

**Comments in Opposition from
HKZ Group, LLC
Regarding a Certificate of Need Application
Submitted by Oakland Home Care NC, LLC
in Response to a Need Determination for
One Home Health Agency in the Wake County Service Area
Submitted April 16, 2012 for May 1, 2012 Review Cycle**



I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), HKZ Group, LLC submit the following comments regarding a Certificate of Need Application submitted by Oakland Home Care NC, LLC in response to a need determination for one Home Health Agency in the Wake County Service Area for the May 1, 2012 review cycle.

The following five CON applications were submitted in response to a need determination for one home health agency in the Wake County Service Area in the *2012 State Medical Facilities Plan (2012 SMFP)*:

- J-8813-12 Hillcrest Home Health of the Triangle, LLC
- J-8814-12 HKZ Group, LLC
- J-8817-12 Roberson Herring Enterprises, LLC dba AssistedCare of the Carolinas
- J-8819-12 Maxim Healthcare Services, Inc.
- J-8821-12 Oakland Home Care NC, LLC.

II. Comparative Analysis

The Comparative Analysis in Attachment 1 shows that **HKZ** is the most effective alternative for a new Medicare-certified home health agency in Wake County.

III. CON Application of Oakland Home Care NC, LLC

Oakland Home Care NC, LLC (Oakland) proposes to develop a Medicare-certified home health agency in Cary. Oakland Home Care is a related entity of several organizations in Michigan, one of which is a Medicare-certified home health agency.

Oakland's representations confirm its lack of experience and knowledge critical to operate a Medicare-certified home health agency in Wake County or North Carolina. The following are examples of such representations:

- On page 14, Oakland explains that it will depend on A-1 Home Care Consulting for much of the development process.
- On pages 20 and 139, Oakland proposes 9 am – 5 pm office hours.
 - Often, providers make Medicare-certified home health referrals between the hours of 8-9 am.

- All other applicants propose 8 am -5 pm office hours.
- On page 25, Oakland indicates that they will focus on reducing hospital readmissions. However:
 - Oakland provided no historical information or documentation regarding actions currently taken to reduce hospital readmissions by the existing home care agency
 - Oakland provided no information regarding how the proposed Medicare-certified home health agency will work to prevent re-hospitalizations.
 - Therefore, it must be assumed that programmatic aspects associated with addressing hospital readmissions, such as hospital liaisons and additional clinical managers will be put in place.
 - However, no additional expense is included in the proformas for this level of personnel.
 - Therefore, Oakland has understated necessary expenses associated with the proposed project.
- On page 25, Oakland stated that after discharge, it will make a follow-up telephone call and engage a social worker “for patients at risk for hospital readmission.”
 - Why would Oakland discharge a patient who was at such risk of hospitalization such that a social worker had to remain involved? If a social worker is continuing to provide service, that patient is still active and should not be discharged.
 - Why would Oakland wait until the end of the episode of care to initiate community services like Meals on Wheels?
- On page 39, Oakland suggests that it will refer any patient who needs complex psychiatric nursing or counseling services.
 - Once a patient is admitted to a Medicare-certified agency, it is not so easy to refer him/her to another agency, particularly for a complex and expensive psychiatric diagnosis.
- On page 41, Oakland suggests that it will refer complex pediatric patients.
 - Once a patient is admitted to a Medicare-certified agency, it is not so easy to refer him/her to another agency.
- On page 114, Oakland claims that it met with 230 persons during preparation of CON application.
 - Many of those persons are not able to make referrals to a Medicare-certified agency.
- On page 129, home health aide visits per day are low.
- On page 139, during Project Year 1, Oakland will employ 3 RNs.
 - According to Oakland’s call structure, RNs will take call every third day or every third week.
 - That will likely cause a retention problem.

Additionally, on pages 15-16, Oakland describes the experience of its leadership team. That experience is in the realm of construction, not Medicare-certified home health.

IV. CON Review Criteria

The following comments are submitted based upon the CON Review Criteria found at G.S.131E-183. While some issues impact multiple Criteria, they are discussed under the most relevant review Criteria and referenced in others to which they apply.

G.S. 131E-183 (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

There is one *State Medical Facilities Plan (SMFP)* Policy applicable to the review of Wake County Home Health Agencies:

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7), and (8), Oakland does not demonstrate:

- A need for the proposed project;
- That the proposed project will promote equitable access; and
- That the proposed project will maximize health care value for resources expended.

As a result, the Oakland CON Application does not conform to Policy GEN-3 and CON Review Criterion (1).

G.S. 131E-183 (3)

The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

A. Oakland Overstates Its Unduplicated Patient Projections

Oakland is the only applicant to define a service area that includes counties in addition to Wake. Oakland projects patients from Wake, Chatham, Durham, and Johnston counties, as shown in the following table.

**Oakland Wake County Home Health Agency CON Applications
Projected Unduplicated Patients**

	PY 1: 2013	PY 2: 2014	PY3: 2015
Wake	335	497	497
Chatham	15	19	17
Durham	4	8	10
Johnston	18	28	28
Total	372	552	552

1. Chatham County Projects a Home Health Patient Surplus of 4 in 2013 and a Deficit of 12 in 2014

According to the *2012 SMFP*, Chatham County has a home health patient surplus of 4 in 2013. As a result, no Chatham County home health patients should be included in Oakland's projections in 2013.

