National Church Residences (NCR) is a much larger organization than Heritage Day Health Centers (HDHC), with highly structured financial and administrative services support arms, it was expected from the outset of discussions that the economic and operating efficiencies resulting from a merger would be observed primarily on the financial statements of HDHC.

The strategies for introducing efficiencies to the HDHC business model and for initiating interorganizational synergies were designed so as not to overwhelm HDHC operations with either the volume or pace of change. Back office process improvements identified as non disruptive and essentially indistinguishable to HDHC’s clients and staff were implemented without delay. Initiatives requiring deliberation, planning and recognized as potentially problematic when first introduced to the staffs of both organizations, such as fundraising, technology, human resources and certain financial functions, were scheduled for execution over a more measured timeline.

Almost concurrent with the June, 2008 merger, the HDHC payroll function was transferred from a contracted vendor to NCR’s in house payroll department, saving HDHC approximately $ 4,000 annually. HDHC’s Workers Compensation coverage was transferred within the first six months of the merger from a State program to NCR’s self funded plan, producing savings of approximately $100,000 annually. NCR’s size and aggregate purchasing power produced initial annual savings in excess of $20,000 in HDHC’s general, liability, auto, and health insurance contracts. Contracted accounting services were transferred to NCR within the first 6 months of the merger and produce an annual savings of approximately $ 20,000 per year. NCR’s energy contracts, in house IT services and negotiated supply vendor discounts produce savings to HDHC estimated at $25,000 annually. The overall cost savings recognized by HDHC exceeded $165,000 annually and represented a significant reduction to the organization’s approximately $5,000,000 operating budget.

The benefits to HDHC of transferring the administration of human resources and certain financial functions to NCR were understood early on to be of significant operational and cost benefit. With an appreciation for the stress that the implementation of these initiatives would place on HDHC and its staff, the transfer of these functions and the adoption of certain NCR policies and procedures necessary to make the transitions seamless were intentionally delayed and approached on an incremental basis. On February 1, 2009, more than two years following the merger, is HDHC approaching full administrative integration with NCR. By accepting the delay of a measured, almost evolutionary pace, HDHC’s administration was not overwhelmed by managing change and the HDHC staff was allowed the opportunity to view changes as enhancements of mission as opposed to punishments of progress.

Possibly the metric that most attests to the benefit of integration is that in the two years following the merger, HDHC has increased the number of centers it manages by 50% (2) and has increased its delivery of service by almost 27% (14,000 client days) and yet the organization has not found it necessary to increase the size of its administrative team from its original 5 members.

HDHC realized the benefit of other synergies from the merger with NCR that have resulted in improvements to both operations and the quality of care delivered to HDHC’s clients. Notably, NCR’s highly evolved and sophisticated Quality Control and Risk Management programs that were incorporated in HDHC’s program delivery plan. As the largest not for profit provider of affordable housing in the country, NCR’s expertise in the management of physical plant operations provided immediate structure and sophistication to HDHC’s facility operations.

Much has been accomplished, but the collaborative efforts of HDHC and NCR are far from complete. The organizations are putting the finishing touches on several capacity building projects to include a formal fundraising program that will fully integrate the development efforts of the two organizations. It is the intent to hire a fulltime development professional dedicated to the mission of HDHC during the first quarter of 2011. This position will report through a matrix management approach to HDHC’s Executive Director and NCR’s Executive Vice President of Development. Such a concentrated focus on fundraising, long demanded by HDHC’s challenging financial model, will prove significant to funding operational shortfalls and future mission expansion. A similar initiative involving the transitions major system wide technology enhancements that will be implemented in 2011/2012 will produce significant operational benefits to HDHC. Neither the fundraising nor the technology project could have been undertaken unilaterally by HDHC.

HDHC and NCR monitor the incremental advancements toward desired objectives through the use of a dash board mechanism that measures key performance metrics and mission results. Monthly, the administrative staff of HDHC, including its Executive Director, and the executive staff of NCR, including its CEO, meet to review dashboard results and performance achievements with a primary focus on; service quality, financial results against budget, census against projections, human resource metrics against benchmarks, fundraising against budgetary objectives, and organizational synergy.

