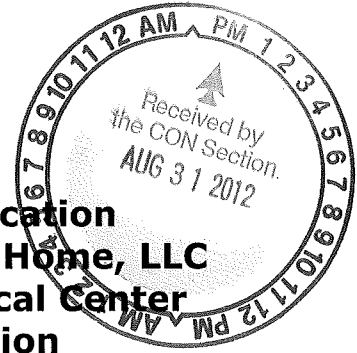


**Comments in Opposition from
HKZ Group, LLC
Regarding a Certificate of Need Application
Submitted by Carolinas Medical Center at Home, LLC
d/b/a Healthy @ Home – Carolinas Medical Center
in Response to a Need Determination
for Two Home Health Agencies
in the Mecklenburg County Service Area
Submitted July 16, 2012 for August 1, 2012 Review Cycle**



I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), HKZ Group, LLC submits the following comments regarding a Certificate of Need Application submitted by Carolinas Medical Center at Home, LLC d/b/a Healthy @ Home – Carolinas Medical Center in response to a need determination for two Home Health Agencies in the Mecklenburg County Service Area for the August 1, 2012 review cycle.

The following ten CON applications were submitted in response to a need determination for two home health agencies in the Mecklenburg County Service Area in the *2012 State Medical Facilities Plan (2012 SMFP)*:

- F-10005-12: HKZ Group, LLC
- F-10001-12: Vizion One, Inc.
- F-10003-12: Maxim Healthcare Services, Inc.
- F-10004-12: Carolinas Medical Center at Home, LLC d/b/a Healthy @ Home – Carolinas Medical Center
- F-10006-12: Roberson Herring Enterprises, LLC d/b/a AssistedCare of the Carolinas
- F-10007-12: Well Care Home Health, Inc. and Well Care DME, LLC
- F-10008-12: Emerald Care, Inc. d/b/a Emerald Care, an Amedisys Company
- F-10010-12: Continuum II Home Care and Hospice Inc. d/b/a Continuum Home Care of Charlotte
- F-10011-12: United Home Care, Inc. d/b/a UniHealth Home Health Health, Inc. d/b/a UniHealth Home Health
- F-10012-12: Ogadinma Akagha d/b/a J and D Healthcare Services.¹

II. Comparative Analysis

The Comparative Analysis included at the end of these comments shows that the CON Application submitted by **HKZ Group** is the most effective alternative for one of the two Medicare-certified home health agencies in Mecklenburg County.

¹ Legal applicant is Ogadinma Akagha. Parent company is J and D Healthcare Services. Name of proposed agency is J and D Healthcare Services. Employer Identification Number is issued to J and D Healthcare Services, LLC.

III. CON Application of Carolinas Medical Center at Home, LLC d/b/a Healthy @ Home – Carolinas Medical Center (Healthy @ Home - CMC)

Carolinas Medical Center at Home, LLC and the Charlotte-Mecklenburg Hospital Authority propose to develop a second office of its existing Medicare-certified agency in Charlotte. The existing Healthy @ Home – CMC is located in south Charlotte, zip code 28209 (Healthy @ Home – CMC Charlotte Zone Office).

The proposed second office of Healthy @ Home – CMC will be located in the University area of Charlotte², zip code 28262 or 28269 (Healthy @ Home – CMC North Zone Office).

As discussed in the context of CON Review Criterion (5), Healthy @ Home - CMC's proposed second office should be one of the most cost-effective proposals – because Healthy @ Home - CMC is able to take advantage of economies of scale attendant to expanding the operation of its certified agency in Mecklenburg County. Economies of scale are the cost advantages that an enterprise obtains due to expansion. It should cause the average cost per unit to fall as the scale of output is increased. **HKZ Group's** analysis of Healthy @ Home - CMC's proposal reveals it to be one of the least cost-effective proposals.

Further, Healthy @ Home - CMC's decision to operate a second office in Mecklenburg County should involve lower start-up costs because the patient census of northern Mecklenburg County residents will be transferred to the proposed new office at opening, and there will be no delay in collections or in reimbursement from Medicare and Medicaid. Healthy @ Home - CMC proposes to spend \$450,000 in total working capital plus a capital expenditure of \$600,000, for a total of \$1,050,000.

For comparison purposes, **HKZ Group** proposes to spend \$153,592 in total working capital plus a capital expenditure of \$62,400, for a total of \$215,992, to establish a second office in Mecklenburg County. Healthy @ Home - CMC proposes to spend \$834,008 more for its second office in Mecklenburg County than **HKZ Group** proposes to spend for a new agency in Mecklenburg County.

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

² The proposed primary site is located at 101 East W.T. Harris Blvd., Charlotte 28262. The proposed second site is located at 5425 Prosperity Church Road, Charlotte 28269.

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 Mecklenburg 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 (18a), Healthy @ Home - CMC 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 Healthy @ Home - CMC 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. Projected Unduplicated Patients in Project Year 1 Exceeds the Mecklenburg County Patient Deficit

The 2012 *SMFP* contains a need determination for two Medicare-certified home health agencies in Mecklenburg County, and a total home health patient deficit of 651 in 2013. Healthy @ Home – CMC believes that when corrected for its FY 2009 data, the total home health patient deficit increases to 658 in 2013.³ Using either total the 2013 Mecklenburg County **home health patient deficit** is sufficient to approve two new home health agencies in Mecklenburg County, such that each new agency/office serves no more than **329** (658/2) unduplicated Mecklenburg County patients by its third year of operation.

Healthy @ Home – CMC projects to serve a total of 4,581 Mecklenburg County patients in its Project Year 1, as shown in the following table.

³ CON Application F-10004-12 at page 68.

**Healthy @ Home – CMC
Unduplicated Patients – Mecklenburg County – PY 1**

	Unduplicated Patients
North Zone Office - New Office	1,789
Charlotte Zone Office	2,792
Total Agency	4,581

Source: CON Application F-10004-12, page 79

Cx Healthy @ Home – CMC’s projects unduplicated patients based on dividing its existing agency’s service area into two zones, and shifting FY 2011 patients served by the existing agency (Charlotte Zone Office) to the proposed new office (North Zone Office), as shown in the following table.

**Healthy @ Home – CMC
Unduplicated Patients – FY 2011**

Unduplicated Patients	FY 2011	
	2012 LRA	F-10004-12 pages 69, 79
North Zone Office - new office		2,328
Charlotte Zone Office – existing agency office		2,880
Total Agency	5,201	5,208

As shown in the previous table, Healthy @ Home – CMC will retain 2,880 FY 2011 patients at its Charlotte Zone Office, and shift 2,328 patients to its proposed North Zone Office. Healthy @ Home – CMC defined each Zone by zip code groups, and divided FY 2011 patients according to zip code of residence.

The following table shows projected unduplicated patients to be served by each office of Healthy @ Home – CMC in Project Years 1 and 2.

Healthy @ Home – CMC
Projected Unduplicated Patients – PYs 1 and 2

Unduplicated Patients	FY 2011 - Current Location Only	PY 1 2014	PY 2 2015	Incremental Patients 2011-2015	Deficit(-) or Surplus in 2012 SMFP
North Zone Office - new office					
Mecklenburg		1,789	1,872		
Cabarrus		1,018	1,056		
Rowan		48	49		
Other		17	17		
Total		2,872	2,994		
Charlotte Zone Office – existing agency office					
Mecklenburg		2,792	2,858		
Gaston		204	210		
Union		93	98		
Other		18	19		
Total		3,107	3,185		
Total Agency					
Mecklenburg	4,075	4,580	4,730	655	-651
Cabarrus	815	1,018	1,056	241	-199
Gaston	190	204	210	20	-21
Rowan	37	48	49	121	47
Union	77	93	98	21	-261
Other	14	35	36	22	
Total	5,208	5,978	6,179	971	

Source: CON Application F-10004-12, page 79; 2012 SMFP

The previous table shows projected incremental (new) unduplicated patient volume to be served by each office of Healthy @ Home – CMC in Project Years 1 and 2.