According to Table 13B prepared for the May 30, 2012 meeting of the SHCC, Chatham County projects a home health patient deficit of 12 in 2014. As a result, only 7 ($19-12 = 7$) home health patients should be included in Oakland's projections in 2014.

2. Durham County Projects a Home Health Patient Deficit of 4 in 2013 and a Surplus of 199 in 2014

According to the *2012 SMFP*, Durham County has a home health patient surplus of 3 in 2013. As a result, only 1 of the Durham County home health patients ($4-3 = 1$) should be included in Oakland's projections in 2013.

According to Table 13B of the *Proposed 2013 SMFP* prepared for the May 30, 2012 meeting of the SHCC, Durham County projects a home health patient surplus of 199 in 2014. As a result, none of the Durham County home health patients should be included in Oakland's projections in 2014.

Adjusted total projected unduplicated patients in 2013 and 2014 are shown in the following table.

**Oakland Wake County Home Health Agency CON Applications
Adjusted Unduplicated Patients in 2013 and 2014**

	2013	2014
Wake	335	497
Chatham	0	7
Durham	1	0
Johnston	18	28
Total	354	532

Oakland's projected duplicated patients and visits in Project Years 1 and 2 also must be adjusted downward to reflect a change in the number of projected patients in Projects Year 1 and 2.

Oakland's staffing and financial projections must be evaluated in view of the fewer patients in Project Years 1 and 2.

B. Oakland Fails to Document Sufficient Referrals to Reach its Project Year 1 Unduplicated Patients

As discussed in the context of CON Review Criterion (8), Oakland does not include a letter of support from any acute care hospital in Wake County. Generally, hospitals make 50% of all referrals to certified home health agencies. The CON Criteria and Standards for Home Health Agencies require documentation of attempts made to establish working relationships with the sources of referrals at 10A NCAC 14C .2002 (a)(10). Oakland does not provide the required documentation for Wake County hospitals.

For the reasons set forth above, the Oakland CON Application does not conform to CON Review Criterion (3).

G.S. 131E-183 (4)

Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

As discussed in detail in the context of CON Review Criterion (3), Oakland fails to demonstrate a need for the services proposed. As a result, Oakland has not demonstrated that the least costly or most effective alternative has been proposed.

In addition, Oakland proposes the following for medication management:

a consulting pharmacist will review the plan of care for patients using seven or more drugs. Please see a letter of interest from Continuing Care Rx in Exhibit 6. [Oakland] nurses will review medication regimens with the patients and use teach-back coaching to be sure that patients, or their designated caregivers, can describe their plan for taking medications in the right sequence and with the right food combinations. Medication review will be part of the routine nursing visit. At the time of home health discharge, [Oakland] will include the patient's medication program to the referring physician.

[Oakland's] medication management program will be an extension of the pharmacy reconciliation program already incorporated in Singh's Waltonwood Adult Care program.

Included in Exhibit 6 is a letter of support signed by Stephen L. Moore, Pharmacist in Charge, Continuing Care Rx at 622 Maywood Avenue in Raleigh. There is no statement in Mr. Moore's

letter that a “consulting pharmacist will review the plan of care for patients using seven or more drugs.”

Additionally, there are no details provided by Oakland of the “pharmacy reconciliation program” of Waltonwood’s Adult Care program.

Importantly, what is the cost of “medication management” to Oakland, and to patients of the proposed Medicare-certified home health agency?

Also lacking from Oakland’s proposed “medication management” is the following important elements:

- Synchronization of each patient’s medication to be delivered (free of charge) on one day each month, eliminating multiple trips to the pharmacy.
- Patients will have their prescriptions reviewed monthly by a licensed pharmacist for duplicate therapy and/or contraindications.
- In instances where a patient has experienced an adverse reaction or other issue, there will be direct follow up with that patient’s physician.
- Patients will receive a monthly updated pocket card that lists his/her medications.
- A Medication Report will be sent to the patient’s physician every three months or sooner as requested.
- Every time a patient calls about his/her prescriptions, he/she will talk with the same pharmacist and technician.

HealthSync Pharmacy Program

All of the above listed elements – and more – are available from the HealthSync Pharmacy Program – a well-established, successful program used by three HealthKeeperz, Inc. North Carolina agencies, which will be implemented by HKZ in its Wake County agency.

HealthSync pharmacists and technicians have documented that patients who participate in the HealthSync Pharmacy Program are more compliant with their drug regimen, have greater communication with their physicians regarding medications prescribed, and are more likely to report adverse reactions and other issues encountered with drugs prescribed.

Often, HealthSync pharmacists work with the patient and physician to utilize generic medication where appropriate. In instances where a patient has experienced an adverse reaction or other issue, HealthSync pharmacists and technicians will follow up with that patient’s physician. Physicians whose patients participate in the HealthSync Pharmacy Program have expressed their satisfaction with the Program, and often contact HealthSync pharmacists and technicians about patient compliance with prescriptions.

