

Devereux
ADVANCED BEHAVIORAL HEALTH

UNLOCKING
HUMAN POTENTIAL™

OVERVIEW

- TCV's Journey to Affiliation
- Devereux's Value Proposition
- Lessons Learned

TCV STRATEGIC PLANNING 2015

Secured professional consultant to facilitate the planning process

- First Step: Education Session

Don Goughler from the Forbes Fund:

- Imperatives for future success in behavioral health:
 - Must participate in Value Based Contracts (Shared Risk)
 - Have data capability and reliable management information
 - Measure outcomes
 - Must have adequate reserves and capital
 - Must have the talent – the right people –right skills

STRATEGIC PLANNING 2015

- Several interactive full day sessions with Board and Senior Staff
- Market research shared; changes in behavioral health in our region
 - Increase of mergers and affiliations
 - More For-Profit entities in the area
 - Growth of larger private practice offices serving Medicaid patients
- Imperatives identified and accountability assigned
 - Minutes and discussion drawings were shared

STRATEGIC IMPERATIVES - TCV

2015 - 2020

- Financial Sustainability
 - Understanding our Costs – Change Accounting Software
 - Seek Alternative Revenue Sources
 - Right size where possible
- Recruit, Develop and Retain Staff Talent
- Improve Technology
- Develop Key Outcome Measures
- Divest from Real Estate
- Explore Strategic Partnerships

THE BUSINESS CASE FOR AFFILIATION

- Financial Stability compromised due to tight margins- limited reserves
 - Inability to retain talent due to competition
 - Management talent was limited and extremely expensive (licensed)
- Insufficient capital to succeed in a Value Based Contract (\$3-4mil)
- Our size was too small to compete for talent
 - Larger networks took staff, contracts and opened offices next to our hubs
- Inability to stabilize licensed clinical staff – could not implement programs and services or build alternative revenue sources

TCV STATE OF AFFAIRS 2015 - 2017

- Significant financial losses in ID day and residential services due to low rates
- Expensive emergency capital improvements in commercial buildings
- Tragic workplace violence incident in 2016
- Inability to give staff raises due to poor financial performance

