Research Report: Market Design and Evolution for Better Outcomes.

Findings from Investigation of Mergers of Disability Service Providers

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July 2018

Executive summary

This report summarises research conducted into mergers of disability services providers during the period since 2014. It forms part of The Market Designs and Evolutions for Better Outcomes Research Program.

Key findings

The introduction of the National Disability Insurance Scheme (NDIS) and the quasi-market model on which it is based fundamentally changes the economic context in which Australia's predominantly Not-for-profit (NFP) disability services providers operate. Disability service provides have reacted in a number of ways. Importantly for this study, over 40% have discussed merger while 7% report that they have either merged in the last year or are likely to merge in the next year.

In nearly all cases, mergers are being considered for either defensive reasons—that is, due to financial stress—or as part of explicit growth strategies. In our research, the organisations seeking growth had undertaken, or were intending to undertake, multiple mergers. These organisations had developed merger skills in the senior team and board. The development of this skills base seems to suggest that the likelihood they would participate in additional mergers in future and the probability of success of those future mergers had also increased. In other words, leading mergers requires a distinct skill set and the experience of participating in actual mergers was increasing the appetite for them and the chance of success.

Our research identified 85 relevant Australian and international resources, including academic and industry research reports and papers, guides and websites. In most cases, these resources also included research and advice in regard to collaborations. There is a

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great deal of similarity and duplication in these resources. They typically focus on the type of merger and structure of the final entity, the key success factors of merger or the essential steps that need to be undertaken, including due diligence investigations.

However, our interviews found that despite the volume and availability of materials, many directors and executives did not access these prior to being involved in a merger. This was particularly the case for directors and CEOs undertaking merger for the first time, who often commented that the complexity, stress, time and cost involved in mergers was considerably more than they expected.

We have short-listed below some of the resources we believe will be of most use to leaders of NFPs. However, we emphasise that reading any materials or attending training in how to undertake a successful merger would be of benefit, particularly to those new to mergers.

Key resources

Of the resources listed at the end of this document, directors and executives with limited time may wish to accessing the following:

Resource	Comments
National Disability Services and BaxterLawley. Collaborating and Strategic Restructuring for Not-for-profits. 2018 https://www.ndp.org.au/learning-hub/online-learning/collaborations-and-strategic-restructuring-for-not-for-profits	This is an online course and study guide funded by National Disability Services. It provides a self-study guide for directors and executives involved in mergers and collaborations.
La Piana, David. "Merging Wisely." Stanford Social Innovation Review 8, no. 2 (2010): 28-33. https://ssir.org/articles/entry/merging_wisely	This article summarises the key points in David La Piana's landmark book on NFP mergers. Note: This is a resource from the U.S.
La Piana Consulting This website is provided by a leading US provider of research and advice in NFP collaborations and strategic restructuring. www.lapiana.org	This is the website of David La Piana's US based consulting business.
Our Community. Thinking Big: To merge or not to merge – that is the question. Melbourne: Our Community, 2015. https://www.ourcommunity.com.au/files/ThinkingBig-MergersGuide.pdf	This guide from Our Community provides a good overview and lists other Australian resources

Resource	Comments
Australian Charities and Not-for-profits Commission, "Merge my charity." Australian Charities and Not-for-profits Commission. Accessed October 30, 2017. http://www.acnc.gov.au/ACNC/Manage/Wind_merge_change/Merge_charity/ACNC/Edu/Merge.aspx?hkey=d6bda442-973c-4c8d-9933-4ae61144aa25	The ACNC guide highlights issues relevant to charitable and NFP status, requirements for advising the ACNC and related matters.
Charity Commission. Making Mergers Work: Helping you succeed. Liverpool: Charity Commission, 2009. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/407825/Making_mergers_work.pdf	This is document from the UK Charity Commission (which is similar to the ACNC). Although it uses UK terminology this is a comprehensive overview. The Charity Commission regularly publishes related resources.
Mills Oakley Lawyers. A practical legal guide for charities and not-for-profits. Melbourne: Mills Oakley Lawyers, 2015. http://www.millsoakley.com.au/docs/MergerToolkit.pdf	This document from Australian Lawyers provides a good overview of legal and other issues to be considered.
Carrington, Oliver, Iona Joy, Katie Boswell,Sonali Patel Tom Collinge "Lets Talk Mission and Merger', New Philanthropy Capital. April 2018. file:///Users/PennyKnight/Downloads/Lets-talk-mission-and-merger.pdf	A recently published comprehensive guide from the UK. New Philanthropy Capital provides a range of resources for NFP organisations.

Introduction

The Market Design and Evolution for Better Outcomes research project was undertaken by the University of Western Australia (UWA) in partnership with National Disability Services (NDS).[2] It commenced in 2015 with the first of a series of national surveys monitoring the financial sustainability and response of disability services providers under the National Disability Insurance Scheme (NDIS). This important research has been published and referred to in a number of key reports informing policy development, service providers and the public. The project has subsequently been renamed as the National Performance Benchmark Project to reflect the public facing component of the research.

In addition to the development of a longitudinal data set, the project involved a specific qualitative research component with the aim of examining disability service providers' merger activity and outcomes. This report summarises the findings from this element of the research project. It also includes relevant data from the National Performance Benchmark Study and related research where appropriate.

Why research mergers?

