The Community Guide to Selecting a Legal and Contracting Structure for a Community Care Hub

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Note: This issue brief does not, and is not intended to, contain legal advice. Organizations considering community care hub formation should consult with their legal counsel.

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Community care hubs (CCHs) are administrative backbone organizations, formed for the purpose of supporting "a network of community-based organizations (CBOs) providing services to address health-related social needs (HRSNs)," (Partnership to Align Social Care, 2023). Motivations and pathways for establishing a CCH are diverse.

In states such as New York, North Carolina, and Washington, CCHs have been established as a part of the state's formal Medicaid infrastructure in order to provide uniform public and social need benefits to Medicaid beneficiaries efficiently. Other CCHs have launched through grassroots efforts aimed at accessing healthcare industry funding to serve more clients and populations than an individual organization could reach on its own. Still, others have formed after an informal collaborative of community-based organizations realized that formal affiliation would facilitate access to shared services and sustainable healthcare industry funding.

As outlined in the **Market Assessment Brief,** regardless of the impetus for establishing a CCH, community stakeholders must begin by evaluating whether there is a need for a new CCH in the region. If it is determined that there is a need for—and sufficient demand to support—a new CCH, then the next step is selecting an organizational legal and contracting structure. Until that decision is made, all conversations about launching the CCH will be theoretical as there is ultimately little that can be accomplished without identifying a legal entity that will serve as the hub. Delays in deciding which organization will serve as the hub will slow down the process and time and efforts may be wasted on establishing systems, governance mechanisms, and/or policies which later become irrelevant, inapplicable, or contradictory to the structure selected.

Assessing Community Care Hub Models

There are four primary options for a new CCH's legal and contracting structure:

- Internal department of an existing organization;
- Wholly-owned subsidiary of an existing organization;
- Joint venture; and
- New independent non-profit corporation.

The features and components of each model are detailed below.

No two organizations or circumstances are the same, and *the correct model for a CCH is one that reflects the strategic priorities, capacities and relationships of the organization(s) forming the hub as well as those of the local community.* **This issue brief assesses the CCH structures using four criteria to help organizations determine the best fit: launch time**, **startup costs**, **degree of multi-stakeholder control, and potential for conflicts of interest**.[1]

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1   The criteria discussed in this brief are not the only factors that inform the selection of a legal and contracting structure for a CCH. Other relevant factors include, without limitation, tax implications, antitrust rules, liability considerations, and the corporate structures of the organization(s) seeking to form a CCH.

Degree of multi-stakeholder control: This refers to the level of shared decision-making power within a CCH—whether formal governance authority is consolidated within one or a small number of stakeholders or dispersed across multiple stakeholders. To be successful, a CCH must have trust and buy-in from a broad range of stakeholders. Providing stakeholders with a formal role in the governance of the organization is one way to build their buy-in.[2]

When one or more organizations come together to establish a CCH, they may or may not have strong relationships with one another. If the organizations are newly collaborating, each may want to be cautious and retain more authority over the CCH to help ensure that the endeavor ultimately serves their organizations' respective interests. If the organizations have a long history of successful partnership, there is likely a strong foundation of trust, and stakeholders may be more comfortable with having informal influence rather than formal control, allowing a single organization to formally take the lead using its existing corporate and governance structure.

Potential for conflict of interest: This measure refers to whether the structure creates conditions where potential conflicts of interest (COI) may arise in CCH operations. For example, if a CCH also wants to serve as a compensated social service provider in the network, then conflicts may arise during decision-making related to reimbursement rates and selection of CBOs to service a contract. Similarly, if some but not all CBO network members sit on the CCH's governing body, there may be potential COIs. These COIs could undermine the trust of other CBOs within the network.

Potential for conflicts of interest does not guarantee that conflicts of interest will occur, nor are conflicts something that must always be avoided. However, whenever potential conflicts arise, good governance requires that they be reported and mitigated, and carrying out conflict mitigation policies and procedures requires collaboration, time, and effort.