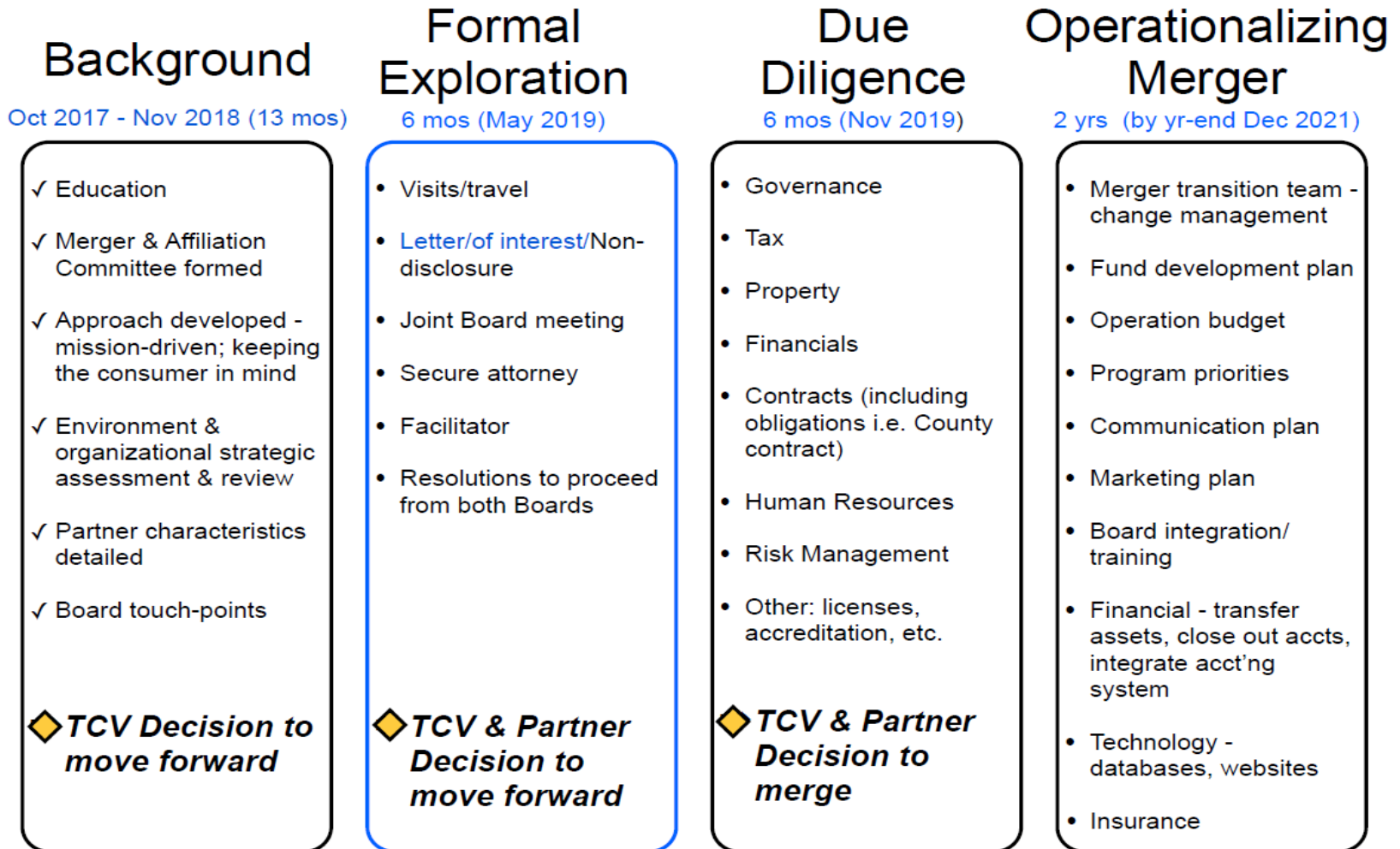
TCV BOARD ACTIVITY

- Established a Merger and Acquisition Committee(M&A): December 2017
 - 50% of Board members volunteered – 100% participation in all meetings
 - Over 20+ meetings (12/2017 – 7/2019)
- Hired Consultant to facilitate this process
- Adopted a framework created by the Forbes Fund to guide this work
- Established criteria to evaluate potential partners
- Met with CEOs and teams to learn and explore opportunities
- M&A discussions shared at full Board meetings and with Senior staff

BOARD COMMITTEE ESTABLISHED MUST HAVES FOR PARTNER

- Must be Mission and Vision aligned
- Must be Financially Strong, strengthen us
- Must have Positive Reputation with state, payers and people served
- Must be Trustworthy – share expected outcomes
- Committed to our core service lines and continuum of care
- Maintain a commitment of services in Mon Valley
- Build our dedicated workforce to be successful

PARTNERSHIP- FORBES FUND MODEL



Modified model for TCV and updated 9/26/18

revised 09-26-18

TCV FINDS A PARTNER

Devereux Advanced Behavioral Health

- Carl Clark, CEO previously from NHS/Allegheny Valley School
- Devereux has over a hundred-year history of providing excellent services for individuals with developmental disabilities (IDD), including Autism as well as Behavioral Health in 13 states
- Mission Driven - Family members on Board Committees
- Impressive leadership team; experienced with acquisitions
- Endowments and Capital
- Eastern Pennsylvania based
- Devereux's Strategic Plan - build services in western PA

WHY DEVEREUX WAS POSITIVE FOR TCV

Devereux had existing plans to expand in Western PA

- Build partnerships verses compete
- Build upon TCV's strong reputation, good programs, existing infrastructure. TCV will gain financial and operational expertise to support turnarounds for several service lines
- Over time move to one Compensation Plan – salaries and benefits
- Bring best practices and extensive training resources of Devereux to TCV for DSPs to PhDs
- Offer Career advancement opportunities to TCV employees