Among industry leaders and commentators, provider restructuring – and specifically mergers - have been widely recognised as a likely consequence of the introduction of the NDIS. Specifically:

- the National Disability Insurance Scheme is based on a 'quasi-market model' and the NDIA's role is to 'encourage a healthy and diverse market place for disability supports (Market Stewardship).' The success of the NDIS in funding the needs of people with disability, their families and carers, and in meeting expectations of Australian tax payers with respect to an efficient and effective NDIS, relies on the existence of a strong and healthy supply side. For this to occur, organisations that are most efficient and/or effective should succeed and grow and those that are inefficient and/or ineffective should be driven out of the market by either closing or merging;
- further, the NDIA and other industry commentators have stated their expectation that new providers will enter the market and some existing providers will close or merge. Implicit in the thinking about these first two points is an underlying assumption that some or many NFP organisations providing services to people with disability (or NFP organisations more broadly) are not efficient and that the introduction of a quasi-market funding model will drive these organisations out of the market;

[2] The original project was housed at Curtin University but was transferred to the University of Western Australia when the research team transferred there in early 2017. The project was continued without disruption at the new institution.

- in the short-term, merger or closure of providers could reduce market choice for some service users and their families. In a true market model, if mergers resulted in too few providers, this would likely increase the price of services and/or reduce the range of service options. However, this will not occur in a quasi-market model and so efficiencies and supply-side restructuring needs to be achieved in other ways;
- the introduction of the NDIS also represents a major reform in public policy. For service providers, the scale of change and cost of transition are significant and many NFPs do not have the resources (Balance Sheet strength) to fund the change. Unlike For-profit entities, NFPs cannot raise finance through issuing equity and many have more limited access to debt financing. As such, even organisations that could eventually be viable under the NDIS may not survive transition and this would increase the probability of merger.
- Generally, human services NFPs exist to support beneficiaries and their directors have a duty to ensure that the resources of their NFP are used to maximise 'returns' for these beneficiaries. That is, they must be efficient and effective in their service provision and fill the purpose for which they were established. Arguably, if directors become aware that the resources owned by their organisation (including intellectual property) could be better utilised by another organisation they would have an obligation to transfer those assets.
- when a For-profit organisation closes, its residual assets are distributed to shareholders. Generally, for an organisation to be awarded Not-for-profit and tax-exempt status, its constitution/rules require that, on closure (winding up), the assets shall be distributed only to another NFP entity. As such, while the effect is the same for the organisation, NFPs may be more likely to report that they are 'merging' with another entity rather than simply closing and the assets being transferred; and
- data from a range of sources had found that merger (and closure) discussions were occurring among 54% of existing disability services providers (compared with approximately 36% of the whole population of Not-for-profit entities in Australia.[3]

[3] 2018 NFP Governance and Performance Survey, Australian Institute of Company Directors.

The Research Questions

The aim of Market Design and Evolution for Better Outcomes Study was to provide information to support disability services providers and policy makers to facilitate making effective and timely decisions in support of effective market transition and stewardship.

In regard to mergers, the primary questions that we sought to address were:

1. How many organisations enter into discussions about merger. Of these, how many organisations actually merge?
2. How many organisations might merge in the next three years?
3. Why are organisations discussing or undertaking a merger? Specifically, how many were 'defensive' mergers arising because organisations were no longer financially viable and how many were 'opportunity' mergers arising because organisations were restructuring to better serve the needs of their clients?
4. Are there any particular types of organisation - e.g. size, location, service range, history - that were more likely to merge than others. If so, why?
5. What were leaders hoping to achieve from the merger and was it achieved?
6. What were leaders expecting to happen in the merger process and did the mergers go as expected?
7. Did the board/management budget for the resource requirements necessary for the merger and to what extent where these budgets accurate.
8. What could be done to facilitate cost effective mergers of organisations? For mergers to be successful, the resulting organisation must be more effective or more efficient (or have the potential to be so) than the previous unmerged organisations.
9. What could be done to ensure that the aims of merger were achieved and within the expected timeline. The sooner the benefits of merger are realised, the greater the return on investment from the merger.
10. To what extent are organisations using other forms of restructuring, such as purchase or divestment of specific services, closure of some services or demerger.

Disability Service Providers Merger Research – the Context

Prior to the introduction of the NDIS, nearly all non-government disability services in Australia were provided by NFP organisations. Although the NDIA reports there are now over 10,000 registered providers, the majority of services for people with disability are still being provided by NFP organisations while a significant proportion of registered service providers remain dormant.

It is important to note that many aspects of the merger of NFP entities and For-profit entities are the same. There are, however, some specific factors unique to mergers of NFP organisations that impact their incidence, success, risks and costs. Therefore, as part of our study, we undertook an initial review of academic and industry research and reports on NFP mergers across the Anglophone countries. This review identified over 60 relevant publications and other resources regarding NFP mergers. Indeed, there are specialist organisations and websites that provide information and advice specific to NFP mergers.

The information provided from these sources on factors critical to the success of mergers was very consistent and we determined that there was little merit in replicating this research. Instead, our research aimed to identify any difference in the issues effecting the mergers of NFP organisations more generally and the specific experiences of merger of disability service providers in Australia.

