Enterprise Structure Integration Model
Decision-Matrix

	Current Structure	Quasi-Franchise	Corporate	Joint Venture
COSTS				
Formation Costs				
Operation Costs				
Opportunity Costs				
OPERATIONS				
Employee Satisfaction				
Communication				
Corporate Culture				
Customer Service				
Quality of Service(s)				
Branding / Marketing				
STRATEGIC OBJECTIVES				
Standardization				
Simplification				
Efficiency				
Independence				
Enterprise Strategic Goals				
Enterprise Business Development				

Key Term Definitions

Integration Models:

- **Current Structure: (Contractual Alliance)** Defined as the framework agreement. Through an agreement, two or more parties pursue a set of agreed upon objectives while remaining independent organizations. Through this agreement, the parties may agree to share resources or assets (such as technology, staff, marketing). A strategic alliance is an example of a contractual alliance.
    - **Strategic Alliance:** a contractual alliance through which one or more of the following criteria is met:
        - Assures success of a core business goal or objective
        - Critical to the development or maintenance of a core competency
        - Blocks a competitive threat
        - Creates or maintains a competitive advantage
        - Mitigates a significant risk

- **Quasi-Franchise:** A contractual relationship in which one party (the franchiser) grants another party (the franchisee) a license to allow the franchisee access to the franchiser's proprietary brand, business systems, marketing, knowledge, processes, products, supplies, equipment, and trademarks. The franchisee typically must pay certain specified fees for the license, including initial upfront fees and ongoing annual fees. Franchise contracts are temporary, lasting 5 to 30 years; they do not signify business ownership by the franchisee. In this case, quasi-franchise is defined in a similar way – a contractual relationship through which CCNC will provide a Network access to and use of CCNC's proprietary brand, business systems, marketing, knowledge, processes, products, supplies, equipment, and trademarks in exchange for Network carrying out defined scopes of work on behalf of CCNC for CCNC customers. This will be a tight contractual arrangement between the two organizations. However, the Network may engage in separate business, outside of the contractual arrangement, using its own brand, business systems, marketing, knowledge, processes, products, supplies, equipment, and trademarks.

- **Corporate:** An agreement to consolidate two existing business entities into a single business entity; the joining of two or more companies to achieve greater efficiencies of scale and productivity.
    - Transactional type of corporate model: Asset transfer
        - Asset Transfer: Involves the acquisition or sale of assets of an entity. The selling entity transfers certain identified assets to the acquiring entity. This transfer can include assets only or assets and liabilities, depending on the agreement between the parties. Depending on North Carolina law, the transfer of all or substantially all of a nonprofit's assets to another organization may require approval by the nonprofit corporation's board of directors, as well as the members, if the nonprofit has members. In the instance of one nonprofit organization acquiring the assets of another nonprofit organization, it may not be necessary for the acquiring nonprofit to pay fair market value

or anything at all for the assets. In these cases, the transaction is structured as a gift of assets. Depending on state law requirements, this may be permissible if the selling nonprofit's liabilities are satisfied in full at the time of liquidation. In these cases, the selling organization typically remains in existence and will need to take the additional step of winding down and dissolving.

- **Joint Venture:** A contractual arrangement in which two or more parties come together to form a new organization that is jointly owned and managed by the parties. Each party contributes capital to form the new company. The capital contribution can be cash, services, technology, or other resources and assets.

Key Priorities and Considerations:

- **Formation Costs:** This includes the costs associated with due diligence to identify the right integration model and then form that structure. These include, but are not limited to, consulting, legal, and accounting services fees and staff time and expenses.

- **Operating Costs:** The expenses related to the operation of business. These include staff salaries and benefits, office space rent, information technology purchase and maintenance, and other expenses required to maintain the business' existences and operations.

- **Opportunity Costs:** The benefit, profit, or value of something that is given up in order to acquire or achieve something else. This opportunity cost need not have a dollar value, but is something that is considered as part of the decision making process. An opportunity cost in a merger may be one organization's loss of control over future decisions. The opportunity costs must be weighed against the likely benefits as part of the decision-making process.

- **Employee Satisfaction:** The extent to which employees are content with their jobs and the employer organization. Corporate integration can have significant impact on employee satisfaction and will impact employee retention and recruitment, employee motivation and performance, particularly if the integration results in significant changes in leadership and employee roles and responsibilities.

- **Communication:** Internal and external methods of communication and consistent messages and information sharing.