Considerations

Launch time: This refers to how long it will take for the CCH to move from the planning phase to an operational hub supporting a social care network. Launch time can vary from months to multiple years. During this time, the CCH does not generate service revenue and is generally uncompensated. Most organizations want to minimize that time, but some may have more flexibility if there are capacity building grants available.

Startup costs: This refers to the level of investment required to establish a CCH. For organizations with outside startup funding, there may be more resources available for upfront investment compared to organizations opting to establish a CCH without receiving dedicated capacity building funds. Startup costs are affected by the ability to take advantage of economies of scale and leverage existing staff and infrastructure that are supported by other revenue sources. In times of financial scarcity, attention to costs is highly important.
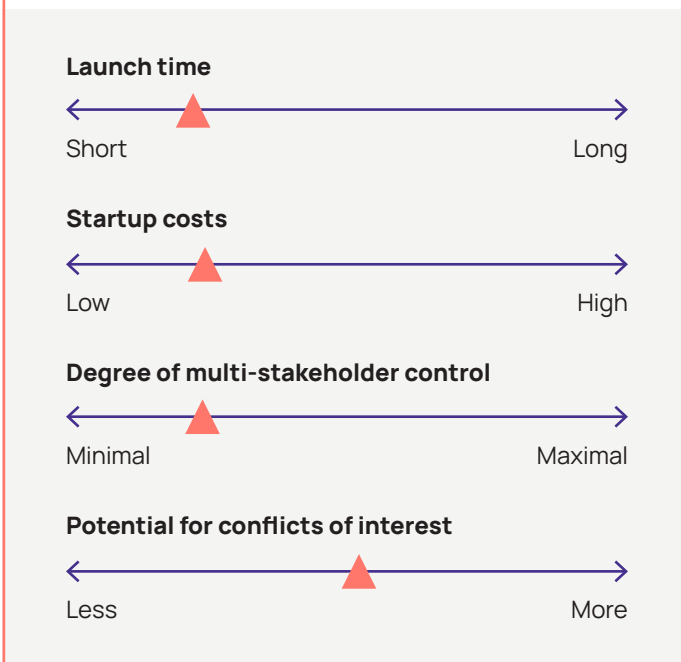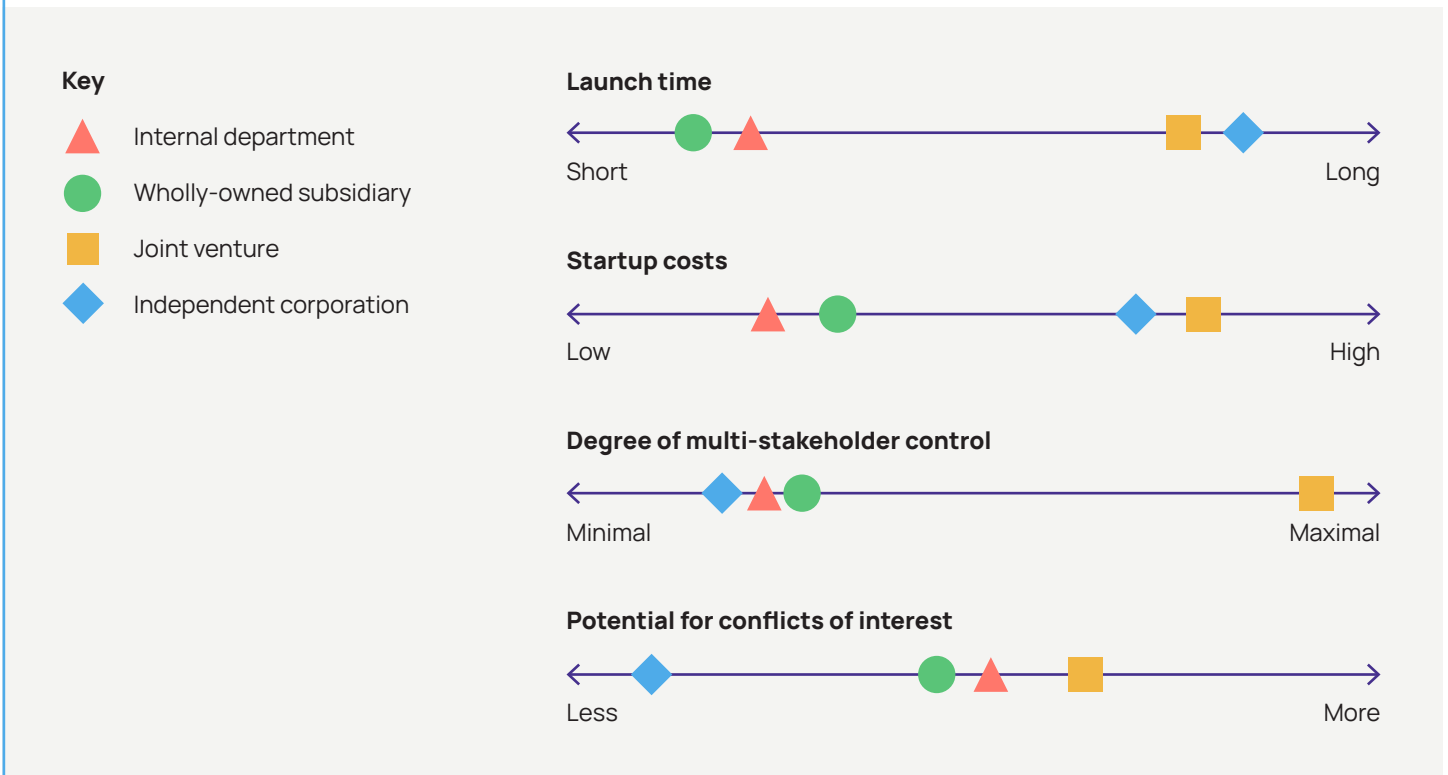
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2   A role in formal governance is only one way for external stakeholders to have influence. CCHs typically engage in a spectrum of engagement ranging from decide (formal governance) to improve, advise and inform. Resource Guide: Guide to Effective Community Care Hub Committees and Committee Charters