Approach

Our intention at the start of the study was to identify and track four or five merger pairs by contacting them two to four times a year and recording how their mergers actually unfolded. In practice this proved to be unachievable with the timing and resources available. Specifically:

- It was difficult to recruit organisations to take part in the study. Those that did agree to participate were mostly either very early in their merger discussions and there was little activity to record or they had recently completed a merger and therefore we could not track pre-merger events.
- Organisations were very concerned about confidentiality and did not wish to disclose merger talks or actions prior to the merger being announced.
- Merger takes considerable board and executive resources, and few had the additional time to discuss their merger with us.

Research often involves initiating activities not previously attempted and it is not unusual to change research methodology in response to initial pilots. When it became evident that the research objectives would not be achievable within the constraints, the project methodology was revised.

Tasks undertaken

The tasks undertaken on this project included the following:

- Data from the NDS Markets Survey 2017 was collected and analysed.
- A detailed information sheet for potential candidates was prepared.
- Representatives of candidate organisations in Queensland, New South Wales and Western Australia were contacted by email and phone.
- A review of published academic and industry literature on mergers was undertaken with a focus on mergers of NFP organisations in Australia. The references used are appended to this report.

- In consultation with NDS, a list of 11 potential candidate merger pairs was prepared.
- The CEOs/Board chairs of potential research participant organisations were contacted by telephone and email to discuss the prospects for their participation.
- Information was collected on candidate organisations. This information included publicly available information, such as annual reports, constitutions, most recent Annual Information Statements lodged with the Australian Charities and Not-for-profits Commission.
- Questionnaires were prepared for both CEOs and Board Members.
- Eight initial face-to-face Interviews and six telephone interviews were held and findings were summarised.
- The research team communicated with candidates to encourage and support participation.

Findings

Quantitative information regarding questions one to six was also collected by the research team via the NDS Disability Markets Survey 2018 as part of the larger Benchmark Study.[4] In total, 569 disability services providers responded to the survey, including both NFP and For-profit organisations.

From that report, our key findings relevant to merger activity were as follows:

Demand for services and financial sustainability

- Three quarters of providers expect demand for their services will continue to grow into 2016/17 but only 60% are planning to increase the scale and range of services they provide.
- Thirty-seven percent report that they are unable to keep up with demand, with 10% reporting that some clients received no service.
- Providers are diversifying outside of the disability sector. Less than half (43%) reported that all of their activities relate to the provision of disability services.
- Nearly half report that they are entering new markets (client groups) not previously served.
- Only a third of organisations reported a profit of 4% or more, while around 20% either reporting that they broke even or made a loss.

[4] Gilchrist, D.J and Knight P. (2018) Disability Markets Survey 2017. A Report for National Disability Services, Canberra.

- Approximately a third of organisations reported no growth in their net assets, and 15% a decline in net assets. Only half reported an increase in net assets. However, of this group, 29% reported net assets had only increased between 0% and 4%.
- Only 40% of organisations have budgeted to make a profit in 2016/17, and only 26% expect to achieve a profit of 4% or more.
- Even though only 55% of respondents made a profit, 87% reported that the financial strength of their organisation was satisfactory or better.

Winding up

- Nearly one in ten (8%) of respondents reported they had discussed winding-up. This rose to 40% for those that reported that their financial performance was weak.
- Organisations which discussed closing are not all small organisations. A quarter were mid-sized, with income of between $5m and $10m.
- Regional and remote providers are disproportionately affected. Seventy percent of those discussing closing operate in regional areas and 41% in remote areas, compared with 55% and 21% respectively for all providers.
- Sixteen percent discussed discontinuing the provision of disability services. Of these, 55% received less than half their income from the provision of disability services, suggesting a low barrier to exit.

Collaboration and merger activity

Merger activity may be seen as an extension of collaborations that already occur within the supply-side. For example:

- The majority of organisations (particularly the NFPs) actively collaborate to advocate for individual clients or for the sector as a whole. Over half have agreements in place with other organisations to refer or support clients.
- Forty-one per cent of organisations have discussed merger, while 7% report undertaking a merger or to have completed a merger in the last year.
- Importantly, 22% of those considering or undertaking a merger made a loss in their last financial year and 16% broke even.
- The main reasons given for discussing or undertaking a merger included to broaden the range of services to existing clients, which was the first ranked reason for 17% and the second most important reason for 19% of respondents. Of the other key reasons, to improve efficiency was nominated by one in five (21%) as their second highest ranked motivation. Fifteen per cent of respondents reported that not being financially sustainable was their main reason for merging, and for 10% this was their second ranked reason.

Merging for defence or growth?

In most cases, mergers are being undertaken as a means of enacting either a defensive or opportunistic ('offensive') strategy. One or more of five primary driving factors are cited as the reasons for pursing either of these strategies.

Table 1: Main reasons for merger

Key driver	Strategic motives to merge	
	Defensive	**Growth**
Financial – Mainly cost increases e.g. client management, billing, compliance	Organisations cannot afford initial costs to upgrade systems and/or price does not cover on-going costs	Organisations seek to achieve economies of scale through spreading fixed costs over wider service base
Financial – Mainly income related	Organisations are experiencing a decline in income due to low package utilisation. Services cannot be delivered at the prices offered by funders/NDIS	Organisations are seeking economies of scale, growth to be more attractive to clients/staff or to strengthen their market position
Service capacity and effectiveness	Clients are looking for different/new services or a broader service range. Organisations cannot deliver services to required standards (external or internal standards)	Organisations want to offer or capture a wider range of service, or aim to improve service design or quality for existing clients/ client types.
Market share	Organisations are losing clients to competitors.	Organisations want to capture more clients, by selling existing services into new locations or by selling existing services to new client groups (e.g. young adults.)
Risk management	Organisations current structure presents too high a risk – e.g. service or financial. Increase in risk can be caused by a range of factors, e.g. loss of key staff.	Organisation is seeking to reduce overall risk through service, market or income diversification.