Lastly, there is no charge to patients for participation in the HealthSync Pharmacy Program.

Oakland’s proposed “medication management” is inferior -- not the most effective alternative -- to HKZ’s HealthSync Pharmacy Program.

For those reasons, Oakland has not carried its burden to demonstrate it has proposed the least costly or most effective alternative as required by CON Review Criterion (4).

G.S. 131E-183 (5)

Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

A. Analysis of Financial Projections

The following table shows the areas of concern in Oakland’s financial projections.

Financial Projection/Cost	Page Reference	Comment
Oakland will depend on A-1 Home Care Consulting for much of the development process	Pages 14, 174	<ul style="list-style-type: none"> • No expense included as a line item in Form B • No expense listed in Assumptions for Allocation of Corporate Overhead for Form B
Continuing Care Rx of Raleigh will review the plan of care for patients using 7 or more drugs	Pages 26, 174	<ul style="list-style-type: none"> • No expense included as a line item in Form B • No expense listed in Assumptions for Allocation of Corporate Overhead for Form B
Cost involved for the training of nurses who provide chemotherapy in the home	Pages 32, 174	<ul style="list-style-type: none"> • No expense included as a line item in Form B • No expense listed in Assumptions for Allocation of Corporate Overhead for Form B
Reliance on Singh to provide management and back office functions	Pages 115, 174	<ul style="list-style-type: none"> • No expense included as a line item in Form B • No expense listed in Assumptions for Allocation of Corporate Overhead for Form B
Estimated initial operating period is 8 months	Pages 152, 183	<ul style="list-style-type: none"> • Revenue less than expense in 1st and 2nd quarters of Project Year 2; therefore, initial operating period is 18 months not 8 months and initial operating capital needs may be understated.
Training costs	Page 186	<ul style="list-style-type: none"> • Training costs not included in salary is \$5,000. • That cost is significantly underestimated • Training costs for the new computer system alone will exceed \$5000

Central office overhead, Office supplies, Maintenance, Property taxes, and Charitable contributions	Page 169, 174	<ul style="list-style-type: none"> • None of these expenses are included in assumptions for central office overhead or as line items in Form B
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The items set forth in the previous table demonstrate that Oakland's financial projections are incomplete and not based upon reasonable projections of the costs for providing Medicare-certified home health services.

B. No Contingency Included in Financial Projections

Oakland has not included a 5% contingency in its financial projections as directed by the CON Application form. Therefore, total costs are not comparable to HKZ that did include a 5% contingency as instructed.

For the reasons set forth above, the Oakland CON Application does not conform to CON Review Criterion (5).

G.S. 131E-183 (6)

The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

As discussed in detail in the context of CON Review Criterion (3), Oakland fails to demonstrate a need for the services proposed. Consequently, the proposed project results in unnecessary duplication of existing or approved health service capabilities, and the Oakland CON Application is not in conformity with CON Review Criterion (6).

G.S. 131E-183 (8)

The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

Oakland does not include a letter of support from any acute care hospital in Wake County.

Please note that a survey included in Exhibit 4 from Ashley Beale, SW, Rex Rehabilitation and Health Care Center of Apex is not a letter of support from Rex Healthcare/Rex Hospital.

Generally, hospitals make 50% of all referrals to certified home health agencies. The CON Criteria and Standards for Home Health Agencies require documentation of attempts made to establish working relationships with the sources of referrals at 10A NCAC 14C .2002 (a)(10). Oakland does not provide the required documentation for Wake County hospitals.

There is no demonstrated coordination by Oakland with the existing health care system in Wake County. For that reason, Oakland fails to demonstrate conformity to CON Review Criterion (8).

V. North Carolina Criteria and Standards for Home Health Services

10A NCAC 14C .2002(a)(3), (4), (5), and (10)

Projections are based on flawed and undocumented assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (8).

10A NCAC 14C .2003

Projections are based on flawed and undocumented assumptions. Please see discussion in the context of CON Review Criteria (3) and (5).

VI. Conclusion

The Oakland CON Application has not demonstrated conformity with the CON Review Criteria and should be denied.

**HKZ Group
Wake County Medicare-certified Home
Health Agency CON Review**

COMPARATIVE ANALYSIS

Pursuant to N.C.G.S. 131E-183(a)(1) and the *2012 State Medical Facilities Plan (2012 SMFP)*, no more than one new home health agency may be approved for Wake County in this review. Because each applicant proposes to develop a new home health agency in Wake County, all five applicants cannot be approved.

The following comparative analysis of the proposals documents the reasons that **HKZ Group, LLC (HKZ)** should be approved, and the applications submitted by the other four applicants should be denied.

Access by Underserved Groups

The following table compares the percentage of total visits provided to Medicaid recipients in the second year of operation as projected by each applicant in Section VI.12. of the application.