Four Primary Legal and Contracting Structures

Key

▲ Internal department

● Wholly-owned subsidiary

■ Joint venture

◆ Independent corporation

Launch time

Short ——————————————— Long

Startup costs

Low ——————————————— High

Degree of multi-stakeholder control

Minimal ——————————————— Maximal

Potential for conflicts of interest

Less ——————————————— More

Internal Department of an Existing Organization (Model 1)

Launch time

Short ——————————————— Long

Startup costs

Low ——————————————— High

Degree of multi-stakeholder control

Minimal ——————————————— Maximal

Potential for conflicts of interest

Less ——————————————— More

In this model, an existing organization decides to operate a community care hub as one of its departments. A single nonprofit corporation can operate as a CCH without forming a new legal entity, using its existing legal structure. This is a key difference from Models 2-4 below where a new legal entity is formed.

An organization that decides to operate a CCH under this model is typically one that has an existing mission and business operations that align well with the goals and activities of a community care hub and is a well-trusted convener of CBOs. The organization will generally assign one or more staff members to lead the creation and operation of the CCH as a program of the organization while keeping its other non-CCH departments and service lines active and operational.

- **Launch time:** If an existing organization has the appropriate administrative infrastructure, many of the tasks required to launch a CCH are already complete or underway. Organizations utilizing an internal department model can save time on tasks such as hiring, developing an administrative infrastructure (business development, contracting, billing, IT, etc.), and establishing a board and governance structure. If staff time is split across multiple other existing programs, there is risk that CCH-related activities will be deprioritized because other tasks may come first in the day-to-day. That risk can be mitigated by targeted planning, strong project management and, if external deadlines do not exist, imposing internal deadlines. Having a single, fully-dedicated lead person accountable for development of the CCH also helps ensure appropriate prioritization.