Mecklenburg County home health patients of Healthy @ Home - CMC in FY 2011, which it intends to transfer to the proposed new office in Mecklenburg County, are existing patients -- **not new patients** for purposes of the Mecklenburg County need determination in the 2012 SMFP.

A need for a new Medicare-certified home health agency is based on “the projected **additional** number of home health patients who will need home health services in 2013.”⁴ As shown in the previous table, Healthy @ Home – CMC projects that it will serve 655 incremental patients from Mecklenburg County in Project Years 1 and 2. The patient deficit in Mecklenburg County in the 2012 SMFP for the development of a new home health agency/office is 651 additional patients in need of home health services or 325 patients for two new agencies. The incremental patient volume projected by Healthy @ Home – CMC precludes the approval of two agencies. Healthy @ Home – CMC assumes that it will meet 100% of the need projected in Mecklenburg County, which is unreasonable.

⁴ 2012 SMFP, Step 13 of Medicare-certified home health agency need methodology (page 252).

In addition, projected utilization for the total combined Healthy @ Home – CMC also exceeds the projected need in Cabarrus and Rowan counties reflected in the 2012 SMFP. Healthy @ Home – CMC has not justified the need for the proposed new office in north Mecklenburg County.

B. Duplicated: Unduplicated Patient Ratio in Project Year 2 is Inconsistent with FY 2011 Reported Data

The following table shows the duplicated to unduplicated patient ratio projected by each of the ten applicants in Project Years 1 and 2.

**Mecklenburg County Home Health Applicants
Duplicated: Unduplicated Patient Ratio – PYs 1 and 2**

Project ID	Applicant	PY 1	PY 2
F-10003-12	Maxim	5.0	5.4
F-10004-12	Healthy @ Home – CMC North Zone Office	4.3	4.3
F-10001-12	Vizion One	4.0	4.0
F-10010-12	Continuum	2.8	2.5
F-10005-12	HKZ Group	2.3	2.3
F-10006-12	AssistedCare	2.1	2.1
F-10007-12	Well Care	2.1	2.1
F-10011-12	UniHealth	1.2	1.3
F-10012-12	J and D Healthcare	1.2	1.3
F-10008-12	Emerald Care - Branch Office	1.0	1.0

On page 71, Healthy @ Home – CMC reports that its ratio of unduplicated to duplicated patients is based on its experience in FY 2011.

For comparison purposes, Healthy @ Home – CMC reported a ratio of **1.6** duplicated visits per duplicated patient on its 2012 Home Health License Renewal Application Data Supplement.

Healthy @ Home – CMC’s duplicated: unduplicated patient ratio of 4.3 in Project Years 1 and 2 is **168.8%** (4.3/1.6) greater than its reported ratio in FY 2011.

For further comparison, the following table shows the average duplicated: unduplicated ratio for existing Mecklenburg County home health agencies in FY 2011.

**Mecklenburg County Home Health Agencies
Average Duplicated: Unduplicated Patient Ratio – FY 2011**

Metric	Ratio
Duplicated: Unduplicated Patient Ratio	2.3

Source: 2012 Home Health Agency License Renewal Application Data Supplement

Healthy @ Home – CMC’s duplicated: unduplicated patient ratio of 4.3 in Project Years 1 and 2 is **187%** (4.3/2.3) greater than the average duplicated: unduplicated patient ratio reported by existing Mecklenburg County home health agencies in FY 2011.

Healthy @ Home - CMC’s use of an unreasonably large duplicated: unduplicated patient ratio results in overstated projections.

C. Average Visits per Duplicated Patient in Project Year 2 is Inconsistent with FY 2011 Reported Data

The following table shows a comparison of the average visits per duplicated patient in Project Year 2 by each applicant. Healthy @ Home – CMC projected the second lowest average visits per duplicated patients.

**Mecklenburg County Home Health Applicants
Average Visits per Duplicated Patient – PY 2**

CON Application	Applicant	Average Visits per Duplicated Patient
F-10008-12	Emerald Care - Branch Office	26.4
F-10011-12	UniHealth	16.0
F-10012-12	J and D Healthcare	12.0
F-10005-12	HKZ Group	9.5
F-10007-12	Well Care	9.1
F-10006-12	AssistedCare	8.3
F-10010-12	Continuum	7.1
F-10001-12	Vizion One	6.2
F-10004-12	Healthy @ Home – CMC North Zone Office	3.7
F-10003-12	Maxim	3.5

On page 71, Healthy @ Home – CMC reports that patient visits are based on its experience in FY 2011.

For comparison purposes, Healthy @ Home – CMC reported an average of **8.8** visits per duplicated patient on its 2012 Home Health License Renewal Application Data Supplement.

Healthy @ Home – CMC’s average visits per duplicated patient of 3.7 in Project Year 2 is **42.0%** (3.7/8.8) lower than its reported ratio in FY 2011.

Healthy @ Home – CMC provides no explanation for its use of a much higher average visits per duplicated patient.

For further comparison, the following table shows the range for average visits per duplicated patients by existing Mecklenburg County home health agencies in FY 2011.

**Mecklenburg County Home Health Agencies
Average Visits per Duplicated Patients – FY 2011**

Low	High
4.3	9.8

Source: 2012 Home Health License Renewal Application Data Supplement

Healthy @ Home - CMC's 3.7 average visits per duplicated patient is **16.2%** (3.7/4.3) lower than the lowest average visits per duplicated patient reported by an existing Mecklenburg County home health agency in FY 2011.

D. Projected Access by Medicaid Recipients in Project Year 2 is Inconsistent with FY 2011 Reported Data

The following table shows a comparison of the percentage of visits to Medicaid recipients in Project Year 2 by each applicant. Healthy @ Home – CMC projected the highest percent of visits to Medicaid recipients.

**Mecklenburg County Home Health Applicants
Medicaid - % of Visits – PY 2**

CON Application	Applicant	% of Visits
F-10004-12	Healthy @ Home – CMC North Zone Office	16.2%
F-10005-12	HKZ Group	14.9%
F-10007-12	Well Care	14.48%
F-10001-12	Vizion One	12.92%
F-10011-12	UniHealth	9.2%
F-10003-12	Maxim	8.7%
F-10006-12	AssistedCare	8.2%
F-10010-12	Continuum	8.17%
F-10008-12	Emerald Care - Branch Office	7.4%
F-10012-12	J and D Healthcare	0.0%

For comparison purposes, Healthy @ Home – CMC reported on its 2012 Home Health License Renewal Application Data Supplement that it provided an average of **10.9%** of its total visits were to Medicaid recipients in FY 2011.

Importantly, Healthy @ Home – CMC justifies its historic and future of losses from operations as follows:

As part of CHS, CMHA plays an invaluable role in creating cost savings for the system by reducing acute care lengths of stay and readmission rates. CMHA and H@H-CMC also serve all patients regardless of their ability to pay, **including significantly higher levels of Medicaid** and charity patients compared to other home health providers.⁵ [Emphasis added.]