Percentage of Total Visits to Medicaid Recipients – PY 2

CON Application	Applicant	% of Visits
J-8814-12	HKZ	14.8%
J-8813-12	Hillcrest	13.1%
J-8821-12	Oakland	12.99%
J-8817-12	AssistedCare	10.2%
J-8819-12	Maxim	7.4%

Please note that Hillcrest projects no Medicaid patients and visits in its first year of operation. The application submitted by Hillcrest is non-conforming with multiple CON Review Criteria. Please see **HKZ's** Comments in Opposition to the Hillcrest CON application.

As shown in the previous table, **HKZ** projects the highest percentage of total visits provided to Medicaid recipients. Maxim projects the lowest percentage of total visits provided to Medicaid recipients. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to access by Medicaid patients.

The following table compares the percentage of total visits provided to Medicare beneficiaries in the second year of operation as projected by each applicant in Section VI.12. of the application.

Percentage of Total Visits to Medicare Beneficiaries – PY 2

CON Application	Applicant	% of Visits
J-8819-12	Maxim	84.8%
J-8821-12	Oakland	79.99%
J-8814-12	HKZ	69.7%
J-8813-12	Hillcrest	67.4%
J-8817-12	AssistedCare	65.4%

As shown in the previous table, Maxim projects the highest percentage of total visits provided to Medicare beneficiaries. Oakland projects the second highest percentage of total visits provided to Medicare beneficiaries. AssistedCare projects the lowest percentage of total visits provided to Medicare beneficiaries.

Please note that the applications submitted by Maxim and Oakland are non-conforming with multiple CON Review Criteria, so that neither of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim and Oakland CON applications.

HKZ projects the third highest percentage of total visits provided to Medicare beneficiaries. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to access by Medicare beneficiaries.

The following table compares the percentage of total visits provided to Medicaid recipients and Medicare beneficiaries in the second year of operation as projected by each applicant in Section VI.12 of the application.

Percentage of Total Visits to Medicaid Recipients and Medicare Beneficiaries – PY 2

CON Application	Applicant	% of Visits
J-8819-12	Maxim	92.2%
J-8821-12	Oakland	93.0%
J-8814-12	HKZ	84.5%
J-8813-12	Hillcrest	80.5%
J-8817-12	AssistedCare	75.6%

As shown in the previous table, Maxim projects the highest percentage of total visits provided to Medicaid recipients and Medicare beneficiaries. Oakland projects the second highest percentage of total visits provided to Medicaid recipients and Medicare beneficiaries. AssistedCare projects the lowest percentage of total visits provided to Medicaid recipients and Medicare beneficiaries.

Please note that the applications submitted by Maxim and Oakland are non-conforming with multiple CON Review Criteria, so that neither of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim and Oakland CON applications.

HKZ projects the third highest percentage of total visits provided to Medicaid recipients and Medicare beneficiaries. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to access by Medicaid recipients and Medicare beneficiaries.

Average Number of Visits per Unduplicated Patient

The following table shows the average number of visits per unduplicated patient projected by each applicant in the second year of operation of the proposed home health agency.

Average Number of Visits per Unduplicated Patient – PY 2

CON Application	Applicant	Unduplicated Patients	Unduplicated Patient Visits	Average Visits per Unduplicated Patient
J-8821-12	Oakland*	532	11,331	19.8
J-8813-12	Hillcrest	538	9,303	17.3
J-8819-12	Maxim	516	8,537	16.5
J-8814-12	HKZ	493	8,028	16.3
J-8817-12	AssistedCare	500	7,885	15.8

* Please see HKZ's Comments in Opposition to Oakland Home Care NC, LLC CON application in which HKZ asserts that only 7 Chatham County and no Durham County unduplicated patient should have been included in the Project Year 2 total. When 12 Chatham County and 8 Durham County unduplicated patients are subtracted from Project Year 2 projection of 552, Oakland proposes to serve 532 patients.

As shown in the previous table, Oakland projects the highest average number of visits per unduplicated patient. AssistedCare projects the lowest average number of visits per unduplicated patient.

Oakland's average number of visits per unduplicated patient of 19.8 exceeds both the average and median visits per unduplicated patient of Wake County certified agencies in FY 2011, as shown in the following table.

**Wake County Medicare-certified Home Health Agency
Unduplicated Patient Visits
October 1, 2010 – September 30, 2011**

Agency	Unduplicated Patients	Total Visits	Visits per Unduplicated Patients	Avg Total Visits per Unduplicated Patient	Median Visits per Unduplicated Patient
Rex Home Services	2,643	37,174	14.1		
WakeMed Home Health	2,191	34,231	15.6		
Liberty Home Care	1,753	23,603	13.5		
Tar Heel Home Health	1,459	34,320	23.5		
Intrepid USA Healthcare Services	971	17,245	17.8		
Heartland Home Health Care	720	14,400	20.0		
Medi Home Health Agency	623	10,556	16.9		
At Home Quality Care	513	6,370	12.4		
Horizons Home Care	228	7,255	31.8		
Bayada Nurses	225	5,282	23.5		
Professional Nursing Service and Home Health	27	757	28.0		
Pediatric Services of America	27	158	5.9		
United Home Care of Wake	0	0	0.0		
Total	11,380	191,351		16.8	17.4

Please note that the applications submitted by Maxim, Oakland, AssistedCare, and Hillcrest are non-conforming with multiple CON Review Criteria, so that none of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim, Oakland, AssistedCare, and Hillcrest CON applications.