WHY DEVEREUX WAS POSITIVE FOR TCV

Devereux would provide proven clinical, operational and financial resources

- Clinical outcomes – Best Practice assessment and interventions
- Cost accounting system – deep knowledge of costs and ROIs
- Capital, data systems and experience with VBCs
- Political Advocacy and Fund Raising
- Depth of resources – recruit and support future executive and senior management positions in the future to grow TCV's capacity

CULTURAL ALIGNMENT

TCV

- Achieving Important Possibilities
- Leadership
- Customer Focus
- Excellence
- Accountability
- Teamwork
- Leadership

DEVEREUX

- Servant Leadership
- Unlocking Human Potential
- Putting People First
- System Thinker/Has Foresight
- Person of Character
- Compassionate Collaborator
- Leads with Moral Authority

FIRST STEPS

- Secured a legal expert in mergers and acquisitions
 - Stephanie Schreiber is a Shareholder at Buchanan Ingersoll & Rooney
- Letter of Intent: Signed October 23, 2019
 - Written commitment:
 - TCV would remain a legal entity, retain name
 - Build upon the TCV workforce
 - Intent to create new services
 - Preserve commitment to Mon Valley
 - Creation of a New Board (TCV Board members and Devereux members)

DUE DILIGENCE

Due Diligence began on November 7, 2019

- Over 250 documents were assembled and reviewed
- Legal Review occurred on November 22, 2019
- Six Devereux SVP's conducted a two day on-site visit
 - Review of documents (3 years of Financials and audits, Board Minutes; Incident Reports, Policies and Procedures, HR)
 - Completed chart audits (personnel and client records)
 - Interviewed key senior staff
 - Tour of owned Real Estate

Devereux shared the Pro-forma on December 18, 2019

VALUE PROPOSITION

- The Business Case

TCV must increase revenues

Expand:

- IDD Adult – Residential and Vocational
- Autism Services
- Children's School Based Services
- Specialty mental health

Operational Synergies

- IT cost savings and enhancements
- Education and advancement opportunities
- Devereux's Enhanced Benefits will be phased in
- Clinical outcomes infrastructure paving path to VBP

DEFINITIVE AGREEMENT AND LEGAL DOCUMENTS

- Both parties approved final drafts of Definitive Agreement, draft Articles of Incorporation and By Laws 3/31/20
- After legal review, TCV Board approved Resolution to sign the Definitive Agreement on May 22, 2020
- Change of corporation requires that the state Attorney General not object prior to finalizing all documents

DELAYS - IMPACT OF PANDEMIC

- In March 2020, COVID -19 pandemic impacted everything - closures put a “pause” on everything
- In May 2020, TCV was approved for a \$1.8M Payroll Protection Program Loan(CARES)
- Federal guidelines on loan forgiveness gave reason to delay
 - *affiliating with Devereux at that time would risk forgiveness*
- TCV PPP loan converted to grant on January 20, 2021

PROCEEDING WITH AFFILIATION PLANS

- A second due diligence was initiated in July 2021
- Extensions to the Definitive Agreements - May 2021 - to October 2021 then to March 2022
- TCV Board – Resolution to Affiliate with Devereux
- Attorney General – no objection letter December 28, 2021
- All required documents filed with the State Attorney General on December 29, 2021
- Effective date of affiliation was January 1, 2022