- **Startup costs:** Structuring a CCH as an internal department is one of the more cost-effective models. This model allows an organization to leverage existing resources, such as administrative infrastructure and staff time, while saving the time and capital that would be necessary if the parent organization opted to establish a new legal entity (see Models 2, 3, and 4) and hire entirely new staff.

- **Degree of multi-stakeholder control:** Because the CCH is within a parent organization, the parent organization's executive leadership and board of directors have sole decision-making authority.[3] Many CCHs introduce advisory boards and other CCH stakeholder committees to give stakeholders a say; yet, those stakeholders will not have the same level of formal control over the CCH as the board of the parent organization.[4] This model is most viable when the parent organization has an established track record of leading multi-organization collaborations and has the trust of other CBOs in the community.

- **Potential for conflicts of interest:** If the parent organization wants to function as a service provider in the network in addition to serving as the hub, then there is a significant potential for conflict of interest. If the parent organization elects only to provide centralized administrative services to the members of the network without an additional service provider role, then the potential for COI goes down. If the parent organization's board includes potential service providers, those board members may also have a conflict of interest.

> ## Considering an Existing Organization
>
> One of the fastest and most cost-effective options for establishing a CCH is utilizing an existing organization that is well positioned to serve as a hub.
>
> A well-positioned organization is:
>
> - ✓ A trusted neutral convener
> - ✓ An entrepreneurial social care leader well-versed in healthcare and social services
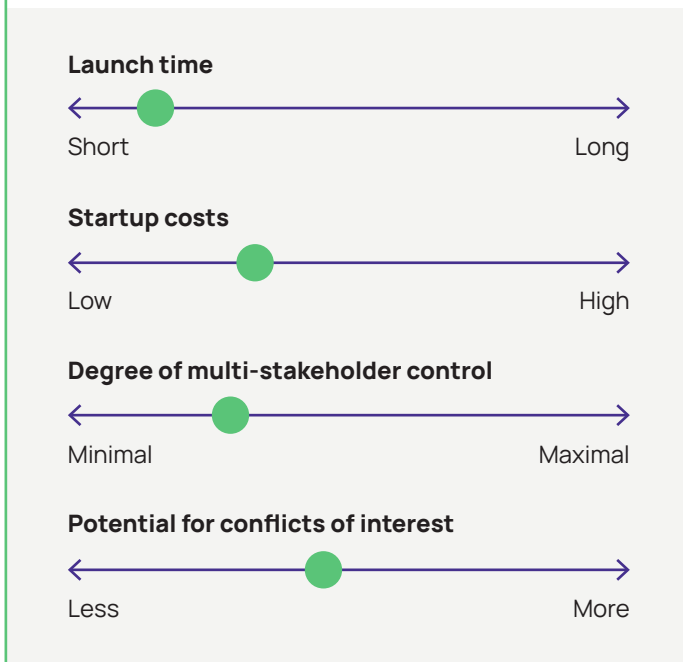>
> With:
>
> - ✓ Strong administrative capacity and infrastructure (See Functions of a Mature Community Care Hub for more details on each domain)
>   - Finance
>   - Billing
>   - Legal
>   - Contracting & business development
>   - IT
>   - Evaluation & QI
> - ✓ Strong existing relationships with social service providers and healthcare organizations
> - ✓ A knowledgeable, mission-aligned, and risk-tolerant board which is invested in establishing a CCH

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3   If the host organization is structured as a membership organization, it may have some degree of multi-stakeholder control built in.