Therefore, the application submitted by **HKZ** is the most effective alternative with regard to projected number of visits to be provided per unduplicated patient.

Net Revenue per Visit

Net revenue per visit in the second year of operation was calculated by dividing projected net revenue from Form B by the projected number of visits from Section IV., as shown in the following table.

Net Revenue per Visit – PY 2

CON Application	Applicant	Total Visits Duplicated Patients	Net Revenue	Net Revenue per Visit
J-8814-12	HKZ	8,028	\$1,315,622	\$164
J-8813-12	Hillcrest	9,303	\$1,364,283	\$147
J-8817-12	AssistedCare	7,885	\$1,156,057	\$147
J-8821-12	Oakland	11,331	\$1,639,140.35	\$145
J-8819-12	Maxim	11,013	\$1,553,615	\$141

As shown in the previous table, **HKZ** projected the highest net revenue per visit. Maxim projects the lowest net revenue per visit.

Please note that the applications submitted by Maxim, Oakland, AssistedCare, and Hillcrest are non-conforming with multiple CON Review Criteria, so that none of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim, Oakland, AssistedCare, and Hillcrest CON applications.

HKZ adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to net revenue per visit.

Average Total Operating Cost per Visit

The average total operating cost per visit in the second operating year was calculated by dividing projected operating costs from Form B by the total number of home health visits from Section IV., as shown in the following table.

Average Total Operating Cost per Visit – PY 2

CON Application	Applicant	Total Visits Duplicated Patients	Total Operating Costs	Average Total Operating Cost per Visit
J-8819-12	Maxim	11,013	\$1,172,376	\$106
J-8817-12	AssistedCare	7,885	\$1,080,382	\$137
J-8813-12	Hillcrest	9,303	\$1,290,118	\$139
J-8821-12	Oakland	11,331	\$1,616,215.26	\$143
J-8814-12	HKZ	8,028	\$1,291,039	\$161

As shown in the previous table, Maxim projects the lowest average operating cost per visit in the second operating year. **HKZ** projects the highest average operating cost per visit in the second operating year. However, as noted in the comments in opposition submitted by **HKZ**, all of the competitors in the review have neglected to include costs required to operate a Medicare-certified home health agency. Therefore, this comparison is not comparable.

Further, please note that the applications submitted by Maxim, Oakland, AssistedCare, and Hillcrest are non-conforming with multiple CON Review Criteria, so that none of those applications are approvable. Please see **HKZ's** Comments in Opposition to the Maxim, Oakland, AssistedCare, and Hillcrest CON applications.

HKZ adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to average operating cost per visit.

Average Direct Care Cost per Visit

The average direct care cost per visit in the second operating year was calculated by dividing projected direct care expenses from Form B by the total number of home health visits from Section IV., as shown in the following table.

Average Direct Care Cost per Visit – PY 2

CON Application	Applicant	Total Visits Duplicated Patients	Total Direct Care Costs	Average Direct Care Cost per Visit
J-8819-12	Maxim	11,013	\$843,042	\$77
J-8813-12	Hillcrest	9,303	\$776,267	\$83
J-8814-12	HKZ	8,028	\$704,504	\$88
J-8821-12	Oakland	11,331	\$996,556.34	\$88
J-8817-12	AssistedCare	7,885	\$731,758	\$93

As shown in the table above, Maxim projects the lowest average direct care cost per visit in the second operating year. Hillcrest projects the second lowest average direct care cost per visit in the second operating year. AssistedCare projected the highest average direct care cost per visit.

Please note that the applications submitted by Maxim, Oakland, AssistedCare, and Hillcrest are non-conforming with multiple CON Review Criteria, so that none of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim, Oakland, AssistedCare, and Hillcrest CON applications.

HKZ adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to average direct care cost per visit.

Average Administrative Cost per Visit

The average administrative cost per visit in the second operating year was calculated by dividing projected administrative expenses from Form B by the total number of home health visits from Section IV.1, as shown in the following table.

Average Administrative Cost per Visit – PY 2

CON Application	Applicant	Total Visits Duplicated Patients	Total Administrative Costs	Average Administrative Cost per Visit
J-8819-12	Maxim	11,013	\$329,334	\$30
J-8817-12	AssistedCare	7,885	\$348,624	\$44
J-8813-12	Hillcrest	9,303	\$513,851	\$55
J-8821-12	Oakland	11,331	\$619,658.42	\$55
J-8814-12	HKZ	8,028	\$586,535	\$73

As shown in the table above, Maxim projects the lowest average administrative cost per visit in the second operating year. AssistedCare projects the second lowest average administrative cost per visit in the second operating year. **HKZ** projects the highest average administrative cost per visit. However, other competitors did not reflect all administrative costs in their application as discussed in the individual comments in opposition. Therefore, this cannot be utilized as a comparative factor.