- **Corporate Culture:** The shared values, attitudes, standards, and beliefs that characterize members of an organization and define its nature. It is rooted in an organization's goals, strategies, structure, and approaches to labor, customers, investors, and the greater community. Integration of corporate cultures is a key component of change management during a corporate integration. Understanding the differences in corporate cultures and determining whether they can be integrated is necessary; failure to appropriately address corporate culture results in significant trouble during integration and could result in a failed integration.

- **Customer Service:** The process through which an organization assures that a customer is happy with the service(s) provided. There are different levels of customer services, including to the patient (care management), providers (practice support, quality improvement, care management), and payers (those individuals or entities contracting and paying for the services, such as N3CN, DMA, etc.). Corporate integration can affect customer service both in the formation phase and after the integration occurs. Customer service can improve or decline.

- **Quality of Service(s):** Care management, provider services, and clinical quality improvement have been identified as core services provided by Networks. Quality of Service refers to the overall performance of these services and whether the service provided meets the expectations of the service recipient. Quality is often measured by identified metrics, including timeliness, reliability, responsiveness, and customer satisfaction.

- **Standardization:** Creation of a common framework and policies and procedures for core services (Care Management, Provider Services, Clinical Quality Improvement) to which all organizations must adhere in order to ensure that the services are carried out in the same way across different organizations and geographic locations.

- **Simplification:** Reducing the complexity of the relationships among the organizations so that both internal and external stakeholders are better able to understand the relationships and functions of the organizations.

- **Efficiency:** Effective operations as measured by a comparison of the output with that of the cost to achieve the output, with cost defined as energy, time, and money.

- **Independence:** The organization(s) is fully independent without ownership by or affiliation with a health care provider, health system, or payer. It would have its own Board of Directors that executive leadership of the organization would report to and the Board would have oversight of and accountability for the organization.

- **Branding/Marketing:** A single, clear brand that can be used in effective marketing and communications that conveys who the organization(s) is and what it does, including a consistent name and logo.

- **Support the Enterprise's Strategic Goals:** The strategic goals are those identified by the organizations and will help the organizations achieve their vision and mission.
  - Strengthen relationships with health systems, clinical integrated networks, and hospitals in order to establish contractual agreements that support the Medicaid population management initiatives of the contractor.
  - Support the clinical integrated network, Community Care Physician Network (CCPN), for independent primary care practitioners, in collaboration with CCNC which would be a provider network with close working relationships with the CCNC networks and could be a vehicle for contracting with Provider Led Entities and Prepaid Health Plans with revenue stream for care management resources.

- Communicate the value of current and new Network and CCNC population management and practice transformation initiatives.
- Enhance Network financial sustainability for the long term by continuing the Medicaid revenue stream with multiple contractors.
- Meet Key Performance Indicators (KPI) of Medicaid contracted partners as developed in their population management strategy.

- **Facilitate the Enterprise's Business Activity Development:** In addition to maintaining the current Medicaid contract, CCNC is pursuing other business opportunities with other customers, including hospitals and insurers. The expectation is that CCNC will contract with the Networks to carry out certain components of the contracts, including care management, provider services, and clinical quality improvement programs. CCNC has identified certain needs to improve business opportunities, including reducing the cost of the model of care, increased standardization, and improved efficiency.

Enterprise Structure Integration Model Initial Assessment:

Proposed Scale:

	Points
Yes, with minimal or no work	**5**
Yes, with some work	**3**
Yes, with significant work	**1**
No, will not work	**0**

Proposed Assessment Questions:

1. Will the formation costs be manageable and acceptable? (Yes/No)*
2. Will the operating costs be manageable and acceptable? (Yes/No)*
3. Will the opportunity costs be manageable and acceptable? (Yes/No)*
4. Will the integration model result in improved employee satisfaction?
5. Will the integration model improve internal and external communication?
6. Will the integration model require integration of the organizations' separate corporate cultures? (Yes/No)+
    a. If yes, can the separate corporate cultures be effectively integrated?
7. Will the integration model improve the quality of services provided?
8. Will the integration model lead to improved service standardization?
9. Will the integration model lead to decreased complexity of the organizations' structures and relationships (simplification)?
10. Will the integration model result in increased efficiency?
11. Will the integration model achieve organizational independence?
12. Will the integration model allow for a single brand that can be used effectively in marketing?
13. Will the integration model support the Enterprise's strategic goals?
14. Will the integration model facilitate the Enterprise's business development opportunities?

* Requires that the costs be identified and estimated (initially). These costs will eventually need to be quantified for more informed decision-making.

+ Score here is modified. No = 5 points, since integration of corporate cultures can be very difficult, avoiding the need to do so is a positive feature. Yes, should follow the existing scale (5, 3, 1).