4   Resource Guide: Guide to Effective Community Care Hub Committees and Committee Charters

Wholly-Owned Subsidiary of an Existing Organization (Model 2)

Launch time

Short — Long

Startup costs

Low — High

Degree of multi-stakeholder control

Minimal — Maximal

Potential for conflicts of interest

Less — More

In the wholly-owned subsidiary model, an existing organization creates a new legal entity, typically a limited liability company (LLC) or a single member subsidiary corporation, which allows the parent organization to insulate the financial risks of establishing a CCH. In this model, like in the previous model, the parent organization preexists the CCH and continues its other departments and service lines. In contrast, the new subsidiary entity typically operates exclusively as a hub and does not provide other services or programs. As in Model 1, it is important that the parent organization has significant trust and credibility with the local CBOs that would be part of the network.

Depending on the details of its structure, the subsidiary CCH entity will have varying degrees of operational independence. In a wholly-owned subsidiary structure, the parent typically provides certain administrative services to the subsidiary, especially at first. Regardless of its level of day-to-day involvement, the parent CBO maintains ultimate legal control and authority over the CCH.

- **Launch time:** This model saves time by utilizing the infrastructure of the parent entity while forming a legally distinct entity with its own infrastructure. Forming a new entity can be done relatively quickly if the organization has existing capacity and because the new entity operates exclusively as a hub (unlike Model 1), the CCH employees will be able to dedicate sufficient time and effort to the success of the new CCH.

- **Startup costs**: This model requires less capital to launch because, like with Model 1, the parent organization's existing infrastructure can be leveraged to form the hub. Because startup costs generally decrease when launch time is faster, this model can also be more cost-effective than Models 3 and 4.

- **Degree of multi-stakeholder control:** The degree of multi-stakeholder control in this model is very similar to Model 1 because the hub is controlled by a single parent organization. But because there is a separate hub entity in this structure, there is more potential compared to Model 1 for the creation of a strong advisory board, subsidiary board, or operating committee with some members drawn from outside the parent organization, which can facilitate a greater degree of multi-stakeholder influence.

- **Potential for conflicts of interest:** Similar to Model 1, if the parent organization elects to provide only administrative services to the hub, and not to also function as a social service provider within the network, then the potential for COI goes down. Additionally, if some but not all CBO network members have a seat on the CCH's governing body, then those organizations are in a position to exert undue influence – something that can be mitigated by implementing a strong COI policy.
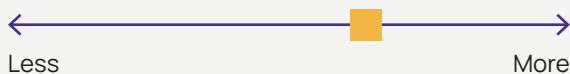
Joint Venture (Model 3)

Launch time

Short   Long

Startup costs

Low   High

Degree of multi-stakeholder control

Minimal   Maximal

Potential for conflicts of interest

Less   More

In a joint venture model, multiple separate legal entities come together to form a new entity in which they will all have shared ownership and control. A joint venture CCH can take the form of a limited liability corporation (LLC) or a membership non-profit corporation. Each of the founding organizations maintains a formal legal relationship with the Hub entity (the details of which are developed in consultation with legal counsel). The founding parties decide together how much authority to hold and whether new members can be added in the future.

- **Launch time:** Establishing a joint venture often requires significant time. The startup process requires the negotiation and creation of a relatively complex legal structure suiting the needs and priorities of multiple organizations.

- **Startup costs:** Standing up a new entity is generally less financially efficient than launching within an existing organization, but costs can be mitigated by leveraging the existing resources and structures of the co-founding organizations. Many joint ventures are designed to take advantage of the founding partners' relative strengths and resources which are contributed in-kind.

- **Degree of multi-stakeholder control:** This model allows for the highest degree of multi-stakeholder control. It provides an opportunity for multiple co-founders to come together in a co-created, jointly governed structure. This model does not guarantee community buy-in as the founders will have to decide whether formal participation in the joint venture is limited to a few select founding organizations or available to a broad range of community stakeholders.