Please note that the applications submitted by Maxim, Oakland, AssistedCare, and Hillcrest are non-conforming with multiple CON Review Criteria, so that none of those applications is approvable. Please see **HKZ's** Comments in Opposition to the Maxim, Oakland, AssistedCare, and Hillcrest CON applications.

HKZ adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the application submitted by **HKZ** is the most effective alternative with regard to average administrative cost per visit.

Ratio of Net Revenue per Visit to Average Total Operating Cost per Visit

The ratio in the following table is calculated by dividing the net revenue per visit by the average total operating cost per visit.

Ratio of Net Revenue per Visit: Average Total Operating Cost per Visit – PY 2

CON Application	Applicant	Total Visits Duplicated Patients	Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Net Revenue to Average Total Operating Cost per Visit
J-8821-12	Oakland	11,331	\$145	\$143	1.01
J-8814-12	HKZ	8,028	\$164	\$161	1.02
J-8813-12	Hillcrest	9,303	\$147	\$139	1.06
J-8817-12	AssistedCare	7,885	\$147	\$137	1.07
J-8819-12	Maxim	11,013	\$141	\$106	1.33

As shown in the previous table, Oakland projected the lowest ratio of net revenue to the average total operating cost per visit in the second operating year. Please note that the application submitted by Oakland is non-conforming with multiple CON Review Criteria, so that application is not approvable. Please see **HKZ's** Comments in Opposition to the Oakland CON application.

The application submitted by **HKZ** is the most effective alternative with regard to the lowest ratio of net revenue per visit to the average total operating cost per visit.

Number of Owned, Operated, and/or Managed Medicare-certified Home Health Agencies in North Carolina

Experience in the ownership, operation, and/or management of Medicare-certified home health agencies in North Carolina is a key factor in the success of a proposed new agency in Wake County.

The following table shows number of owned, operated, and/or managed Medicare-certified home health agencies in North Carolina of each applicant.

Number of Owned, Operated, and/or Managed Medicare-certified Home Health Agencies in North Carolina

CON Application	Applicant	Owned	Operated	Managed	Total NC Medicare Home Health
J-8813-12	Hillcrest	0	0	0	0
J-8814-12	HKZ	3	0	0	3
J-8817-12	AssistedCare	1	0	0	1
J-8819-12	Maxim	0	0	0	0
J-8821-12	Oakland	0	0	0	0

HKZ owns three Medicare-certified home health agencies in North Carolina, which is the largest number of all applicants. In addition, HealthKeeperz, Inc. existing service area is contiguous to Wake County. Thus, the application submitted by **HKZ** is the most effective alternative with regard to experience.

Letters of Support for Application

Wake County Acute Care Hospitals

Generally, hospitals make 50% of all referrals to Medicare-certified home health agencies.

As shown in the following table, only **HKZ** has letters of support from two Wake County acute care hospitals.

Letter of Support from Wake County Acute Care Hospital(s)

CON Application	Applicant	WakeMed	Duke Raleigh	Rex Hospital
J-8813-12	Hillcrest	N	N	N
J-8814-12	HKZ	Y	Y	N
J-8817-12	AssistedCare	N	N	N
J-8819-12	Maxim	N	N	N
J-8821-12	Oakland	N	N	N

As shown in the previous table, none of the applicants has a letter of support from Rex Hospital. Maxim and Oakland have a letter of support from Rex Rehabilitation and Healthcare Center of Apex, which is a letter of support from a nursing facility, not Rex Hospital.

Acute Care Hospitals in Counties Served by Related Entity of Applicant

As shown in the following table, **HKZ** has letters of support from three acute care hospitals in counties served by its related entity, HealthKeeperz, Inc., which owns three Medicare-certified home health agencies in Cumberland, Robeson, and Scotland counties.

Letter of Support from Acute Care Hospital(s) in Counties Served by Related Entity of Applicant

CON Application	Applicant	Duke Hospital	Scotland	CFVMC	Southeastern Regional
J-8813-12	Hillcrest	Y	N	N	N
J-8814-12	HKZ	N	Y	Y	Y
J-8817-12	AssistedCare	N	N	N	N
J-8819-12	Maxim	N	N	N	N
J-8821-12	Oakland	N	N	N	N

As shown in the previous table, Hillcrest has a letter of support from Duke Hospital, which is in the same county as Hillcrest Convalescent Center, which is the sole member of Hillcrest.

None of the three other applicants has a letter from an acute care hospital in a county served by a related entity of the applicant.

Unique Services Proposed by Applicants

Each applicant's response to Section II., Question 2. is summarized in the following table.