⁵ CON Application F-10004-12, pages 121, 566-567

Compared to other home health providers, Healthy @ Home – CMC did not report the highest level of Medicaid visits in FY 2011. The following three agencies reported higher Medicaid visits in FY 2011:

- Personal Home Care of North Carolina, LLC (HC3966) reported **25.9%** of its patient visits to Medicaid recipients in FY 2011.
- Interim Healthcare of the Triad (HC1901) reported **14.4%** of its patient visits were provided to Medicaid recipients in FY 2011.
- Liberty Home Care and Hospice (HC3694) reported **12.9%** of its patient visits to Medicaid recipients in FY 2011.

Healthy @ Home – CMC’s projected percentage of total visits to Medicaid patients in Project Year 2 is **148.6%** (16.2%/10.9%) higher than its reported percentage in FY 2011.

Healthy @ Home – CMC justifies an increased percentage of visits to Medicaid recipients because it **expects** the “Health Reform Act” will cause there to be a “reduction in self pay/charity care and an off-setting increase in Medicaid, which is [being] expanded to cover more lives.”⁶ Interestingly, Healthy @ Home – CMC did not reduce its projected percentage of charity care from CY 2011 level of 1.2% of gross revenues to reflect its expected increase in Medicaid.⁷

For purposes of further comparison, **HKZ Group** projects that **14.9%** of its patient visits in Project Year 2 will be provided to Medicaid recipients. **HKZ Group** projects a slightly higher percent Medicaid than the average reported percentage for Mecklenburg County agencies in FY 2011. **HKZ Group’s** sister agencies, HealthKeeperz, Inc., is one of a few Medicare-certified home health agencies to provide care to Medicaid incontinence patients. Medicaid incontinence patients require one nursing assessment visit every 60 days, during which visit necessary incontinence medical supplies are delivered. Due to the small number of visits, many Medicare-certified home health agencies do not admit Medicaid incontinence patients. HealthKeeperz, Inc. routinely receives patient alerts via email from the North Carolina Association of Home and Hospice Care in search of an agency willing to provide incontinence services to Medicaid patients. Based upon the experience and expertise of HealthKeeperz, Inc., **HKZ Group** determined that the new Medicare-certified home health agency will provide Medicaid incontinence services.

E. Projected Access by Medicare Beneficiaries in Project Year 2 is Inconsistent with FY 2011 Reported Data

The following table shows a comparison of the percentage of visits to Medicare beneficiaries in Project Year 2 by each applicant.

⁶ CON Application F-10004-12, page 104.

⁷ CON Application F-10004-12, page 100.

**Mecklenburg County Home Health Applicants
Medicare - % of Visits – PY 2**

CON Application	Applicant	% of Visits
F-10012-12	J and D Healthcare	89.0%
F-10003-12	Maxim	80.9%
F-10011-12	UniHealth	79.36%
F-10008-12	Emerald Care - Branch Office	77.9%
F-10007-12	Well Care	72.4%
F-10004-12	Healthy @ Home – CMC North Zone Office	72.0%
F-10005-12	HKZ Group	66.8%
F-10010-12	Continuum	67.8%
F-10006-12	AssistedCare	67.7%
F-10001-12	Vizion One	52.98%

For comparison purposes, Healthy @ Home – CMC reported on its 2012 Home Health License Renewal Application Data Supplement that it provided an average of **68.6%** of its total visits were to Medicare beneficiaries in FY 2011.

Compared to other existing agencies, Healthy @ Home – CMC did not report the highest level of Medicare visits in Mecklenburg County in FY 2011. The following five agencies – half of the existing agencies in Mecklenburg County - reported higher Medicare visits in FY 2011:

- Innovative Senior Care Home Health (HC0369) reported **100%** of its patient visits to Medicare beneficiaries in FY 2011.
- Gentiva (HC0097) reported **79%** of its patient visits to Medicare beneficiaries in FY 2011.
- Gentiva (HC0138) reported **74.6%** of its patient visits were provided to Medicare beneficiaries in FY 2011.
- Gentiva (HC0787) reported **69.6%** of its patient visits to Medicare beneficiaries in FY 2011.
- Home Health Professionals (HC0355) reported **69.2%** of its patient visits to Medicare beneficiaries in FY 2011.

Healthy @ Home – CMC’s projected percentage of total visits to Medicare patients in Project Year 2 is **105%** (72.0%/68.6%) higher than its reported percentage in FY 2011.

Healthy @ Home – CMC increased its percentage of visits to Medicare beneficiaries “due to the projected aging of the population.”⁸ There was no need to do so. The projected aging of the population is built into the home health need methodology in the annual *SMFP* through its use of age-specific use rates.

⁸ CON Application F-10004-12, page 104.

F. Integrated Care does not Require a Hospital-owned Home Health Agency

Healthy @ Home – CMC justifies its historic and future of losses from operations as follows:

As part of CHS, CMHA plays **an invaluable role in creating cost savings for the system by reducing acute care lengths of stay and readmission rates.** CMHA and H@H-CMC also serve all patients regardless of their ability to pay, including significantly higher levels of Medicaid and charity patients compared to other home health providers.⁹ [**Emphasis added.**]

Healthy @ Home – CMC does not provide any data to document cost savings to the system through its reduction in acute care length of stay and readmission rate. It also does not provide any data to document that its existing Charlotte office has reduced lengths of stay and patient readmissions.

According to CMS Home Health Compare, which contains data last updated on July 19, 2012¹⁰, Healthy @ Home – CMC’s hospital admission rate is equal to the North Carolina average, as shown in the previous table.

**Preventing Unplanned Hospital Care
Healthy @ Home - CMC**

Metric	Healthy @ Home - CMC	North Carolina Average	National Average
How often home health patients had to be admitted to the hospital	26%	26%	27%

For comparison purposes, the following table shows data from CMS Home Health Compare for comparably-sized hospital-owned home health agencies in North Carolina.

**Preventing Unplanned Hospital Care
Hospital-owned Home Health Agencies**

Metric	Healthy @ Home - CMC	Rex Home Care	WakeMed Home Health	UNC Home Health	Duke Home Health
How often home health patients had to be admitted to the hospital	26%	26%	21%	20%	19%

For purposes of further comparison, **HKZ Group’s** sister agencies, HealthKeeperz, Inc., is showing a measurable impact on controlling cost through its partnership with acute care hospitals by reducing acute care re-admissions and acute care lengths of stay. The HealthSync Pharmacy Program has been operational for three years, and focuses on the co-morbid patient in order to decrease hospital re-admission. During the last several months, HealthKeeperz, Inc. has

⁹ CON Application F-10004-12, pages 121, 566-567

¹⁰ medicare.gov/homehealthcompare/profile.aspx?loc=Charlotte,%20NC&an=healthy&state=&cnty=&aid=347112

begun to track hospital inpatient admissions for patients participating in the HealthSync Pharmacy Program. From February through May 2012, less than 3% of all HealthSync patients have been hospitalized as reflected in the following table.

HealthSync Patients Admitted to Hospital

2012	February	March	April	May	Total (4 months)
#HealthSync Patients	260	262	265	265	1,052
# Patient Hospitalized	8	10	3	8	29
Percent Hospitalized	3.08%	3.82%	1.13%	3.02%	2.76%

Source: CON Application F-10005-12, page 16

While the previous table reflects all payors, patients in the HealthSync Pharmacy Program are predominantly Medicare beneficiaries. Hospital re-admissions for the Medicare population in North Carolina exceeds 18%; nationally, it exceeds 19%¹¹.