- **Potential for conflicts of interest:** If the founding members of the joint venture also intend to be paid social service providers in the network, then there is a potential for conflict of interest. If the joint venture is structured as a membership corporation and is open to adding new corporate members who will also be paid service providers in the network, then the potential for conflict of interest is more easily managed because all members are equally conflicted and no one member can exercise outsized influence.
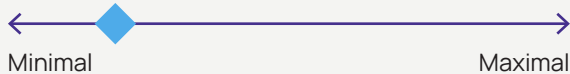
New Independent Non-Profit Corporation (Model 4)

Launch time

Short — — — ◆ — — — Long

Startup costs

Low — — — ◆ — — — High

Degree of multi-stakeholder control

Minimal — ◆ — — — — — Maximal

Potential for conflicts of interest

Less — ◆ — — — — — More

- **Launch time:** Launching a new independent corporation is time intensive. It requires building all of an organization's legal and administrative infrastructure from scratch.

- **Startup costs:** This structure requires a significant amount of capital to build because it involves establishing an organization from the ground up without the ability to leverage any resources of a parent organization. It may also be difficult to assure adequate capital for the predictable delays in cashflow as a new organization.

- **Degree of multi-stakeholder control:** This hub model offers the lowest amount of multi-stakeholder control because the corporation is governed solely by its board of directors and is not directly affiliated with or controlled by any stakeholder organizations.

- **Potential for conflicts of interest**: The independent corporation has the lowest potential for conflicts of interest. While it is likely that the independent board would have at least one member who is affiliated with a CBO that becomes part of the CCH's network, the board can adopt a standard conflict of interest policy to prevent that member organization from exerting undue influence.

In this model, the hub entity is formed by a group of people or organizations who see a need for a CCH in a specific geographic region and determine that an independent hub is most appropriate for that particular community. Unlike the previous three models, an independent non-profit corporation does not have any founding organizational member(s) or a parent organization(s) with formal control.[5] Instead, this hub is set up as a nonprofit directorship corporation, and its board of directors is its sole governing authority. If a hub is initially established utilizing one of the other models described above, the governing board may opt to evolve the CCH into an independent corporation after an incubation period to mature the hub's own structures.