Unique Services Proposed by Applicants

CON Application	Applicant	How will agency differ from existing services in service area?
J-8813-12	Hillcrest	Medication adherence through MedMinder and Maya Med Mgmt System
J-8814-12	HKZ	HealthSync Pharmacy Program, North Carolina's only Native American-owned multi-disciplinary post acute community health system focusing on home health agency services; Veterans Administration
J-8817-12	AssistedCare	SHP to manage patient outcomes; CareAnywhere electronic medical record; ability to combine behavioral health care with home health patients; pilot site for research study conducted by Martha Bruce, PhD, to train home health staff to provide behavioral health services; CCNC
J-8819-12	Maxim	No specific programs discussed - generic response about experience, quality, clinical services delivery, patient-centered care, quality improvement, technology, accreditation, employee engagement and corporate support, Maxim Charitable Foundation provides financial assistance to employees in personal crisis
J-8821-12	Oakland	No specific programs discussed - generic response about case management, medication management, home safety, health literacy/education, social networks/cultural adaptation; relationship with Waltonwood Cary (senior community)

HealthSync Pharmacy Program

HealthSync Pharmacy Program was developed by HealthKeeperz, Inc. in 2009 based on its recognition of a growing problem among its home health patients known as Polypharmacy, the concurrent use of multiple prescription or over-the-counter medications by a single patient.

Pharmacists affiliated with HealthKeeperz, Inc. will review and synchronize each patient's medication to be delivered (free of charge) on one day each month, eliminating multiple trips to the pharmacy. Patients enrolled in the HealthSync Pharmacy Program will have their prescriptions reviewed monthly by a licensed HealthKeeperz, Inc. pharmacist.

HKZ will provide a free delivery program for patients who have eight or more medications. Patients will receive a HealthKeeperz monthly updated pocket card that lists medications and a free item from the HealthKeeperz "Healthy Choice Program." A HealthSync Medication Report will be sent to the patient's physician every three months or sooner as requested. Every time a patient calls the HealthSync Pharmacy Program, he/she will talk with the same pharmacist and technician.

HealthSync pharmacists and technicians have documented that patients who participate in the HealthSync Pharmacy Program are more compliant with their drug regimen, have greater

communication with their physicians regarding medications prescribed, and are more likely to report adverse reactions and other issues encountered with drugs prescribed. HealthSync pharmacists review each patient's medication regimen for duplicate therapy and/or contraindications. Often, HealthSync pharmacists work with the patient and physician to utilize generic medication where appropriate. In instances where a patient has experienced an adverse reaction or other issue, HealthSync pharmacists and technicians will follow up with that patient's physician. Physicians whose patients participate in the HealthSync Pharmacy Program have expressed their satisfaction with the Program, and often contact HealthSync pharmacists and technicians about patient compliance with prescriptions.

HKZ reached out to all Wake County hospitals during the preparation of its application to discuss opportunities to work together to improve the transition of patients from acute care settings to home care and strategies to decrease the readmission of home health patients to inpatient settings. The HealthKeeperz HealthSync Pharmacy Program, which serves to improve medication compliance and help to reduce medication costs, is one program which can have a positive impact on decreasing hospital inpatient readmissions. HealthSync pharmacists and technicians have documented that patients who participate in the HealthSync Pharmacy Program are more compliant with their drug regimen, have greater communication with their physicians regarding medications prescribed, and are more likely to report adverse reactions and other issues encountered with drugs prescribed. Representatives of **HKZ** discussed the HealthKeeperz HealthSync Pharmacy Program with area hospitals (Rex, WakeMed, Duke Raleigh, and WakeMed Rehab), CCNC (Torlen Wade and Dr. Rob Morrell), the North Carolina Academy of Family Physicians (Greg Griggs), the Novant Triangle Medical Group and Windsor Point CCRC. Hospital leaders through Wake County clearly and immediately recognized the value of the HealthSync Pharmacy program as a great tool, combined with home health, to improve clinical outcomes and reduce the risk of patient readmissions.

Veterans Administration

HealthKeeperz, Inc. works with the Veterans Administration Medical Center in Fayetteville to meet the home health care needs of veterans in southeastern North Carolina. **HKZ** intends to pursue a similar arrangement with the Durham Veterans Administration Medical Center under which it will provide home health care services to veterans who are residents of Wake County. **HKZ** will provide the services that Durham VA Medical Center requests, based on a service plan that each veteran, his/her family, and his/her VA health care provider develop. Representatives of **HKZ** have an ongoing relationship with the VA in Fayetteville and will be meeting with it at the end of April to discuss opportunities to serve veterans in Wake County.

Services to "Other Underserved Population" Proposed by Applicants

Basic Assumption 8. of the Medicare-certified Home Health Need Methodology reads as follows:

8. The North Carolina State Health Coordinating Council encourages home health applicants to:
 - [...]
 - d. address special needs populations.

Each applicant's response to Section VI., Question 3(g). is summarized in the following table.

Availability of Proposed Home Health to "Other Underserved Populations"

CON Application	Applicant	Availability of Existing and Proposed Home Health to "Other Underserved Population"
J-8813-12	Hillcrest	No specific population identified
J-8814-12	HKZ	Native American population
J-8817-12	AssistedCare	No specific population identified
J-8819-12	Maxim	No specific population identified
J-8821-12	Oakland	No specific population identified

As shown in the previous table, **HKZ** is the only applicant to identify an "underserved population" to which it will provide Medicare-certified home health services.

HealthKeeperz, Inc. is North Carolina's only Native American-owned multi-disciplinary post acute community health system focusing on home health agency services. With three existing locations, HealthKeeperz, Inc. is experienced in dealing with the health disparities and cultural differences of minority populations. **HKZ** also will be a Native American-owned home health agency, and will utilize the experience of HealthKeeperz, Inc. to address Native American and other minority populations in Wake County.