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VALUE PROPOSITION

ABOUT DEVEREUX ADVANCED BEHAVIORAL HEALTH

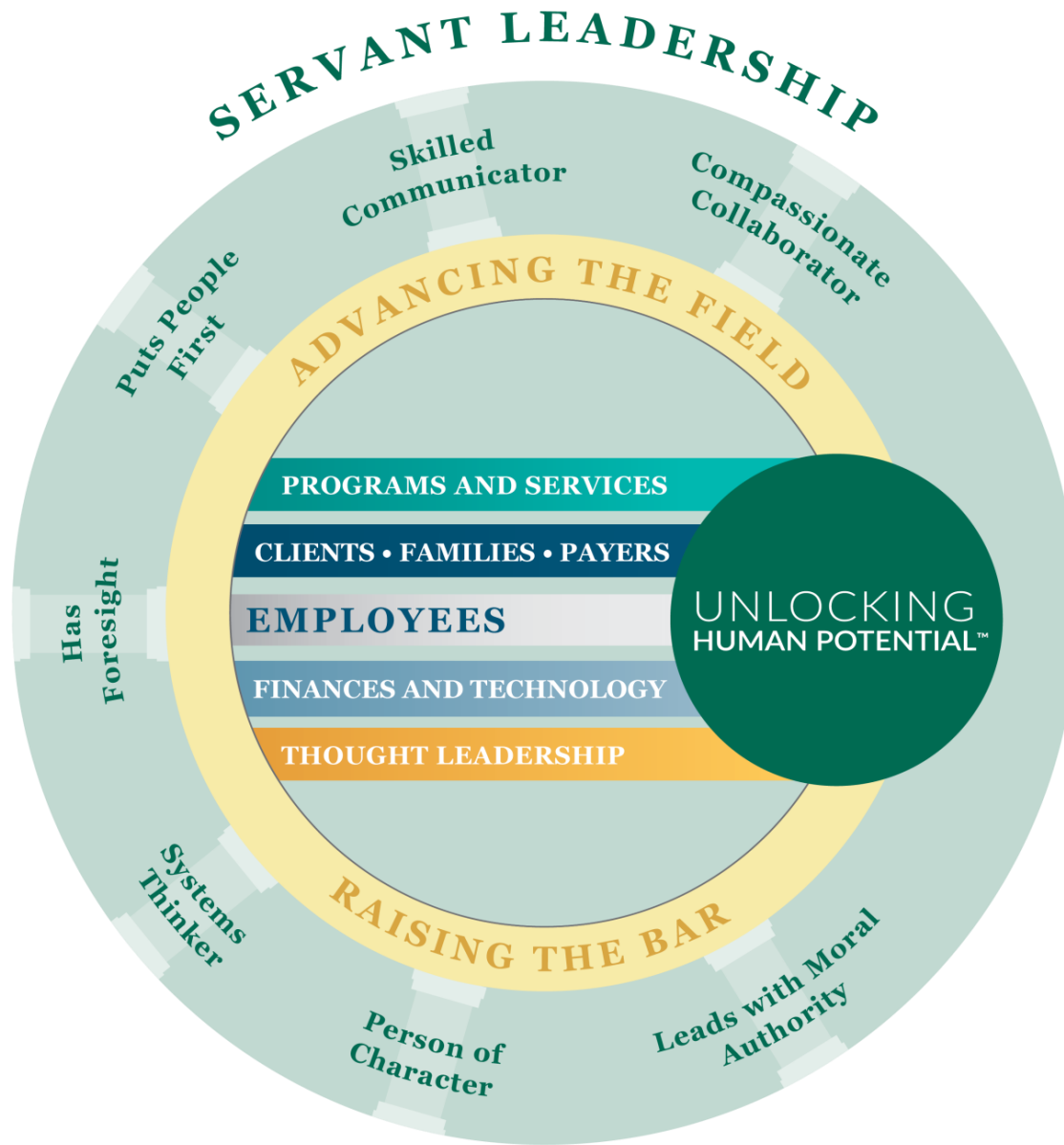
Who We Are

- Founded in 1912 by special education pioneer Helena Devereux
- Today, a national nonprofit partner for individuals, families, schools and communities, serving many of the most vulnerable members of our society in the areas of:
 - Autism
 - Intellectual and developmental disabilities
 - Specialty mental health
 - Child welfare
- Informed by the latest advancements in science and medicine, combining evidence-based interventions with compassionate family engagement to help change lives



BY THE NUMBERS

- Annual Revenue – FY 2022: \$540M
- Average Daily Residential Census: 2,000
- Average Daily Foster Care Census: 650
- Day (Only) Program Participants – Adult & Child: 600
- Others served (annually): Approximately 15,000
- Employees: 6,500
- Annual salaries: \$330M
- Insured Asset Value: \$300M
- Real estate footprint: 2.4 square miles



MISSION ALIGNMENT

Devereux Advanced Behavioral Health changes lives by unlocking and nurturing human potential in people living with emotional, behavioral or cognitive differences.