The decision to merge at a particular time may have been made independently from changes resulting from the introduction of the NDIS, may have been influenced partially by the NDIS or be a direct result of changes arising from the NDIS.

Poor and/or worsening financial performance is most often cited as the main reason for implementing a defensive merger.

It should be noted that it is Directors' and Chief Executive Officers' collective perceptions of these key factors that determine their strategy and merger activity, rather than some objective or independent measure of these. For example, some boards may seek to merge as a defensive action when their organisation is at, or close to, insolvency, whereas others may merge even if they are financially sustainable because profit has fallen to a level they consider unacceptable.

The characteristics of their merger partner

The organisations that have merged, or are considering merger, were asked to provide a profile of the type of organisation (or organisations) with which they are, or are most likely to, merge.

- In terms of size, half expect to merge with an organisation smaller than themselves, 16% with one the same size and 28% with a larger organisation.
- Forty-four per cent expect to merge with an organisation in the same sector, and 37% expect that they will be merging with an organisation that they have not had a relationship with.
- A significant majority (83%) expect to be merging with an organisation within their same state or territory.

Table 2: Characteristics of expected merger partner

Characteristic	Response				
Size (Revenue)	Smaller than us	Same size	Larger than us	Other	Don't know
	50%	16%	28%	1%	5%
Service sector/type	Same sector	Mostly similar sector	Some similar services	Completely different sector	Don't know
	44%	28%	23%	4%	1%
Client type	Serves our clients	Same types of clients, but not our clients	New client base	Other	Don't know
	15%	64%	16%	1%	4%
Previous relationships	None	Supplier or buyer of services	Previously collaborated but no joint projects	Previously undertaken joint venture projects	Don't know
	37%	3%	34%	17%	9%
Location of merger partner	Within same state/territory	Another state or territory	Outside Australia	Other	Don't know
	83%	11%	0%	1%	5%

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Merger cases studies

We summarise below information of four mergers undertaken in 2016 to 2018 of Disability Service Providers. It should be noted that for two of these mergers, one or more of the participants had undertaken previous mergers or was concurrently merging with other entities.

To protect the privacy of organisations, we present only the publicly available information on their mergers, even for those organisations for which we undertook interviews with the Chief Executive Officers and board members. The information provided from face-to-face and telephone interviews has been used to inform this report more generally.

Merger Case 1: Excelcare Australia, CareWest and subsequent mergers

Case One	Excelcare Australia Ltd
Purpose	"*The principal activity of Excelcare Australia Ltd is to provide community support service to vulnerable people. This predominantly means aged care services, disability services, child safety services".*
Entity type	Company Limited by Guarantee; Charity
Year of establishment	1994
State/Territory	Regional Queensland – Livingstone, Rockhampton, Gladstone, Bundaberg, Mackay and North Burnett
Financial position pre merger	2013/14: Revenue $9m 2014/15 Revenue: $9m 2015/16 Revenue: $9m Profit 2014/15: $99,000 Profit 2015/16: $294,000 Profit 2016/17: $32,000 2013/14: Net Assets: $2.9m 2014/15: Net Assets: $2.9m 2015/16: Net Assets: $2.9m
Staff	Total staff: Approximately 140
Brief history	(Source: Excelcare Annual Report 2015) • Jane Wallace at the Yeppoon Community Development Centre identified a need for aged care at the southern end of the coast • Reference group formed • A small Home and Community Care Grant in 1983 - $58,000

	• Auspiced by the Livingstone Shire Council as Keppel Home Care • Commenced operations in the School of Arts building in Emu Park • The reference group incorporated as Keppel Community Care in July 1994 • Moved to the old Sunset Lodge building in Wood St, Emu Park • The incorporated entity took over service provision from the council in December 1994 • Incorporation on 13/07/1994 • Moving to Wood St, Emu Park - approximately December 1994 • Opening a service in Rocky – December 1997 • Building an office in Emu Park – February 2003 • Building an office in Rocky - 2007 • Developing a quality management system • Achieving compliance with numerous quality standards over the years • Opening an office in Mackay - 2008 • Opening an office in Yeppoon - 2009 • Developing the Support for Day to Day Living and Brighter Futures centres • Expanding to Gladstone and Bundaberg - 2013 • Changing our name from Keppel Community Care to Excelcare – 2013 • Tropical cyclone Marcia February 2015 • Monto Neighbourhood Centre auspice commenced April 2015
Service range	Aged care • Community Aged Care (in home) • HACC Disability Services • Case management • Accommodation Support • Community Access • Respite Mental Health Child Safety Services Community Services
Reasons for merger	To become larger to offset compliance costs of NDIS Current financial performance unsustainable Aware of competition New and effective CEO recognises need for change

Actions taken	Excelcare and Carewest were in the process of signing an MOU at the time of interview
Key issues	All merger candidates were assessed to determine impact on combined entity financial performance.
Comments	Excelcare was the result of a pervious merger with entity in MacKay six years earlier. Learnt from that process. Experience of building new services in regional towns. Experience and dedicated Board. Ambitious Board and Executive. They have spoken to a number of merger candidates. Some did not proceed due to cultural differences at the board and executive level.