According to the 2008 US Census, North Carolina has the largest American Indian population east of the Mississippi River and the sixth largest American Indian population in the nation.

According to a report published in July 2010 by the North Carolina Commission of Indian Affairs found that American Indians in North Carolina experience substantially worse health problems than whites. For many health measures, American Indians experience problems similar to those for African Americans in this state. The July 2010 Report made the following findings:

- American Indian death rates were at least twice that of whites for diabetes, HIV disease, motor vehicle injuries, and homicide.

- American Indians were more likely than whites or African Americans to report that they had no health insurance and that they could not see a doctor due to cost.
- American Indians were significantly more likely than whites to smoke, not engage in leisure-time physical exercise, and to be overweight or obese.

The North Carolina American Indian Health Task Force was created in 2004 by the North Carolina Commission of Indian Affairs and the Secretary of the North Carolina Department of Health and Human Services. The purpose of the Task Force was to identify and study American Indian health issues in North Carolina, and to evaluate and strengthen programs and services for American Indians in the state.

HKZ is committed to providing home health services to American Indians and other minority populations in Wake and surrounding counties. Thus, the application submitted by **HKZ** is the most effective alternative with regard to special needs populations.

Registered Nurse, Home Health Aide, and Licensed Practical Nurse Salaries in Year Two

Salaries are a significant contributing factor in recruitment and retention of staff. The following three tables compare the proposed annual salary for nurses and home health aides in the second operating year.

AssistedCare projects the highest annual salary for a registered nurse, as shown in the following table. For comparison purposes, in its 2010 CON application for a Wake County home health agency, AssistedCare Home Health, Inc. projected an annual salary of \$56,650 for a registered nurse, which was the lowest annual salary for a registered nurse¹.

Annual Salary for Registered Nurse – PY 2

CON Application	Applicant	Annual Salary
J-8817-12	AssistedCare	\$71,070
J-8821-12	Oakland	\$69,360
J-8813-12	Hillcrest	\$68,690
J-8819-12	Maxim	\$67,650
J-8814-12	HKZ	\$66,950

As shown in the previous table, **HKZ** projects the lowest annual salary for a registered nurse.

Maxim projects the highest annual salary for a home health aide, as shown in the following table.

¹ 2010 Competitive Wake County Home Health Review, Findings dated October 1, 2010, pages 158-159.

Annual Salary for Home Health Aide – PY 2

CON Application	Applicant	Annual Salary
J-8819-12	Maxim	\$32,800
J-8814-12	HKZ	\$30,900
J-8821-12	Oakland	\$30,090
J-8817-12	AssistedCare	\$29,240
J-8813-12	Hillcrest	\$24,426

As shown in the previous table, **HKZ** projects the second highest annual salary for a home health aide.

Oakland projects the highest annual salary for a licensed practical nurse, as shown in the following table.

Annual Salary for Licensed Practice Nurse – PY 2

CON Application	Applicant	Annual Salary
J-8821-12	Oakland	\$55,080
J-8814-12	HKZ	\$48,410
J-8813-12	Hillcrest	\$44,534
J-8817-12	AssistedCare	\$42,848
J-8819-12	Maxim	no LPN in staffing plan

As shown in the previous table, **HKZ** projects the next highest annual salary for a licensed practical nurse.

Physical Therapist, Occupational Therapist, and Speech Therapist Salaries in Year Two

Physical therapy drives the profitability of a Medicare-certified home health agency. Maxim and **HKZ** project the highest annual salaries for a physical therapist among the four applicants that will employ a physical therapist, as shown in the following table.

Annual Salary for Physical Therapist – PY 2

CON Application	Applicant	Annual Salary
J-8819-12	Maxim	\$103,525
J-8814-12	HKZ	\$103,000
J-8817-12	AssistedCare	\$83,945
J-8813-12	Hillcrest Home Health of the Triangle, LLC	\$76,345

As shown in the previous table, Hillcrest projects the lowest annual salary for a physical therapist.

Maxim projects the lowest annual salary for an occupational therapist among the three applicants that will employ an occupational therapist, as shown in the following table.

Annual Salary for Occupational Therapist – PY 2

CON Application	Applicant	Annual Salary
J-8817-12	AssistedCare	\$79,001
J-8813-12	Hillcrest Home Health of the Triangle , LLC	\$70,633
J-8819-12	Maxim	\$67,650

As shown in the previous table, Hillcrest projects the second lowest annual salary for an occupational therapist.

Maxim projects the lowest annual salary for a speech therapist among the three applicants that will employ a speech therapist, as shown in the following table.

Annual Salary for Speech Therapist – PY 2

CON Application	Applicant	Annual Salary
J-8819-12	Maxim	\$65,600
J-8813-12	Hillcrest Home Health of the Triangle , LLC	\$70,973
J-8817-12	AssistedCare	\$77,765

As shown in the previous table, Hillcrest projects the second lowest annual salary for a speech therapist.