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5   The new organization will have individual incorporators who will appoint the first board members of the new entity and may even decide to serve on the initial board. Unlike Model 3, the new corporation is not designed to have organizations with an ongoing controlling interest in the new CCH.
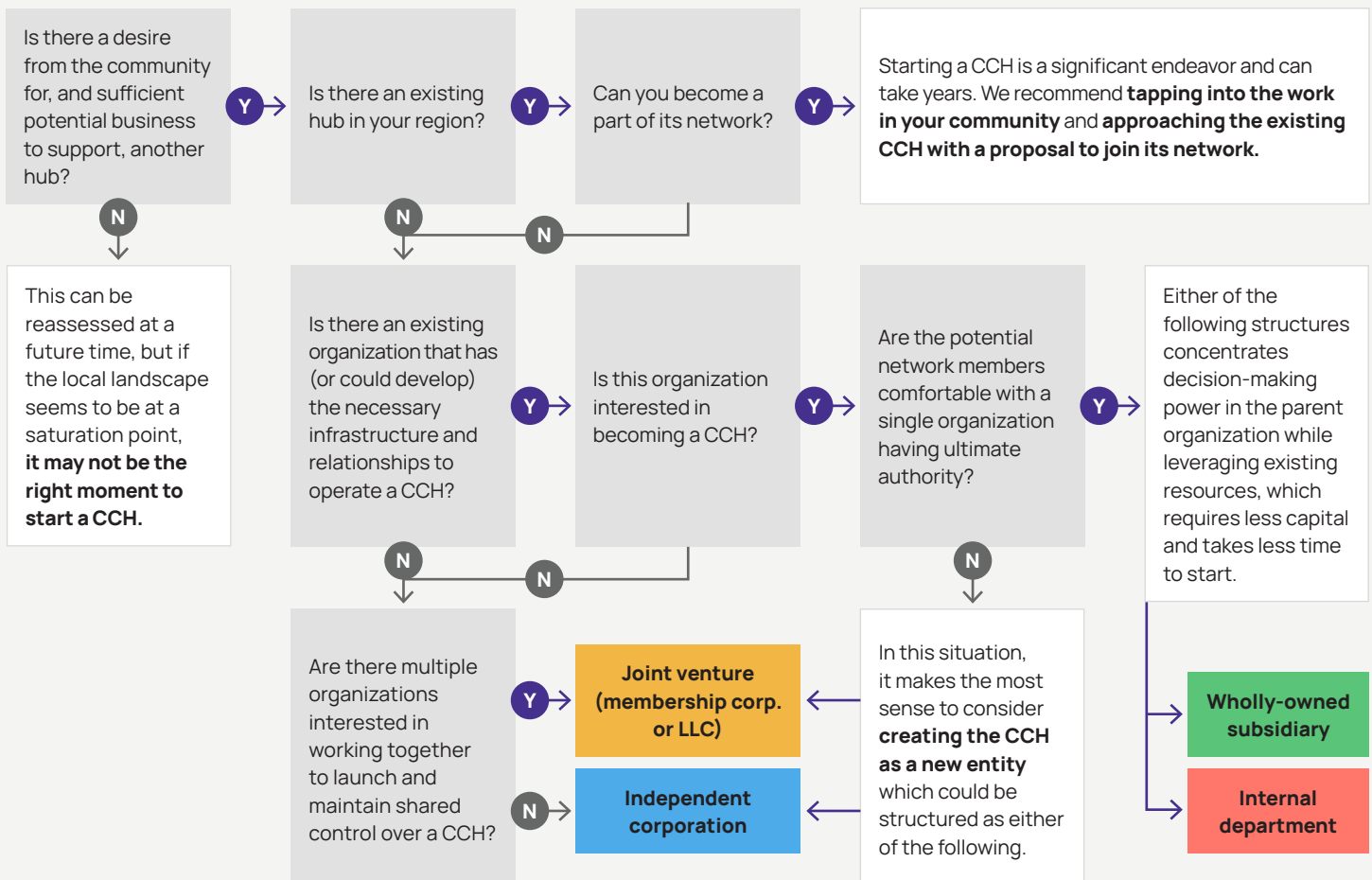
Selecting a CCH Structure

Before weighing the pros and cons of the models above, community stakeholders should take stock of their priorities and existing resources, as well as those of other organizations in their region. Establishing a hub through a well-positioned existing organization saves time and costs, but in some cases, there is not an organization that meets all of the

criteria of a well-positioned organization. If there are organizations that have some of these assets but not others, there may be an opportunity for collaboration via a joint venture. Below is a flowchart to help guide this decision-making process based on organizational assets and desires.

Guide to Selecting a Community Care Hub (CCH) Legal Structure for Community Organizations

Y Yes **N** No

Is there a desire from the community for, and sufficient potential business to support, another hub? — **Y** → **Is there an existing hub in your region?** — **Y** → **Can you become a part of its network?** — **Y** → Starting a CCH is a significant endeavor and can take years. We recommend **tapping into the work in your community** and **approaching the existing CCH with a proposal to join its network.**

N ↓ (from first box)

This can be reassessed at a future time, but if the local landscape seems to be at a saturation point, **it may not be the right moment to start a CCH.**

N (from "Is there an existing hub in your region?") and **N** (from "Can you become a part of its network?") →

Is there an existing organization that has (or could develop) the necessary infrastructure and relationships to operate a CCH? — **Y** → **Is this organization interested in becoming a CCH?** — **Y** → **Are the potential network members comfortable with a single organization having ultimate authority?** — **Y** → Either of the following structures concentrates decision-making power in the parent organization while leveraging existing resources, which requires less capital and takes less time to start.