Case One Cont'd	CareWest Limited
Purpose/Mission	*"Enabling People in regional Australia to live their best lives."*
Entity type	Company Limited by Guarantee; Charity
Date of establishment	1984
State/Territory	Orange, New South Wales
Financial Position pre mergers	2013/14: Revenue $20.8 2014/15 Revenue: $29m 2015/16 Revenue: $$35m 2013/14: Profit: $540,000 2014/15: Profit: $2m 2015/16: Profit: $5.4m 2013/14: Net Assets: $5.4m 2014/15: Net Assets: $9m 2015/16: Net Assets: $14.4m CareWest had a related and separately incorporated foundation the Care West Foundation. The foundation reported total assets of approximately $3.7m in 2015/16.
Staff	2015/16: 570 staff (increased from 474 in 2014/15)
Brief history	Orange Community Resource Centre established by local residents to support community development activities In 1990's became involved in direct delivery of outreach and brokerage services in rural areas across Central West By 2014, Care West operated out of 15 locations and provided Telehealth services.

	2015 Care West developed a strategy for growth and merger in order to become a large and specialist provider of services in Regional New South Wales and Queensland
Service range	• Disability Services: Day programs, Transition to Work, Respite facilities. • Aged Care: Mostly home care • Community Transport • Child and Family services Specialisation in providing services for clients in regional and remote areas.
Reasons for merger	To develop economies of scale, specialise in service provision in regional areas. To provide support for smaller entities who struggle to survive.
Actions taken	Actively approached potential merger candidates and assessed for suitability.
Key issues	Care West had experience of merger and growth Not all candidates were considered suitable. Key criteria included cultural and client fit, staff profile and financial sustainability.
Comments	Care West CEO and particularly previous Chair have worked together for several years, are very experienced with mergers. They have a developed a merger process that they use to assess and implement mergers. Carewest merged with six entities over two years to form an organisation operating under Carewest's ABN called Living Better. In addition to Excel Care, CareWest merged with Age Concern, Family Link, There4U, Broken Hill HACC and Disability Services, and Translink. These entities were smaller with income below $2m. The other organisations have been subsumed into CareWest, and their brands replaced, so CareWest could be more accurately described as taking over these other entities.

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Case One Cont'd	Combined Entity: Live Better Limited
Purpose	*"To enhance and maintain the independence and choice of people living in communities across Australia experiencing barriers to community participation including but not limited to the elderly, people with a disability, children and families and carers and other disadvantaged groups through the provision of a wide range of in home and community-based services. These services and programs provided address and relieve poverty, sickness distress, misfortune, destitution or helplessness and promotes positive community centred outcomes in the most cost-effective manner."*
Entity type	Company Limited by Guarantee; Charity
Date of establishment	Operates under the Care West ABN. New branding introduced in 2018.
State/Territory	Regional areas New South Wales and Queensland Operates from 40 locations
Financial position post merger	2016/17 Year: Total Revenue was $52.1m an increase from $35.5 in the previous year. Total profit for the year was $5m • $2.2m in profit was operating profit • $2.8m in profit was achieved through merger. Net Assets increased from $14.4m to $18.4m. Note: this year is not true indication of post merger financial performance, as it does not represent a full year with Excel Care.
Staff	As at June 30 2017: 785. Operating out of 40 centres across regional New South Wales and Queensland.
Brief history	Formed as a result of merger (take over) of four other entities
Service range	• Aged care (mostly in-home services) • Disability Services • Child and Family • Carer • Home modifications • Transport services

Case One Cont'd	Combined Entity: Live Better Limited
Key issues	• Integration of the new entities and staff. • Responding to clients in the NDIS environment where funding may be insufficient to cover services needed.
Comments	Two board members of Excel Care are now directors of Live Better Live Better notes that many regional organisations are contacting them looking to collaborate or merge due to financial difficulties arising in the NDIS environment. Live Better is actively seeking to grow further through merger. Intending to expand service range into primary health care sectors. It is too early to tell whether the mergers will achieve the service and financial goals intended.
Outcome	Live Better Limited is now an entity serving 40 communities from 13 offices across regional Queensland and New South Wales. It is now called Live Better and specialises in providing support in Regional areas and has become one of if not the largest provider of services in these communities. To date, Live Better appears to be growing from strength to strength. The costs of merging with multiple entities are being absorbed and their profit ratio remains high. Live Better now controls a comparatively large proportion of the market for some type of disability, aged care and other sectors and will increasingly be able to influence government policy for regional services. Live Better has rolled the subsidiary entities into its brand. There are pros and cons with this approach, particularly in smaller, regional communities where the previous entity may have been well known. So far the rebranding does not appear to have impacted local volunteering or donations.

