

# Howard County Behavioral Health Integration Workgroup

THIRD OPTION FOR INTEGRATION:  
PARENT-SUBSIDY AFFILIATION

# TYPES OF BEHAVIORAL HEALTH INTEGRATION

- **FINANCIAL**
- **STRUCTURAL**
- **CLINICAL**

# TWO PRINCIPLES OF INTEGRATION

- FINANCIAL AND STRUCTURAL INTEGRATION DO NOT ASSURE CLINICAL INTEGRATION
- DO NOT MAKE A MAJOR CHANGE IN FINANCIAL OR STRUCTURAL INTEGRATION UNLESS THAT IS NECESSARY TO ACHIEVE CLINICAL INTEGRATION OR SUBSTANTIALLY REDUCE COSTS

# SUBSIDIARY AFFILIATION MODEL

- NON-PROFIT SECTOR:

- PARENT:

- Is sole member of SUBSIDIARY (sole stockholder in for-profit)
    - Appoints Board of Directors (Board Elects Officers)
    - May have additional oversight powers
    - Exercises oversight powers through provisions of Subsidiary's Articles of Incorporation and By-laws
    - Oversight powers can be *passive* (e.g. parent's action is more like veto power of Subsidiary Board action) or *active* (e.g. parent can initiate action unilaterally)

- SUBSIDIARY:

- Retains Corporate Identity and Board of Directors
    - Responsible for managing its corporate budget

# SUBSIDIARY AFFILIATION MODEL

- COUNTY as PARENT:
  - Similar to Non-Profit, except that PARENT is vested with oversight powers through provisions in Statute/Ordinance

# ADVANTAGES OF SUBSIDIARY AFFILIATION RE: BEHAVIORAL HEALTH INTEGRATION

- Retains Non-Profit as Subsidiary
  - Flexibility, Grant Eligibility, Stakeholder Investment
- Enhances Structural Integration
- Least Expensive Option
- Allows Stakeholders to Focus on Clinical Integration vs. Structural and Financial Integration
- Reduces Unintended Consequences of Full Merger

# CURRENT ORDINANCE PROVISIONS REGARDING RELATIONSHIP OF HOWARD COUNTY TO HCMHA

Howard County has:

- Active Power to Appoint Directors to HCMHA Board
  - Active Power to Appoint HCMHA Executive Director
  - Semi-Active Power to Remove HCMHA ED (needs consent of majority of HCMHA Board)
  - Passive Power to Approve HCMHA Board Action re Annual Plan/Budget
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- HCMHA Board elects Officers with no veto power by County

# WAYS TO ESTABLISH PARENT-SUBSIDIARY RELATIONSHIP OF COUNTY-HCMHA

- Amend Ordinance to add other Parent Oversight Powers

# WAYS TO ESTABLISH PARENT-SUBSIDIARY RELATIONSHIP OF COUNTY-HCMHA

- The following are Oversight Powers of Sheppard and Enoch Pratt Foundation, Inc. as Parent of Way Station, Inc.:
  - Passive Power to Approve WSI Board Actions to:
    - Hire and Fire CEO and CFO
    - Change Mission
    - Amend Articles of Incorporation or By-laws
    - Variances to Annual Budget by greater than 10%
    - Develop New Service Lines
    - Enter into Contracts or Indebtedness Greater than Set Amount
  - Passive Power to provide feedback to WSI Board re CEO Annual Evaluation
  - *In Practice*, Sheppard Pratt has Active Power of Supervision of WSI CEO: WSI CEO has two supervisors - WSI Board and Sheppard Pratt CEO

# Additional Potential Uses of Non-Profit Subsidiary

- Apply for SUD grants, learning communities, or other opportunities from sources for which only non-profits are eligible.
- Contracts between Health Department and HCMHA for resource-sharing
- Use Non-profit when needing to respond quickly to SUD RFP or Procurement Opportunities