TCV provides a continuum of services, care and support that empowers individuals, families and communities with behavioral, mental health, substance abuse and/or developmental issues to sustain their recovery and achieve the important possibilities in their lives.



SYNERGIES AND OPPORTUNITIES

- Devereux's models of affiliation offer a variety of broad benefits for our partners, including but not limited to:
 - Stability due to 1000+ payer mix diversity, financial strength
 - Enhanced administrative supports across various disciplines / departments through National office headquartered in Southeastern PA
 - Strong national brand and communications support
 - Attentive to identity and brand continuity
 - Data driven approaches in finance, people operations, risk management
 - Expanded geographic footprint and service continuum for both organizations

FINANCE & INFORMATION TECHNOLOGY

- 'A-' Fitch rating creates access to capital for investing in programs & facilities
- Economies of scale in administering employee benefit programs
- Support of billing and best practices in A/R management
- National expertise in workers' compensation and insurance
- National IT HelpDesk to support users' needs in daily operations
- Robust, industry-leading infrastructure in electronic systems (e.g. home-grown incident reporting system) and business intelligence (e.g. Power BI dashboards), EHR
- System upgrades (EHR, incident reporting, dashboards)

QUALITY AND RISK MANAGEMENT

Legal, audit/compliance, and quality departments work cohesively to provide risk management support across the organization

- Legal
 - Provides high-level consultation on any key legal questions/concerns, as well as support regarding contracts reviews, etc.

- Audit and Compliance
 - Conducts regular internal audits to ensure compliance with CMS and other regulatory bodies' requirements

- Quality Improvement
 - Uses incident reporting system and dashboards to identify and partner with field on Major Risk Event reduction and continuous quality improvement

PEOPLE OPERATIONS (HUMAN RESOURCES)

- Inter-disciplinary leadership peer group
- Beneficiaries of Devereux's goal to repurpose excess earnings into staff compensation
- Robust national infrastructure provides data-driven support into general HR needs, benefits administrations, and recruitment
- Well-structured employee benefit programs, which serve as a solid recruitment and retention tool
- National specialty recruiters support the field in filling key positions

THOUGHT LEADERSHIP

- ICPTR includes various departments that support the organization with resources internally as well as serve external organizations
 - Center for Resilient Children
 - Center for Effective Schools
 - Direct Care Training Resources
 - Professional Library

Fiduciary Summary

- Process started in October 2019
- Legal expert on retainer
- Hundreds of hours of meetings- Board and Senior Management
- Both organizations conducted site visits
- Two Comprehensive due diligence processes completed
- Affiliation official January 1, 2021

A RETROSPECTIVE REVIEW

Opportunities

- Being part of a larger organization
- Diversification of services, geography, payer mix
- No need to recreate the wheel in every area
- Inherit systems and access to personnel (legal, financial, QI, compliance, IT, etc.)
- Financial benefit: write-up of TCV's assets to Fair Market Value. $1 + 1 = 2.2$
- Alignment of mission and values
- Integration / expansion of learning / exposure to new ideas
- Ability to complement services and areas of focus / future program development
- Board members who wanted to remain involved could do so

A RETROSPECTIVE REVIEW

Challenges

- Due diligence and integration require significant commitment from both sides
- No uncovered secrets (all information comes to the surface)
- Legal process can be challenging
- Manage expectations of all parties
- Affiliation can create many opportunities but won't solve all problems
- People and personalities can be an issue (i.e. Non-profit vs for-profit).
This was well-managed in the TCV / Devereux combination
- Can't let smaller entity and its personnel lose identity or value / branding
- Patience is required by all involved

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