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Integration Opportunities – A Legal Perspective

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ROAD MAP

1. What is Integration?
2. Integration Opportunities
3. Integration Risk Management
4. Board Responsibilities
5. Wrap-up and Questions

WHAT IS INTEGRATION?

- *Local Health System Integration Act, 2006*
- LHSIA calls for identification of integration opportunities

s.24 “Each LHIN and each HSP shall separately and in conjunction with each other identify opportunities to integrate the services of the local health system to provide appropriate, co-ordinated, effective and efficient services.”

WHAT IS INTEGRATION?

- Under LHSIA “Service” Means:
 - services or programs provided directly to people
 - services that support such a service or program
 - a function that supports the operations of a person or entity that provides a service or program

WHAT IS INTEGRATION?

- Under LHSIA “Integrate” includes:
 - to coordinate services and interactions
 - to partner in providing services or in operating
 - to transfer, merge or amalgamate services, operations, persons or entities
 - to start or cease providing services
 - to cease to operate, dissolve or wind up operations

WHAT IS INTEGRATION?

- Types of Integration
 - Voluntary Integration
 - Directed Integration
 - LHIN Integration Decision
 - Minister Integration Order

WHAT IS INTEGRATION?

- Voluntary Integration
 - most common
 - at the initiative of providers
 - LHSIA s.27(3) requires 60 day notice to the LHIN
 - LHIN has policy requirements on content of notice and when they will accept notice

WHAT IS INTEGRATION?

- Directed Integration – LHIN Integration Decision
 - LHSIA s.26(1)
 - LHIN may issue an integration decision when in public interest to do so
 - LHIN required to notify provider and public of proposed decision 30 days prior
 - decision will state purpose, parties, action to be taken and effective date
 - provider has 30 days to request LHIN to reconsider
 - restrictions on type of integration LHIN may direct

WHAT IS INTEGRATION

- Directed Integration – Minister Integration Order
 - LHSIA s. 28(1)
 - Certain types of integration can only be ordered by Minister
 - Cease operating, dissolve, wind-up
 - Amalgamation
 - Transfer all or substantially all operations
 - Number of procedural steps including notice to provider and public 30 days prior

INTEGRATION OPPORTUNITIES

- Collaboration/Joint Ventures
- Service Co-ordination
- Consolidation of Back-Office Functions
- Shared Management Services
- Program Transfer/Corporate Merger

INTEGRATION OPPORTUNITIES

Collaboration/Joint Ventures

- Examples
 - group purchasing
 - partnering in pursuit of contracts/engagements
 - technology hosting and data sharing
- Matters to be addressed include:
 - what are the contributions (financial and other) of the parties?
 - how will the relationship be governed? decisions made?
 - will the collaboration be implemented through a contract or by way of a separate corporation?

INTEGRATION OPPORTUNITIES

Service Co-ordination

- Examples
 - Regional service programs
 - Integrated services
- Lead Agency/Transfer Payment Agency
- Matters to be addressed include:
 - flow of funding and obligations
 - standards of service delivery
 - accountability and liability

INTEGRATION OPPORTUNITIES

Consolidation of Back-Office Functions

- Examples
 - human resources
 - Accounting
 - IT
- Generally purchased service
- Matters to be addressed include:
 - service commitment
 - costs and administrative fees
 - confidentiality

INTEGRATION OPPORTUNITIES

Shared Management Services

- Examples
 - senior management
 - Executive Director/CEO
- Matters to be addressed include:
 - scope of authority
 - accountability and reporting
 - allocation of liability
 - confidentiality
 - termination and replacement

INTEGRATION OPPORTUNITIES

Program Transfer/Corporate Merger

- Examples
 - single program transfer
 - transfer of all assets/operations of one organization and dissolution
 - full merger of assets/operations of more than one entity
- 2 Legal models
 - asset transfer
 - amalgamation

INTEGRATION OPPORTUNITIES

Program Transfer/Corporate Merger

- Asset Transfer
 - parties agree to assets/liabilities to transfer
 - if transfer all assets then predecessor to wind-up
- Amalgamation
 - requires same or similar objects
 - predecessors merge into new amalgamated corporation
 - all assets/liabilities merge

INTEGRATION OPPORTUNITIES

Program Transfer/Corporate Merger

- Matters to be addressed include:
 - corporate law requirements
 - charitable status
 - labour/employment
 - funding
 - existing liabilities
 - community politics

INTEGRATION RISK MANAGEMENT

- External due diligence on potential partners and acquisitions
- Internal review of legal implications from corporate, labour/employment and tax perspectives
- Ensure contractual agreements in place to:
 - provide clarity on roles and responsibilities
 - allocate risk and liability
 - establish standards and expectations

BOARD RESPONSIBILITIES

- Compliance with obligations to identify integration opportunities
- Generative governance

BOARD RESPONSIBILITIES

1. Board education
2. Operational review
3. Strategic planning
4. Community engagement

BOARD RESPONSIBILITIES

- When integration opportunities arise
 - ensure external and internal due diligence
 - ensure risk managed approach to implementation
 - best interests of the organization remains paramount

SUMMARY

- Organizations required to actively identify integration opportunities
- There are a spectrum of different integration opportunities
- Organizations should ensure a risk managed approach to integration
- Board education and pro-active planning are important to fulfill governance obligations

Questions?

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