Reducing hospital readmissions by working with acute care providers is a high priority for **HKZ Group**. **HKZ Group** will implement the HealthSync Pharmacy Program for all Mecklenburg and Union County patients served by its proposed agency.

G. Services to All Patients Regardless of Ability to Pay does not Require a Hospital-owned Home Health Agency

Healthy @ Home – CMC justifies its **historical and future losses** from operations as follows:

As part of CHS, CMHA plays an invaluable role in creating cost savings for the system by reducing acute care lengths of stay and readmission rates. **CMHA and H@H-CMC also serve all patients regardless of their ability to pay**, including significantly higher levels of Medicaid and charity patients compared to other home health providers.¹² [**Emphasis added.**]

First, as a subsidiary of CHS, a public hospital system, Healthy @ Home – CMC operates under an obligation to serve all patients regardless of their ability to pay.

Second, implied in Healthy @ Home – CMC’s statement is an assumption that other certified agencies do not serve all patients regardless of their ability to pay. That assumption is false.

HealthKeeperz, Inc.’s three freestanding Medicare-certified agencies serve all patients regardless of their ability to pay. As stated on page 81 of the **HKZ Group** CON Application, “[a]ll persons will have access to the proposed services regardless of their ability to pay.

For the reasons set forth above, **the proposed North Zone Office - a second Healthy @ Home – CMC office in Mecklenburg County - is not needed**. The Healthy @ Home - CMC CON Application does not conform to CON Review Criterion (3).

¹¹ Kaiser Health Facts <http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=80&rgn=35>

¹² CON Application F-10004-12, pages 121, 566-567

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 the context of CON Review Criterion (3), Healthy @ Home - CMC fails to demonstrate a need for a second office in Mecklenburg County.

As shown in the following table, Healthy @ Home – CMC projects the largest total capital expenditure of all applicants.

**Mecklenburg County Home Health Applicants
Total Capital Expenditure**

CON Application	Applicant	Project Cost	Total Working Capital	Total Capital Expenditure
F-10004-12	Healthy @ Home – CMC North Zone Office	\$450,000	\$600,000	\$1,050,000
F-10011-12	UniHealth	\$196,196	\$711,168	\$907,364
F-10007-12	Well Care	\$110,000	\$550,000	\$660,000
F-10001-12	Vizion One	\$115,099	\$461,303	\$576,402
F-10006-12	AssistedCare	\$31,874	\$407,187	\$439,061
F-10010-12	Continuum	\$92,270	\$290,391	\$382,661
F-10003-12	Maxim	\$65,000	\$225,000	\$290,000
F-10008-12	Emerald Care - Branch Office	\$111,713	\$166,921	\$278,634
F-10005-12	HKZ Group	\$62,400	\$153,592	\$215,992
F-10012-12	J and D Healthcare	\$6,000	\$50,000	\$56,000

Healthy @ Home – CMC proposes to spend **over \$1 million** to expand its existing Mecklenburg County agency into two offices in Mecklenburg County. As discussed in the context of CON Review Criterion (5), Healthy @ Home – CMC has a history of financial losses and a future of projected losses from operations. The previous table does not reflect the projected losses associated with the proposed project.

There is a less costly and more effective alternative available to a second Healthy @ Home – CMC office in Mecklenburg County:

1. Focus on improving the financial health of Healthy @ Home – CMC’s existing agency.
2. CHS/CMHA can rely on its post-acute partners – freestanding Medicare-certified agencies for which reducing hospital readmissions is a high priority, and are able to document significant results of its innovative programs to reduce readmission rates.

3. CHS/CMHA can ensure that all patients who need home health services are served regardless of their ability to pay by referring patients to like-minded freestanding Medicare-certified agencies.

If the financial health of Healthy @ Home – CMC’s existing Mecklenburg County agency is stronger, it will be able to continue to play its “invaluable role,” and “serve all patients regardless of their ability to pay.”

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. History and Future of Losses from Operations

According to page 139, Form C, Healthy @ Home – CMC sustained a **net loss in 2011 of \$1,271,341**. That loss is equals 11.5% of its net revenue in 2011.

In the Funding Verification Letter dated July 16, 2012 from Greg A. Gombar, Executive Vice President and Chief Financial Officer, Carolinas Healthcare System is included in Exhibit AA on pages 566-567. Mr. Gombar states:

CMHA d/b/a CHS has and will fund the **ongoing operational loss** experienced by Carolinas Medical Center at Home, LLC. During the first two years of operation of the proposed North office, **the expected loss from operations for the agency, H@H-CMC, is approximately \$600,000 per year.** [Emphasis added.]

On page 121, Healthy @ Home – CMC reports:

CMHA as a whole **will continue** to experience a **loss from operations**, which has been **its history.**” [Emphasis added.]

According to page 137, Form B, Healthy @ Home – CMC projects a **net loss** for the **total agency** of:

- \$568,199 in 2014
- \$583,619 in 2015.

According to Form B, Healthy@ Home – CMC projects that the North Zone Office will have a net income of \$23,198 in 2014 and \$214,879 in 2015. In order to attain the projected net income, Healthy @ Home – CMC must cost shift from the North Zone Office to the total agency.

The North Zone Office is projected to have the lowest administrative cost as a percentage of total cost (28%) of the ten competing CON applications. That is possible only because Healthy @ Home – CMC allocates to the proposed North Zone Office a lower administrative cost (27.1%).

In 2011, indirect expenses of Healthy @ Home – CMC were 42.2% of net revenue. According to Form B, in 2015, indirect expenses are projected to be 30.6% of net revenue for the total agency. The amount allocated to the North Zone Office is considerably less.

B. Highest Total Cost, Direct Cost, and Administrative Cost - Project Year 2

The following table shows a comparison of the 10 applicants based on each applicant’s direct cost, administrative cost, and total cost in Project Year 2.

**Mecklenburg County Home Health Applicants
Direct Cost, Administrative Cost, and Total Cost – PY 2**

CON Application	Applicant	Direct Cost	Administrative Cost	Total Cost
F-10004-12	Healthy @ Home – CMC – North Zone	\$4,895,971	\$1,897,679	\$6,793,650
F-10012-12	J and D Healthcare	\$2,887,897	\$228,500	\$3,116,397
F-10011-12	UniHealth	\$1,043,442	\$667,742	\$1,711,184
F-10008-12	Emerald Care – Branch Office	\$1,059,192	\$599,491	\$1,658,683
F-10007-12	Well Care	\$971,065	\$523,840	\$1,494,905
F-10010-12	Continuum	\$966,142	\$333,420	\$1,299,562
F-10005-12	HKZ Group	\$734,997	\$461,683	\$1,196,680
F-10003-12	Maxim	\$783,753	\$391,953	\$1,175,706
F-10001-12	Vizion One	\$564,614	\$503,393	\$1,068,007
F-10006-12	AssistedCare	\$529,668	\$329,621	\$859,289

As shown in the previous table, Healthy @ Home – CMC – North Zone projects the highest direct cost, administrative cost, and total cost of all applicants. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

The magnitude of the Healthy @ Home – CMC – North Zone’s projected cost is remarkable when compared to costs projected by UniHealth, the applicant with the second highest administrative and total costs. Healthy @ Home – CMC’s:

- Total cost is **4 times higher** than the total cost projected by UniHealth.
- Administrative cost is **nearly 3 times higher** than the administrative cost projected by UniHealth.
- Direct cost is **not quite 5 times higher** than the administrative cost projected by UniHealth.

