

Case Study for Ephrata Area Rehab Services (EARS) and Partners in Achieving Independence (PAI) Merger

History of Organizations

EARS was established in 1970 to provide vocational rehabilitation services to Ephrata area adults with developmental disabilities. Begun with two staff and 20 clients, EARS now provides a variety of services to 250 individuals with developmental, emotional and intellectual disabilities in three locations in Lancaster and Lebanon Counties. EARS employs 48 staff, and with a \$2 million budget, offers seven programs to meet the individual needs of those supported, from a licensed Adult Day Care to Supportive Employment Placement. The EARS mission statement is: Working together, within the community, to maximize individuality by promoting independence, diversity, and uniqueness, enhancing the lives of those we serve.

PAI has operated in Lancaster County for more than 35 years, first as a branch of Reading based Prospectus Associates, Inc. and, since 1993 as an independent entity. Its mission is: to provide those supports necessary to enable people with mental retardation to live as independently and fully as they desire within the community. With a budget of \$9.2 million, PAI employs nearly 250 people to provide the following: Adult Day Services serving approximately 100 adults in a center based program, Residential Services to 78 adults in 25 community residences, and Shared Living allowing four men to live as part of families.

Logic for the Merger

While PAI and EARS are strong and respected for the quality of services and supports they provide, their Boards of Directors believe they would become even more effective and efficient as one organization.

Because services and supports the two organizations offer are complimentary, services in the new organization would not be replicated. In fact, individuals often will move from one agency to another, especially as their needs change. As one organization, the process of moving individuals between programs that can best meet their needs, will go from a lengthy bureaucratic process of several months to an almost immediate transfer. For both organizations it is of utmost importance that services will not be interrupted and there will be a continuum of care and support.

The prospect of a new, larger organization's ability to serve additional people (many of whom are on the MH/MR waiting list for years) is of great importance to both organizations. Savings generated by one agency with centralized administration would create more available program space to serve additional people and/or establish new programs.

By law, EARS can transport only its own clients and currently transports 80 individuals daily. A merger would give PAI's clients access to this service, saving considerable transportation funds that could be redirected to direct service.

Administratively, this merger will also benefit employees of both organizations by a restructuring of several positions, creating more efficiency. In the current funding and political/governmental climate where more control of services and dollars is concentrated in Harrisburg, a merger will create a stronger program where only the strong may survive.

Both organizations' Boards of Directors are committed to a merger that first and foremost benefits the people they serve.

The Process Begins

The process of this merger began two years ago when both organizations' Executive Directors, Bill Trowbridge (EARS) and Jim Arnold (PAI) began the initial discussion of collaboration. This initial discussion grew out of PAI's strategic plan component to seek opportunities for growth either alone or with other providers. Their Executive Committee instructed Jim to investigate merger possibilities and approach EARS. Both men, having known and respected each other for more than 30 years, and being very familiar with the other's organization, met several times over the next 12 months to continue the dialogue. From these discussions they clearly felt that there were many benefits for both organizations if a merger were to occur. They believed (then and now) that the two organizations complement each other and that the union of the two would lead to a stronger more efficient entity, which would in effect improve overall day program and residential services.

From those discussions the seed for the merger was planted. Mr. Trowbridge and Mr. Arnold shared their vision with their top administrative teams and their Boards of Directors. The vision was met with some trepidation from both organizations but it was decided to further explore the possibility.

In July of 2009 a Merger Steering Committee comprised of members of both Boards of Directors and the two Executive Directors met for the first time. This initial meeting brought intensive discussion and concerns from each group. Although there were concerns, the consensus was to continue. It was also decided to compose and send a letter to all involved (staff, family, and individuals served) with both organizations, regarding the future possibility of a merger. Both organizations also met individually with their employees to discuss future plans.

In August and September of 2009, both groups then toured each other's facilities. During those months each organization's key staff met with the other's Board, to discuss the services of each organization.

On September 30, 2009, the Merger Steering Committee met again and reviewed concerns that were raised by the merger letter and by staff meetings. From this meeting, and the concerns raised by staff, both EARS and PAI identified their two "Sacred Cows", being that neither the employees nor those individuals served would be adversely affected through the merger process. If that were the case, the plans would stop and the two organizations would continue on their own.

In early October the Steering Committee members met with Shanon Solava-Reid from the Lancaster County Community Foundation (LCCF) to discuss the possibility of the Foundation providing financial support to assist with the mechanics of the merger. At this meeting it was decided that a Background for Support paper be submitted to LCCF to be followed by a formal grant proposal at a

later date.

On November 2, 2009, the Merger Steering Committee again met, this time with Jerry Meck, CEO of United Disability Services who assisted them in developing a Board Resolution to proceed with the merger. The Resolution was passed by both organizations Boards of Directors in early December 2009. The Background for Support to LCCF was submitted in November.

The merger committee decided that a final vote from each Board of Directors, as to whether to continue pursuing a future merger or to halt discussions, must be decided by December 31, 2009. Both organizations Boards of Directors met in December and both boards agreed to continue the process of the merger.

Given that the decision to move forward with the merger was made, the January Steering Committee meeting was pivotal in determining what the next step in the process should be. In attendance at this meeting was attorney Jesse Robinson, offering guidance and expertise with his involvement in other similar mergers. The discussion included what administrative costs would be incurred as well as filing costs, and the possible need for part time staff support throughout the process. The Committee felt after discussion with Jesse that they had a better understanding of what the expenditure of the legal fees would be. A sub committee also was established to review both organizations' By Laws and develop a new set for the new organization.

At the February meeting of the Steering Committee it was decided to retain Jesse Robinson for legal counsel. It was also decided to begin the formal due diligence process for both organizations. The formal grant proposal with LCCF was discussed and would be completed and submitted for review at the March LCCF Board of Directors meeting. Committee members also discussed what their vision was for this new organization. Lastly, Jim Cox, a PAI Board Member, volunteered to head a committee comprised of three EARS staff and three PAI staff who would work together to develop mission and vision statements.

The March meeting welcomed several new members to the committee, including PAI's Director of Finance and Administration, and two PAI Board Members who had been unable to attend previous meetings. It was announced that the LCCF Grant Proposal was approved and an award to EARS/PAI of \$48,800 was to be used for merger related expenses. The proposed mission statement: "Enhancing community relationships and opportunities with people we support" was submitted and reviewed by Jim Cox. His committee would meet again in April to develop a Vision Statement as well. He reported that the group was working very well together and stressed how important he believed it is to continue to have staff involved in this process. Also discussed were the proposed By Laws and new Organizational Chart. Jim and Bill discussed their meeting with County officials and overwhelmingly the county is supportive of this venture. Jim and Bill will also further investigate what the necessary changes will be with the state. Lastly, there was discussion of what the new organization would be named (the Committee currently refers to the new organization as NuCo) and it was decided to involve staff in a contest to create a new name.

At April's meeting the Steering Committee accepted and approved the new mission statement with the vision statement to be presented at the May meeting. The Committee reviewed the revised organization chart and it was decided that it should be presented to both Boards of Directors to be

accepted and then presented to all staff. A due diligence task list was also presented to the Committee for review. This is a comprehensive plan in which tasks that need to be completed and by whom, are listed. Revised Bylaws were also reviewed with further revisions to come in May.