Merger Case 2: Senses Australia and Ability Focus

Case Two	**Ability Focus (Wheatbelt Individual and Family Support Association).**
Purpose/Mission	*"To provide support to families and individuals to enable people with disabilities to thrive within their families and their communities. To offer individualised services across the whole organisation."*
Entity type	Incorporate Association; Charity
Date of establishment	Not available – c. 1960's
State/Territory	York (and Wheatbelt area) Regional Western Australia
Financial position pre merger	2013/14: Revenue $1.6m 2014/15 Revenue: $1.6m 2015/16 Revenue: $$2m 2013/14: Profit: ($100,000) 2014/15: Profit: ($424,000) 2015/16: Profit: $47,000 2013/14: Net Assets: $1m 2014/15: Net Assets: $661,000 2015/16: Net Assets: $677,000
Staff	3 Full time, 1 Part time, 23 Casual
Brief history	Ability Focus was established to serve people with disabilities in 'The Wheatbelt' region in Western Australia. There are a number of similar 'Individual and Family Support Services' operating in regional towns and cities in Western Australia These services were previously block funded by the Disability Services Commission, WA Government which allowed for the additional costs of providing services in regional and remote WA.
Service range	• Community Living • Community Inclusion • Respite and Host family • Supported Accommodation • Advocacy and referral
Reasons for merger	Financial viability was the main reason for considering merger.

	There was also a desire to leverage the skills and service capacity of larger organisations in order to provide better services for clients.
Actions taken	Ability Focus CEO and board were in discussions with Senses for more than 12 months before the merger took place.
Key issues	Ability Focus leadership believed that the organisation would not be viable under an NDIS. Winding up the organisation and transitioning services to another provider became a priority in 2014/15.
Comments	Ability Focus was wound up in 2017 and its status as a charity was voluntarily revoked. The entity no longer exists.

Case Two Cont'd	Senses Australia Limited
Purpose/Mission	*"To assist individuals of all ages with disability, who meet Senses Australia's eligibility criteria, to meet their goals and aspirations through the provision of contemporary and responsive services. Our purpose is to provide planning, services, supports, information, training and advocacy, which:* • people with disability and their families can choose to meet their needs, their goals and their aspirations • will educate and inform other health and educational professionals and assist them in the provision of their services to people with disability • will add to the body of knowledge and best practice regarding services for people with disability; and • will inform and advise governments and others regarding the creation of a more inclusive and accepting community for people with disability."
Entity type	Company Limited by Guarantee
Date of establishment	1895
State/Territory	Western Australia. Predominantly metropolitan, but also providing services in the South West (Busselton, Margaret River)
Financial position pre merger	2013/14 Revenue: $12m 2014/15 Revenue: $12.7m 2015/16 Revenue: $16.3m 2013/14: Profit: $(773,000) 2014/15 Profit: ($558,000) 2015/16 Profit: ($329,000) 2013/14: Net Assets: $9.3m 2014/15 Net Assets: $8.7m 2015/16 Net Assets: $8.4m
Staff	Total staff: 274
Brief history	Originally called Western Australian Home Teaching Society for the Blind 1967 Became the Royal WA Institute for the Blind. Provided employment, trainings, education, respite and recreation and accommodation to the blind. 2001, Amalgamated with the WA Deafblind Association. Renamed Senses Foundation.

Case Two Cont'd	Senses Australia Limited
Service range	Senses primarily provides therapy and support services for people who are blind, deafblind and multisensory impaired. Services are targeted by age, from Early Years (0 to 5 years) School Aged (6 to 18 years) Adults (19 to 64 years) Adults 65+, Parents and Carers and Health professionals. They also provide respite services, in home support, plan management and positive behaviour support.
Reasons for merger	Senses had a stated and public strategy to grow and had been and is actively pursuing merger with the aim of achieving greater efficiency. Senses' financial performance for the last three years as not been strong. Leadership put this down to
Actions taken	Senses had/has communicated its intention to grow through mergers.
Key issues	Senses' capacity to integrate new services and improve efficiency of these while it has been returning losses for the last three years.

Case Two Cont'd	Combined Entity: Senses Australia Limited
Entity	Company Limited by Guarantee; Charity
Purpose/mission	Same as pre-takeover
Date of establishment	Merger undertaken 1 July 2017
State/Territory	Western Australia Perth Metro to Wheatbelt
Financial position post merger	2016/17 Revenue: $ 19m 2016/17: Profit: (1.46m) 2016/17: Net Assets: $6.59m
Staff	Total staff: 303
Service range	As a result of the merger and organic growth, the service range has expanded to support a broader range of people and with a wider scope of services. The amalgamation of Ability Focus owned Amelia House, a respite centre proving 24 hour support seven days a week.
Reasons for merger	Ability Focus was closed and services transferred to Senses. This was in effect a takeover rather than a merger. The Ability Focus brand has been removed and the entity closed.
Comments	Ability focus was a similar, but not identical organisation. The service range and culture were different. 52 Ability Focus clients transitioned to Senses. The board has endorsed a Transformation plan intended to result in Senses achieving a breakeven outcome. However, to date this has not been achieved.
Outcome	Senses Australia continues to experience a reduction in profit and in net assets. There is no evidence yet of Senses bringing efficiencies of scale to bare on the financial performance of the larger entity. Senses has a stated goal of continued expansion through merger or acquisition.