Further, Healthy @ Home – CMC projects that its **total cost will be 97% of net revenue** in Project Year 2 (\$6,793,650/\$7,008,529).

C. Projected Annual Salary – Variance between Table VII.2. and Form B for North Zone Office

The following table shows positive, negative, and net variance between the annual salary projected by Healthy @ Home – CMC in Table VII.2. and Form B by employee category for its North Zone Office.

**Healthy @ Home – CMC North Zone Office
Comparison of Projected Salary by Employee Category – PY 2**

Employee Category	Salary (Table VII.2)	Salary (Form B)	Variance Form B – Table VII.2.
Other Adm (team assistants, payroll, reception, IT person)	\$252,375	252,374	\$0
Dir of Professional Services	\$153,768	\$0	-\$153,768
Nurse Supervisor	\$516,728	\$670,498	+\$153,770
RN (Care Provider)	\$1,214,311	\$1,229,594	+\$15,283
LPN	\$92,095	\$139,984	+\$47,889
Therapy Supervisor	\$94,179	\$82,091	-\$12,088
PT	\$751,561	\$751,563	\$0
LPTA	\$438,631	\$378,129	-\$60,502
OT	\$108,294	\$120,382	+\$12,088
Other: RN PRN	\$143,018	\$0	-\$143,018
TOTAL	\$4,150,088	\$4,009,746	-\$140,342

As shown in the previous table, Healthy @ Home – CMC’s projected annual salary for its North Zone Office has a net variance of -\$140,342. The direct and administrative costs in Project Year 2 included in Form B are understated by \$140,342.

D. Third Highest Average Operating Cost per Visit

The following table shows a comparison of the 10 applicants based on each applicant’s average operating cost per visit in Project Year 2.

**Mecklenburg County Home Health Applicants
Average Operating Cost per Visit – PY 2**

CON Application	Applicant	Total Visits	Total Operating Cost	Average Total Operating Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$3,116,397	\$2,103
F-10010-12	Continuum	8,556	\$1,299,562	\$152
F-10011-12	UniHealth	11,527	\$1,711,184	\$148
F-10004-12	Healthy @ Home - CMC - North Zone Office - Total	47,780	\$6,793,650	\$142
F-10005-12	HKZ Group	8,578	\$1,196,680	\$140
F-10006-12	AssistedCare	6,159	\$859,289	\$140
F-10007-12	Well Care	11,268	\$1,494,904	\$133
F-10008-12	Emerald Care - Branch Office - Total	12,570	\$1,658,683	\$132
F-10001-12	Vizion One	8,125	\$1,068,007	\$131
F-10003-12	Maxim	9,499	\$1,175,706	\$124

As shown in the previous table, Healthy @ Home - CMC's average direct cost per visit is the third highest of the applicants. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

E. Net Revenue per Visit

The following table shows a comparison of the 10 applicants based on each applicant's net revenue per visit in Project Year 2.

**Mecklenburg County Home Health Applicants
Net Revenue per Visit – PY 2**

CON Application	Applicant	Total Patient Visits	Net Revenue	Net Revenue per Visit
F-10012-12	J and D Healthcare	1,482	\$1,664,138	\$1,123
F-10010-12	Continuum	8,556	\$1,610,678	\$188
F-10003-12	Maxim	9,499	\$1,528,574	\$161
F-10007-12	Well Care	11,268	\$1,740,951	\$155
F-10008-12	Emerald Care - Branch Office - Total	12,570	\$1,937,552	\$154
F-10011-12	UniHealth	11,527	\$1,752,640.73	\$152
F-10006-12	AssistedCare	6,159	\$931,653	\$151
F-10004-12	Healthy @ Home - CMC - North Zone Office - Total	47,780	\$7,008,529	\$147
F-10005-12	HKZ Group	8,578	\$1,224,203	\$143
F-10001-12	Vizion One	8,125	\$1,140,200	\$140

As shown in the previous table, Healthy @ Home - CMC's net revenue per visit is the third lowest of the applicants.

For the reasons set forth above, **Healthy @ Home – CMC does not demonstrate the immediate and long term financial feasibility of a second office in Mecklenburg County.** Healthy @ Home – CMC has not set forth reasonable projections of the costs of providing Medicare-certified home health services. The Healthy @ Home – CMC 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 the context of CON Review Criterion (3), Healthy @ Home - CMC fails to demonstrate the need for a second office in Mecklenburg County. As discussed in the context of CON Review Criterion (4), Healthy @ Home – CMC does not demonstrate that it proposed the least costly or most effective alternative. As discussed in the context of CON Review Criterion (5), Healthy @ Home – CMC does not demonstrate the immediate and long term financial feasibility of a second office in Mecklenburg County. Consequently, Healthy @ Home - CMC cannot demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

Additionally, Healthy @ Home - CMC proposes to locate its North Zone office in central Charlotte. According to Mapquest.com¹³, Healthy @ Home - CMC's proposed primary site is:

- 3 minutes and 2.11 miles from Gentiva Health Services (HC0787)
- 12 minutes and 7.6 miles from Gentiva Health Services (HC0138)

According to Mapquest.com¹⁴, Healthy @ Home - CMC's proposed secondary site is:

- 7 minutes and 4.28 miles from Gentiva Health Services (HC0787)
- 12 minutes and 7.12 miles from Gentiva Health Services (HC0138)

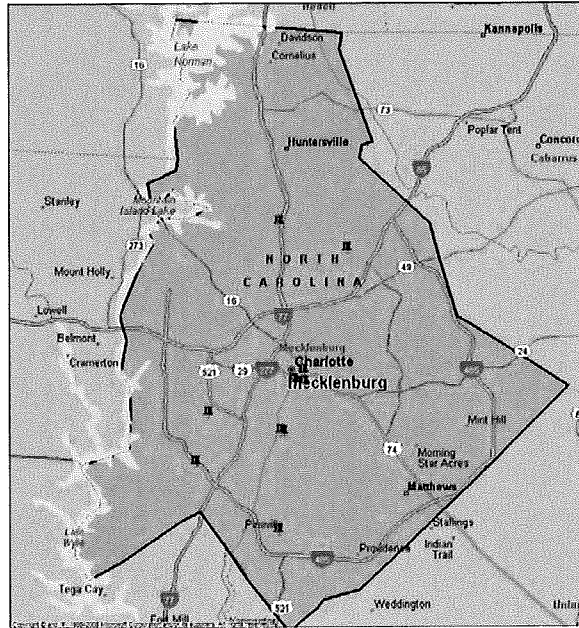
Healthy @ Home - CMC's proposed locations are duplicative of existing health service capabilities and facilities.

HKZ Group undertook a location analysis in order to determine the most effective location for the proposed Mecklenburg County agency. The following map illustrates locations of existing Medicare-certified home health agency in Mecklenburg County.

¹³ <http://www.mapquest.com/>

¹⁴ <http://www.mapquest.com/>

Existing Medicare-certified Home Health Agency Location



As shown in the previous map, of the ten existing agencies, four are located in central Charlotte. Four agencies are located in southwestern Mecklenburg County. The other two agencies are located in the north-central part of Mecklenburg County. There is no agency in the eastern/southeastern area of Mecklenburg County near the Town of Matthews. **HKZ Group** proposes to locate its agency in the Town of Matthews.