N (from "Is there an existing organization...") and **N** (from "Is this organization interested...") →

Are there multiple organizations interested in working together to launch and maintain shared control over a CCH? — **Y** → **Joint venture (membership corp. or LLC)**

N → **Independent corporation**

N (from "Are the potential network members comfortable...") ↓

In this situation, it makes the most sense to consider **creating the CCH as a new entity** which could be structured as either of the following. ← **Joint venture (membership corp. or LLC)** / ← **Independent corporation**

Wholly-owned subsidiary

Internal department

Conclusion

Selecting the appropriate legal and contracting structure for a Community Care Hub is a foundational decision that shapes how the hub operates, who governs it, how quickly it can launch, and whether it achieves community-wide buy in. Each of the four primary models—internal department, wholly-owned subsidiary, joint venture, and independent corporation—offers distinct advantages and trade-offs across key dimensions such as launch time, startup costs, degree of multi-stakeholder control, and potential for conflict of interest. While the selection of an organizational structure is a foundational decision, the decision made will not dictate the structure of the organization in perpetuity – once a CCH is established and operating, there is space to evolve over time. There is no one-size-fits-

all approach; rather, the right model is the one that aligns with the capacities, priorities, relationships, and goals of the organizations and community involved. For many communities, leveraging the infrastructure and trust of an existing, well-positioned organization may be the most efficient and community-aligned path. In other contexts, forming a new, jointly governed entity or independent corporation may offer a better framework for neutrality and long-term growth provided it has the upfront and ongoing financial resources to support itself. Regardless of the path chosen, thoughtful and intentional planning rooted in community needs and organizational realities will help ensure the hub is built on a foundation that supports sustainable impact.

About Us

Camden Coalition: The Camden Coalition is a multidisciplinary, community-based nonprofit working to improve care for people with complex health and social needs in the city of Camden, across New Jersey, and around the country. We develop and test care management models and redesign systems in partnership with consumers, community members, health systems, community-based organizations, government agencies, payers, and more, with the goal of achieving person-centered, equitable care.

As one of New Jersey's four Regional Health Hubs, we work with regional partners, New Jersey's Medicaid office, and other state agencies to expand data-sharing and collaboration between organizations so that patients across South Jersey experience seamless, whole-person care.

Center for Health and Research Transformation: Since 2007, the Center for Health and Research Transformation (CHRT) has informed policy decisions that have impacted the health care landscape in Michigan and beyond. Our mission is to inspire and enable evidence-informed policies and practices that improve the health of people and communities. Key focus areas include affordable care, interoperability and information exchange, community care hubs, integration, Medicaid policy, long term care, care transitions, mental health, and substance use. We serve researchers, policy makers, non-profit leaders, and the public-at-large. For the past decade, CHRT has been actively involved in developing and supporting community care hubs to enhance the integration of health and social services across Michigan. Our work has included providing backbone support to local initiatives; coordinating multi-region learning communities; and implementing a pilot providing seniors with health and social service assessments, home-delivered medically tailored meals, and referrals to community-based services.

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- **Jennifer Black, JD,** Compliance Manager & Project Manager, Center for Health and Research Transformation (CHRT)

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The Partnership to Align Social Care ("Partnership") is a national learning and action network whose purpose is to enable cross-sector collaboration focused on co-designing and sharing solutions that advance sustainable and aligned health and community care delivery systems leveraging community care hubs (CCHs) to promote whole-person health. The Partnership consists of leaders from across the healthcare and social care sectors, including health plans, health systems, providers, community-based organizations, national associations, and government. Partnership stakeholders collectively advance initiatives that build awareness about opportunities to promote whole-person health through coordination across health care providers and CCHs, expand CCH and CBO adoption of opportunities to bill for labor and services that improve whole-person health, and elevate innovative practices among health care sector stakeholders, CCHs, and CBOs pursuing cost-effective partnerships to drive high-quality care.

For more information about the Partnership to Align Social Care, visit **www.partnership2asc.org**.