Merger Case 3: Karingal and St Lawrence

Case Three	Karingal
Purpose/Mission	*"Enriching people's lives through support, advocacy, partnership and choice."*
Entity type	Incorporated Association; Charity
Date of establishment	1952
State/Territory	Victoria. Geelong, Also Barwon south West, Wyndham and Mornington Peninsular, Warrnambool, Colac, Bendigo, Melbourne Also has offices in Queensland and Adelaide.
Financial performance pre merger	2014/15 Revenue: \$110m 2015/16 Revenue: \$114.6m 2016/17 Revenue: \$181m 2014/15 Profit: \$4.5m 2015/16 Profit: (\$606,000) 2016/17 Profit: (\$877,000) 2014/15 Net Assets: \$70m 2015/16 Net Assets: \$69m 2016/17 Net Assets: \$72m
Staff	2016: 1,753, 212 volunteers 2017: 2,108 staff, 198 volunteers
Brief history	Began as a playgroup by parents of children with disabilities. Grew rapidly, driven by initial group of parents.
Service range	Accommodation services Respite In home support Day activities Aged services Mental health services Disability Employment Services (Supported employment)
Reasons for merger	Improve efficiency Improve service range Improve overall size to support advocacy
Actions taken	Prior to merger of Karingal and St Laurence, co-branded public events for people with disability and integrated staff
Key issues	Karingal acquired privately owned For profit entity, ESH group in 2016/17 ESH group comprised Employment Services Group and IPA Personnel. It provides employment, training, recruitment and labour hire services. This organisation had offices throughout Queensland, New South Wales, Victoria, the Australian Capital Territory and Western Australia provides Employment Services.

Case Three Cont'd	St Laurence Community Services Inc
Purpose/Mission	*"We innovate and build resilient, inclusive communities to help people achieve their full potential."* *"We listen, you choose, we respond."*
Entity type	Incorporated Association; Charity
Date of establishment	1996
State/Territory	Victoria, Geelong
Turnover year before merger	2014/15 Revenue: $41m 2015/16 Revenue: $43m 2016/17 Revenue $44m 2014/15 Profit: ($256,000) 2015/16 Profit: $84,000 2016/17 Profit: ($12,000) 2014/15 Net Assets: $48m 2015/16 Net Assets: $48m 2016/17 Net Assets: $58m
Staff	2016: 752 staff, 219 volunteers 2017: 720 staff; 214 volunteers
Brief history	Established as a separate entity after the Brotherhood of St Laurence divested its Geelong regional operations. Strong growth through early 2000's
Service range	Employment services – Jobactive Disability Employment Services Disability supports Advanced Aged care – Residential and in-home Disability housing Community Care Respite
Reasons for merger	Financial sustainability Improve size and scale to better service clients, improve efficiency and build sustainability. Particularly in light of the change in government policy in aged care and disability services.
Actions taken	CEO resigned
Key issues	No additional issues identified.

Case Three	Combined Entity: Karingal St Laurence Ltd (GenU)
Purpose	*"To create and deliver innovate services and support that empower people to reach their full potential."* *"The Company is a public benevolent institution established with a prime focus to:* • enable people with disability to achieve their potential as equal citizens in socially inclusive communities; • effectively support people with disability in their long term care making certain they, their families or Carers are supported and informed about the best available support options; • improve the quality of life of people who experience disadvantage; • increase the autonomy, independence, community engagement, social inclusion and general wellbeing of people with disability, older people and those experiencing disadvantage; and • relieve the suffering and distress of and to provide assistance to people who are in necessitous circumstances."
Entity type	Company Limited by Guarantee; Charity
Date of establishment	1 July 2017
State/Territory	Operates in all Australian jurisdictions, other than Tasmania and the Northern Territory.
Turnover year before merger	2017/18 Financial reports for combined entities are not yet available.
Staff	2,800
Brief history	Boards announced merger on 5 August 2016.
Service range	Services include full range of Aged care (residential and in-home) Disability services Employment services Mental health services Community services Operates out of 200 locations across Australia
Actions taken	Karingal CEO became CEO of merged organisation New board comprised members of both organisations

	Full integration program was developed and deployed to integrate operations across the organisation
Key issues	Both organisations had strong balance sheets prior to merger but operating profits were low or negative. The success of the merger will take some time to be determined. The organisations share common values, but their service range and delivery varies, which may impact efficiency. The costs of merger are likely to negatively impact operating profits for some years.
Comments	Although presented as a merger, Karingal was the dominant participant in this transaction. The purchase and integration of ESH in the months prior added to the complexity, but gave the Karingal executive team additional experience. ESH is still presenting and offering services as a separate entity.
Outcome	Too date the merger appears to be a public success, However, it is likely to be two to three years to determine the success of the integrated organisation. Depending on how the accounts are structured, determining the net impact of the merger may be difficult due to the concurrent acquisition of ESH Once the integration of ESH and St Laurence is settled, it is likely that GenU will continue to seek expansion through merger or acquisition.

Merger Case 4: Rocky Bay and Valued Independent People (VIP)

Case Four	Rocky Bay
Mission/Purpose	*"Optimising the quality of life for people living with disability."*
Entity type	Incorporated Association
Date of establishment	1938
State/Territory	Western Australia. Perth Metropolitan
Financial position pre merger	2013/14:Income: $30.1m 2014/15: Income: $34.6m 2015/16 Income: $44m 2013/14: Profit: $3.3m 2014/15: Profit: $4.3m 2015/16: Profit: $1.4m