Healthy @ Home - CMC has not carried its burden to demonstrate that the proposed project will not result in unnecessary duplication of existing and approved capabilities as required by CON Review Criterion (6).

G.S. 131E-183 (7)

The applicant shall show some evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

A. Staff is Insufficient to Provide All Projected Visits in Project Year 2

On page 86, Healthy @ Home – CMC – North Zone provides Table IV.2., which includes all duplicated patients and patient visits by discipline in Project Years 1 and 2. In Project Year 2, Healthy @ Home – CMC – North Zone projects a total of 47,780 visits to duplicated patients.

On page 114, Healthy @ Home – CMC – North Zone provides its staffing assumptions for Project Year 2 in Table VII.2.

The following formula was used to analyze whether Healthy @ Home – CMC – North Zone includes sufficient staff to provide all projected visits to duplicated patients in Project Year 2:

- # FTE x # Visits/day x 5 days/week x 50 weeks/year (assumes 2 weeks off per FTE).

The following table shows a variance between the number of patient visits projected and the number of patient visits for which Healthy @ Home – CMC – North Zone can accomplish with the staff proposed.

**Healthy @ Home – CMC – North Zone
Comparison of Patient Visits Projected and
Visits with Proposed Staff - PY 2**

Discipline	Visits Projected (Table IV.2)	Visits with Proposed Staff (Table VII.2)	Variance
RN & LPN	24,162	22,237.5	-1,924.5
Home Health Aide	2,967	3,437.5	470.5
MSW	803	1,000	197
PT & LPTA	15,997	16,875	878
OT & COTA	3,192	3,250	58
ST	659	1,000	341
Total	47,780	47,800	20

As shown in the previous table, Healthy @ Home – CMC North Zone does not include sufficient staff necessary to provide **1,925** projected nursing patient visits in Project Year 2.

B. Salaries are Very Low

Salary is a significant contributing factor in recruitment and retention of staff. Nursing services are integral to the delivery of patient care by a Medicare-certified home health agency. Physical and occupational therapy services are important to the profitability of a Medicare-certified home health agency.

1. Registered Nurse Salary

The following table shows the annual salary projected by each of the applicants during Project Year 2 for a registered nurse.

**Mecklenburg County Home Health Applicants
RN Salary – PY 2**

CON Application	Applicant	RN Salary
F-10008-12	Emerald Care - Branch Office	\$73,987
F-10003-12	Maxim	\$72,774
F-10011-12	UniHealth	\$72,420
F-10006-12	AssistedCare	\$71,070
F-10007-12	Well Care	\$70,967
F-10005-12	HKZ Group	\$70,627
F-10010-12	Continuum	\$65,938
F-10004-12	Healthy @ Home – CMC – North Zone	\$64,951
F-10001-12	Vizion One	\$64,067
F-10012-12	J and D Healthcare	\$43,784

As shown in the previous table, Healthy @ Home – CMC projects the second lowest annual salary for a registered nurse. It is \$9,036 lower than the highest salary proposed by Emerald Care. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

2. Licensed Practical Nurse Salary

The following table shows the annual salary projected for a licensed practical nurse by each applicant that includes a licensed practical nurse in its staffing plan in Project Year 2.

**Mecklenburg County Home Health Applicants
LPN Salary – PY 2**

CON Application	Applicant	LPN Salary
F-10005-12	HKZ Group	\$48,269
F-10006-12	AssistedCare	\$45,423
F-10010-12	Continuum	\$43,627
F-10008-12	Emerald Care – Branch Office	\$40,035
F-10012-12	J and D Healthcare	\$39,574
F-10004-12	Healthy @ Home – CMC – North Zone	\$36,838

As shown in the previous table, Healthy @ Home – CMC projects the lowest annual salary for a licensed practical nurse. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

Healthy @ Home – CMC’s projected annual salary for a licensed practical nurse is \$11,431 lower than the highest salary, which was projected by **HKZ Group**.

3. Home Health Aide Salary

The following table shows the annual salary projected by each of the applicants during Project Year 2 for a home health aide.

**Mecklenburg County Home Health Applicants
Home Health Aide Salary – PY 2**

CON Application	Applicant	RN Salary
F-10003-12	Maxim	\$33,313
F-10011-12	UniHealth	\$32,895
F-10008-12	Emerald Care - Branch Office	\$32,493
F-10007-12	Well Care	\$32,188
F-10005-12	HKZ Group	\$30,810
F-10004-12	Healthy @ Home - CMC - North Zone Office	\$30,363
F-10006-12	AssistedCare	\$29,870
F-10010-12	Continuum	\$21,532
F-10012-12	J and D Healthcare	\$20,828
F-10001-12	Vizion One	\$20,659

As shown in the previous table, Healthy @ Home – CMC projects the fourth lowest annual salary for a home health aide. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

Healthy @ Home – CMC’s projected annual salary for a home health aide is \$2,950 lower than the highest salary, which was projected by Maxim.

4. Physical Therapist Salary

The following table shows the annual salary projected for a physical therapist by each applicant that proposes to employ a physical therapist in Project Year 2.

**Mecklenburg County Home Health Applicants
PT Salary – PY 2**

CON Application	Applicant	PT Salary
F-10005-12	HKZ Group	\$102,700
F-10008-12	Emerald Care - Branch Office	\$94,585
F-10004-12	Healthy @ Home - CMC - North Zone Office	\$84,445
F-10010-12	Continuum	\$84,144
F-10006-12	AssistedCare	\$83,945
F-10007-12	WellCare	\$83,430
F-10003-12	Maxim	\$80,353
F-10001-12	Vizion One	\$79,310
F-10012-12	J and D Healthcare	\$43,739

As shown in the previous table, Healthy @ Home - CMC projects an annual salary for a physical therapist is \$18,255 lower than HKZ Group, which projects the highest physical therapist salary.

5. Occupational Therapist Salary

The following table shows the annual salary projected for an occupational therapist by each applicant that proposes to employ an occupational therapist in Project Year 2.

**Mecklenburg County Home Health Applicants
OT Salary – PY 2**

CON Application	Applicant	OT Salary
F-10008-12	Emerald Care – Branch Office	\$83,785
F-10001-12	Vizion One	\$80,718
F-10007-12	AssistedCare	\$79,001
F-10010-12	Continuum	\$78,663
F-10007-12	Well Care	\$77,250
F-10003-12	Maxim	\$73,856
F-10004-12	Healthy @ Home – CMC – North Zone	\$72,196
F-10012-12	J and D Healthcare	\$43,722

As shown in the previous table, Healthy @ Home – CMC projects the lowest annual salary for an occupational therapist. J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications.

Healthy @ Home – CMC’s projected annual salary for an occupational therapist is \$11,589 lower than the highest salary, which was projected by Emerald Care.

For those reasons, the Healthy @ Home - CMC CON Application does not conform to CON Review Criterion (7).

G.S. 131E-183 (18a)

The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

Healthy @ Home – CMC is the largest existing provider in Mecklenburg County. All other applicants would result in a new provider in the Mecklenburg County market increasing competition in the proposed service area.

Further, as discussed in the context of CON Review Criteria (3), (4), (5), and (6), Healthy @ Home – CMC fails to demonstrate:

- A need for a second office in Mecklenburg County.
- A second office in Mecklenburg County is the least costly or most effective alternative.
- Immediate and long term financial feasibility of a second office in Mecklenburg County.
- A second office in Mecklenburg County will not result in unnecessary duplication of existing health service capabilities or facilities in Mecklenburg County.