Singular in significance among all merger accomplishments to date is the expansion of HDHC’s adult day care mission. As detailed previously in the Section F Impact section, growing the adult day care mission was a primary merger objective. Conservative projections for calendar year 2010 indicate that HDHC will deliver approximately 67,000 days of adult day service; a 27% increase (14,000 days of service) over the 2008 merger year. More than 750 frail elderly and disabled clients and upwards to 2,000 family caregivers will be served by HDHC in 2010. These are the prime quantitative objectives by which NCR and HDHC measure the social good their merger provides the community. They indicate that in 2010 HDHC will support the independence and dignity of 750 of our most venerated citizens. These same 750 seniors will avoid home bound isolation and will be spared premature institutional placement. While attending an HDHC center, clients will receive essentially every service that is offered to the resident of a nursing home with the exception of an overnight bed and a loss of independence. HDHC’s adult day care clients will be permitted to age in place within the comfort of home and family, yet enjoy the companionship of their peers in a safe and enriching congregate setting. The family caregivers with long hours involved at HDHC will enjoy care giving respite, experience an improvement in their well being and realize a minimization of role overload, worry, and depression. Working family caregivers who partner with HDHC in the care of their family members will avoid the dilemma of choosing between employment and caring for their aging loved one. These minor miracles of the adult day mission will occur 67,000 times in calendar year 2010.
As detailed previously in Section F1 Formation, the merger of HDHC and NCR was contemplated with the needs of an aging population in mind and cemented by a jointly held vision that the solution to the looming crisis in elder care was to be found in community based care. Alone, neither organization possessed the requisite resources or expertise to fulfill this vision, but in unifying their missions, HDHC and NCR created a continuum of elder care services that fully and uniquely answers the frail eldery’s simple desire to age with dignity and independence within the familiar embrace of home and family.

As explained in Section F1 Management, HDHC exists as a wholly owned subsidiary of NCR. HDHC retains its identity, independent 501 (c) 3 status, and responsibility for the execution of its primary mission. Though there existed a number of options by which a formation could be approached, it was agreed by the boards and management of both organizations that a parent/subsidiary arrangement offered the parties the most prudent and effective alternative. The arrangement allows HDHC to retain significant management autonomy, line authority in executing its mission and the latitude to exercise its entrepreneurial spirit. The arrangement permits HDHC to benefit from the assistance and expertise of NCR’s broad array of administrative support services, thus freeing HDHC to focus its energies on its core purpose, the delivery of care to its clients and support to their caregivers. Communication between NCR’s executive staff and HDHC’s administrative team has been key to the success of the merger and the management arrangement. HDHC’s Executive Director meets formally each week with NCR’s Executive VP of Health Care and other members of the NCR Health Care Team. NCR’s entire Executive Staff and HDHC’s administrative team meet monthly to assess merger success and progress toward objectives.

As expected there have been “bumps in the road”, but nothing of significance. There have been hurt feelings, misunderstandings and moments of irritation. Most resulted from the merging of two very dissimilar organizational cultures as described in F1 Challenges and all were resolved through communication, mutual respect and the deeply held conviction by all in the purpose of our collaboration.

Though adult day care is but one component in the continuum of community based elder care, it is arguably the most critical, requires the most expertise to operate, and is the most difficult mission to grow. As the largest not for profit provider of adult day care in Ohio, HDHC offered to NCR adult day programming of a scale that was in balance with NCR’s home health, hospice, therapy and congregate care programs. HDHC also provided an experienced and talented management team and a highly evolved adult day care model that could be readily replicated….all important attributes that NCR sought in a merger partner.

NCR offered to HDHC a potential partner who, in spite of the financial challenges of adult day care, shared a commitment and passion for developing a platform that would grow the mission of adult day care. HDHC saw in NCR an organization that possessed resources and sophistication that HDHC lacked and, as demonstrated by their accomplishments in developing the affordable housing mission, a proven ability to grow a social service model….all important attributes that HDHC sought in a merger partner.

Though adult day care has grown nationally since 2002 by 63% and now serves more than 260,000 clients each year, it continues to offer those who advance the adult day mission with a challenging financial model. According to The Met Life National Study of Adult Day Service, October 2010, “the typical adult day center collects a full day average fee of $61.71 from a public source including Medicaid Waiver, Veterans Administration,……However, the average daily cost of providing care to each participant is $68.98. The ADS center makes up the shortfall through grants, fundraising activities, and donations.” Such is the financial model that HDHC experiences and the challenge to mission expansion that adult day care programs face.

It required almost 25 years for HDHC to build an organization that consisted of 4 adult day centers. In the fall of 2007, at the outset of merger discussions, HDHC had just opened a newly renovated center that would expand its capacity to serve the community by over 40 clients a day. Even as the board and staff of HDHC celebrated this contribution to the community, they understood that it would be the last such contribution for some time. The new center represented the full limit of HDHC’s capacity for growth. Mission expansion was not in HDHC’s foreseeable future. In the slightly more than two years since merging with NCR, HDHC has added two new adult day centers, a third will open early in 2012, a fourth is planned for 2013 and a fifth for 2014. Comparing 2008 to 2010, HDHC will deliver 14,000 additional days of care to those they serve. At the board room conference table these are the metrics by which NCR and HDHC measure the success of their collaboration. At the adult day activity table success is judged by a different standard. It is in a client’s smile and the grateful hug of a family caregiver that the social worker, nurse or activity assistant finds her metric of success.