	2013/14: Net Assets: $13.9m 2014/15: Net Assets: $18.3m 2015/16: Net Assets: $19.6m
Staff	Total staff: 618
Brief history	Incorporated as the Western Australian Society for Crippled Children (WASCC) 1961 A major donation received from the Lotteries Commission to build a school room at Lucy Creeth house. The school opened in 1963 1987First independent accommodation built on the McCabe Street site 1991Change of name to Rocky Bay Incorporated 1993An Employment Services division was established to secure employment for people with disabilities 2000Two respite homes were built in Beeliar 2010Celebrated the refurbishment of the Lucy Creeth Nursing Home Opened the Patricia Kailis Centre (PKC) in Baling Street Cockburn Central 2013 Opened Rockingham Beach House 2014Opened Gosnells Guest House 2015Opened Midland office Opened 62 McCabe Street, Mosman Park, Independent Living Units 2015Spina Bifida and Hydrocephalus Association of WA (SBHAWA) merges with Rocky Bay 1 Group Home transitioned from Disability Services Commission 2016Valued Independent People merged with Rocky Bay

	7 Group Homes transitioned from Disability Services Commission TodayRocky Bay offers services and support to over 3,000+ children and adults and their families living with disabilities throughout the metropolitan area and through state-wide consultancy
Service range	• Therapy and assistive technology • Supported accommodation and group homes • Respite accommodation • Leisure and independence • Home and community • Mental Health • Training and development
Reasons for merger	VIP's services and clients were compatible. Rocky Bay has a stated strategy to grow to increase efficiency and market position. VIP's financial performance was mediocre but it had a strong balance sheet, making it an attractive candidate Rocky Bay believed it would be able to improve the efficiency of VIPs services.
Actions taken	VIP board initially sought out discussions with Rocky Bay CEO and board.
Key issues	Ensuring the LotteryWest which had funded the purchase of assets would consent to the assets being transferred to Rocky Bay.

Case Four Cont'd	Valued Independent People
Mission/Purpose	*"The objects of the Association are:* • To provide a flexible, home and neighbourhood, day-time occupation, community access and participation service to people with a disability according to their needs. • To provide respite services. • To collaborate with other service providers."
Entity type	Incorporated Association; Charity
Date of establishment	1992
State/Territory	Western Australia
Turnover year before merger	2013/14 Income: $6m 2014/15 Income: $6.5m 2015/16 Income: $6.8m 2013/14: Profit: $162,000 2014/15: Profit: (548,000) 2015/16: Profit: $1m 2013/14: Net Assets:$3.3m 2014/15: Net Assets:$2.8m 2015/16: Net Assets: $3.8m
Staff	Total staff: 120

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Case Four Cont'd	Valued Independent People
Brief history	VIP specialised in supporting school leavers with disability to transition into adulthood and employment, and in the provision of support to facilitate continued engagement of people with disabilities in employment and other activities. It also provided some respite and other services to families of existing clients., In June of 2011, the founding CEO left the organisation, there was a significant gap in risk and injury management that had to be addressed. In addition, VIP had been over-delivering on services while being underfunded by the DSC, creating more financial pressure and pushing VIP to the edge of solvency and sustainability. In 2012, the board and CEO agreed a new strategic plan for 2012 to 2015, but with a specific focus on steering VIP through the urgent financial issues. Although VIP had returned to breakeven, the board remained concerned about the outlook for VIP under NDIS..
Service range	• Transport • Personal care • Mealtime assistance • Recreation and social inclusion services • Skill development • Respite
Reasons for merger	VIP's financial performance for the previous three to five years had been tenuous and stressful. In order to remain solvent, VIP had been provided with additional support funding from the Disability Services Commission. The board and CEO considered that VIP would struggle to be viable under the NDIS structure. Transport services in particular were seen as not viable given NDIS pricing.
Actions taken	In 2016 the board contacted several organisations with a view to merger. The CEO for VIP, stated that Rocky Bay was the preferred partners as they had similarly aligned cultures, was a large and growing organisation able to absorb VIPs clients and provide them with a high-quality service.

Case Four Cont'd	Valued Independent People
Key issues	• Cultural fit. • Enterprise bargaining Agreements • Support from LotteryWest. LotteryWest had funded the purchase of vehicles.

Case Four Cont'd	Rocky Bay
Purpose	As was Rocky Bay
Entity type	Incorporated Association; Charity
Date of establishment	November 2016
State/Territory	Western Australia. Mostly Perth metropolitan
Turnover year before merger	2016/17 Income: $57.6m 2016/17: Profit: $5.56m 2016/17 Net Assets: $25.25m
Staff	Total staff: 850
Service range	• Therapy and assistive technology • Supported accommodation and group homes • Respite accommodation • Leisure and independence • Home and community • Mental Health • Training and development • Transport Services provided from 27 locations across Perth
Key issues	Lotterywest supported the transfer of assets to Rocky Bay. Also Introduced new Customer Relationship Management (CRM) database achieved at the same time. Developed and implemented a detailed merger integration plan.
Comments	VIP was a significantly smaller entity that Rocky Bay and the integration of VIP was accomplished smoothly. Rocky Bay has a strong reputation in Western Australia which helped the transition. VIP's financial sustainability had been uncertain for several years, so staff were mostly comfortable with being employed by Rocky Bay.

Case Four Cont'd	Rocky Bay
Outcome	• 100 clients and 100 staff transitioned from VIP to Rocky Bay. • Merger process appears smooth, with no major hurdles present. • 2016/17 year includes financial impact of the merger • Financial results for Rocky Bay remain strong. Profit achieved in 2016/17 was nearly 10%, but 2016/17 will represent full impact of merger. • Rocky Bay invested time developing a comprehensive strategic plan for 2017 to 2020. This plan includes continued expansion, but mostly through organic growth

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