Healthy @ Home – CMC does not demonstrate that the proposed second office of an existing Medicare-certified agency in Mecklenburg County will have a positive impact upon the cost-effective, quality, and access to the services proposed. Therefore, the Healthy @ Home CON Application does not conform to CON Review Criterion (18a).

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 unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (8).

10A NCAC 14C .2003

Healthy@ Home failed to project unduplicated patient volume for Mecklenburg County for the third year of operation of the proposed agency as required by this rule.

In addition, projections for Project Year 1 and 2 are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

10A NCAC 14C .2005(a) and (b)

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criterion (7).

VI. Conclusion

The Healthy @ Home – CMC CON Application has not demonstrated conformity with multiple CON Review Criteria and should be denied.

In addition, as reflected in the following Comparative Analysis, the CON Application submitted by **HKZ Group** is a more reasonable alternative and should be approved.

HKZ Group, LLC
Mecklenburg 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 two new home health agencies may be approved for Mecklenburg County in this review. Because each applicant proposes to develop a new home health agency in Mecklenburg County, all ten applicants cannot be approved.

The following comparative analysis of the proposals documents the reasons that **HKZ Group, LLC (HKZ Group)** should be approved for one of the two new home health agencies in Mecklenburg County.

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
F-10004-12	Healthy @ Home – CMC North Zone Office	16.2%
F-10005-12	HKZ Group	14.9%
F-10007-12	Well Care	14.48%
F-10001-12	Vizion One	12.92%
F-10011-12	UniHealth	9.2%
F-10003-12	Maxim	8.7%
F-10006-12	AssistedCare	8.2%
F-10010-12	Continuum	8.17%
F-10008-12	Emerald Care – Branch Office	7.4%
F-10012-12	J and D Health Care Services	0.0%

As discussed in **HKZ Group's** Comments in Opposition, Healthy @ Home – CMC projects a higher percentage of total visits to Medicaid recipients in FY 2011 than the 10.9% reported in its 2012 License Renewal Application. There is no explanation provided to justify the difference between actual and projected percentage of total visits to Medicaid recipients. The CON application submitted by Healthy @ Home - CMC is non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to the Healthy @ Home CON application.

As shown in the previous table, **HKZ Group** projects the second highest percentage of total visits provided to Medicaid recipients. The CON application submitted by **HKZ Group** provides assumptions related to the projected payer mix and is the most effective alternative with regard to percentage of total visits provided to Medicaid recipients in Project Year 2.

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
F-10012-12	J and D Healthcare	89.0%
F-10003-12	Maxim	80.9%
F-10011-12	UniHealth	79.36%
F-10008-12	Emerald Care – Branch Office	77.9%
F-10007-12	Well Care	72.4%
F-10004-12	Healthy @ Home – CMC North Zone Office	72.0%
F-10010-12	Continuum	67.8%
F-10006-12	AssistedCare	67.7%
F-10005-12	HKZ Group	66.8%
F-10001-12	Vizion One	52.98%

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group’s** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by Maxim, UniHealth, Emerald Care, Well Care, Healthy @ Home – CMC, Continuum, and AssistedCare are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

For comparison purposes, the ten existing Medicare-certified home health agencies in Mecklenburg County reported an average of **69.4%** total visits provided to Medicare beneficiaries in FY 2011.

The CON application submitted by **HKZ Group** is the most effective alternative with regard to percentage of total visits provided to Medicare beneficiaries in Project Year 2.

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
F-10003-12	Maxim	89.6%
F-10012-12	J and D Healthcare	89.0%
F-10011-12	UniHealth	88.56%
F-10004-12	Healthy @ Home – CMC – North Zone Office	88.2%
F-10007-12	Well Care	86.9%
F-10008-12	Emerald Care – Branch Office	85.3%
F-10005-12	HKZ Group	81.7%
F-10010-12	Continuum	76.0%
F-10006-12	AssistedCare	75.9%
F-10001-12	Vizion One	65.9%

The CON applications submitted by Maxim, UniHealth, Emerald Care, Well Care, and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

Further, J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group’s** Comments in Opposition to the J and D Healthcare CON application.

For comparison purposes, the ten existing Medicare-certified home health agencies in Mecklenburg County reported an average of **79.2%** total visits provided to Medicaid recipients and Medicare beneficiaries in FY 2011.

The CON application submitted by **HKZ Group** is the most effective alternative with regard to percentage of total visits provided to Medicaid recipients and Medicare beneficiaries in Project Year 2.

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	Average Number of Visits per Unduplicated Patient
F-10008-12	Emerald Care – Branch Office	26.4
F-10001-12	Vizion One	25.0
F-10005-12	HKZ Group	21.7
F-10011-12	UniHealth	21.0
F-10007-12	Well Care	20.8
F-10003-12	Maxim	18.9
F-10006-12	AssistedCare	17.5
F-10010-12	Continuum	17.4
F-10012-12	J and D Healthcare	16.1
F-10004-12	Healthy @ Home – CMC – North Zone	16.0

The CON applications submitted by Emerald Care and Vizion One are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

The visits per unduplicated patient projected by Emerald Care and Vizion One both exceed the historical range of visits per unduplicated patient provided by Mecklenburg County certified agencies in FY 2011. In FY 2011, that range was from 11.9 visits per unduplicated patient to 23.8 visits per unduplicated patients, as reflected in the 2012 Annual Licensure Renewal Applications submitted by Mecklenburg County home health providers.

The application submitted by **HKZ Group** 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. of the Application, as shown in the following table.

Net Revenue per Visit – PY 2

CON Application	Applicant	Total Visits Patients	Net Revenue	Net Revenue per Visit
F-10012-12	J and D Healthcare	1,482	\$1,664,138	\$1,123
F-10008-12	Emerald Care – Branch Office	12,570	\$9,509,999	\$757
F-10010-12	Continuum	8,556	\$1,610,678	\$188
F-10003-12	Maxim	9,499	\$1,528,574	\$161
F-10007-12	Well Care	11,268	\$1,740,941	\$155
F-10011-12	UniHealth	11,527	\$1,752,640	\$152
F-10006-12	AssistedCare	6,159	\$931,653	\$151
F-10004-12	Healthy @ Home – CMC – North Zone Office	47,780	\$7,008,528	\$147
F-10005-12	HKZ Group	8,578	\$1,224,203	\$143
F-10001-12	Vizion One	8,125	\$1,140,200	\$140

The CON application submitted by Vizion One is non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to that CON application.

HKZ Group projected the second lowest net revenue per visit. **HKZ Group** adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** 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. of the Application, as shown in the following table.

Average Total Operating Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Operating Costs	Average Total Operating Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$3,116,397	\$2,103
F-10010-12	Continuum	8,556	\$1,299,562	\$152
F-10011-12	UniHealth	11,527	\$1,711,184	\$148
F-10004-12	Healthy @ Home - CMC - North Zone Office -	47,780	\$6,793,650	\$142
F-10005-12	HKZ Group	8,578	\$1,196,680	\$140
F-10006-12	AssistedCare	6,159	\$859,289	\$140
F-10007-12	Well Care	11,268	\$1,494,904	\$133
F-10008-12	Emerald Care - Branch Office	12,570	\$1,658,683	\$132
F-10001-12	Vizion One	8,125	\$1,068,007	\$131
F-10003-12	Maxim	9,499	\$1,175,706	\$124

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group's** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by Continuum, UniHealth, and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** 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. of the Application, as shown in the following table.

Average Direct Care Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$2,887,897	\$1,949
F-10010-12	Continuum	8,556	\$966,142	\$113
F-10004-12	Healthy @ Home - CMC – North Zone Office	47,780	\$4,895,971	\$102
F-10011-12	UniHealth	11,527	\$1,043,442	\$91
F-10007-12	Well Care	11,268	\$971,064	\$86
F-10005-12	HKZ Group	8,578	\$734,997	\$86
F-10006-12	AssistedCare	6,159	\$529,668	\$86
F-10008-12	Emerald Care - Branch Office	12,570	\$1,059,192	\$84
F-10003-12	Maxim	9,499	\$783,753	\$83
F-10001-12	Vizion One	8,125	\$564,614	\$69

The CON applications submitted by AssistedCare, Emerald Care, Maxim, and Vizion One are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** 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. of the Application, as shown in the following table.

Average Administrative Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Administrative Costs	Average Administrative Cost per Visit
F-10012-12	J and D Healthcare	1,482	\$228,500	\$154
F-10001-12	Vizion One	8,125	\$503,392	\$62
F-10011-12	UniHealth	11,527	\$667,742	\$58
F-10005-12	HKZ Group	8,578	\$461,683	\$54
F-10006-12	AssistedCare	6,159	\$329,621	\$54
F-10008-12	Emerald Care - Branch Office	12,570	\$599,491	\$48
F-10007-12	Well Care	11,268	\$523,840	\$46
F-10003-12	Maxim	9,499	\$391,953	\$41
F-10004-12	Healthy @ Home - CMC - North Zone Office	47,780	\$1,897,679	\$40
F-10010-12	Continuum	8,556	\$333,420	\$39

The CON applications submitted by Emerald Care, Well Care, Maxim, Healthy @ Home – CMC, and Maxim are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by **HKZ Group** 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 Patient Visits	Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Net Revenue to Average Total Operating Cost per Visit
F-10003-12	Maxim	9,499	\$161	\$124	1.30
F-10010-12	Continuum	8,556	\$188	\$152	1.24
F-10008-12	Emerald Care - Branch Office	12,570	\$154	\$132	1.17
F-10007-12	Well Care	11,268	\$155	\$133	1.16
F-10006-12	AssistedCare	6,159	\$151	\$140	1.08
F-10001-12	Vizion One	8,125	\$140	\$131	1.07
F-10004-12	Healthy @ Home - CMC – North Zone Office	47,780	\$147	\$142	1.04
F-10011-12	UniHealth	11,527	\$152	\$148	1.02
F-10005-12	HKZ Group	8,578	\$143	\$140	1.02
F-10012-12	J and D Healthcare	1,482	\$1,123	\$2,103	0.53

J and D Healthcare proposes an agency that is not financially viable, and cannot be used for purposes of comparison with other applications. Please see **HKZ Group's** Comments in Opposition to the J and D Healthcare CON application.

Further, the CON applications submitted by UniHealth and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group's** Comments in Opposition to those CON applications.

HKZ Group projects the lowest ratio of net revenue to the average total operating cost per visit in the second operating year. The CON application submitted by **HKZ Group** 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 Mecklenburg 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
F-10008-12	Emerald Care – Branch Office	12	0	0	12
F-10004-12	Healthy @ Home - CMC - North Zone Office	4	0	0	4
F-10005-12	HKZ Group	3	0	0	3
F-10011-12	UniHealth	2	0	0	2
F-10007-12	Well Care	2	0	0	2
F-10006-12	AssistedCare	1	0	0	1
F-10010-12	Continuum	1	0	0	1
F-10003-12	Maxim	0	0	0	0
F-10001-12	Vizion One	0	0	0	0
F-10012-12	J and D Healthcare	0	0	0	0

The CON applications submitted by Emerald Care and Healthy @ Home – CMC are non-conforming with multiple CON Review Criteria. Please see **HKZ Group’s** Comments in Opposition to those CON applications.

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

Letters of Support for Application

Mecklenburg 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 Group** has two letters of support from a Mecklenburg County acute care hospital and a Mecklenburg County health care system.

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

CON Application	Applicant	Carolinas Healthcare System	Presbyterian Healthcare	Presbyterian Hospital Matthews
F-10005-12	HKZ Group	N	Y	Y
F-10004-12	Healthy @ Home – CMC – North Zone Office	Y	N	N
F-10006-12	AssistedCare	N	N	N
F-10010-12	Continuum	N	N	N
F-10008-12	Emerald Care – Branch Office	N	N	N
F-10012-12	J and D Healthcare	N	N	N
F-10003-12	Maxim	N	N	N
F-10011-12	UniHealth	N	N	N
F-10001-12	Vizion One	N	N	N
F-10007-12	Well Care	N	N	N

As shown in the previous table, only Healthy @ Home - CMC, which is owned by Carolinas Healthcare System, has a letter from Carolinas Healthcare System.

There are nine non-hospital owned applicants. Only **HKZ Group** has a letter from a Mecklenburg County acute care hospital and a hospital system.

Acute Care Hospitals in Counties Served by Related Entity of Applicant

As shown in the following table, **HKZ Group** has letters of support from two 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	CFVMC	Southeastern Regional	Other Hospital
F-10005-12	HKZ Group	Y	Y	N
F-10006-12	AssistedCare	N	N	N
F-10010-12	Continuum	N	N	N
F-10008-12	Emerald Care – Branch Office	N	N	N
F-10004-12	Healthy @ Home – CMC - North Zone Office	N	N	Y
F-10012-12	J and D Healthcare	N	N	N
F-10003-12	Maxim	N	N	N
F-10011-12	UniHealth	N	N	N
F-10001-12	Vizion One	N	N	N
F-10007-12	Well Care	N	N	N

None of the nine 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?
F-10005-12	HKZ Group	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
F-10006-12	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
F-10010-12	Continuum	No specific programs discussed - generic response about being a new provider with "fresh approach"
F-10008-12	Emerald Care – Branch Office	Home health psychiatric program supported by disease management program
F-10004-12	Healthy @ Home – CMC - North Zone	Part of a vertically-integrated health care system, substantial portion of patients are pediatric, operates an award-winning neonatal program, telemonitoring program for cardiac patients, Better Balance Fall Prevention Program, upcoming Diabetes Management program
F-10012-12	J and D Healthcare	Agency will be Medicare-certified, while existing agency is not Medicare-certified (it is a home care agency)
F-10003-12	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
F-10011-12	UniHealth	No specific programs discussed
F-10001-12	Vizion One	Will provide all 6 core services along with specialized clinical services (cardiac, diabetes, rehab, pain therapy, TPN, HIV/AIDs, Alzheimer's/Dementia, wound care, telehealth)
F-10007-12	Well Care	No specific programs discussed - generic response about a new provider

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.

HealthSync Pharmacy Program is a coordination of care program under which patients transitioning from an acute care hospital are connected to pharmacists affiliated with HealthKeeperz, Inc. who will review and synchronize each patient's medication to be delivered on one day each month, eliminating multiple trips to a retail pharmacy. In addition to the free delivery, each patient receives:

- A HealthKeeperz PocketCard containing emergency and physician contacts, current prescription information, and known allergies. This card is compact to fit in each patient's wallet and carry with him/her in the event of an emergency.
- Healthy Choices Program allowing each patient to choose a FREE item with his/her monthly delivery. Free items, such as rubbing alcohol, band-aids, vitamins, and more are HealthKeeperz way of helping patients to stay a little healthier and saying thank you.
- HealthSync Medication Report, a summary of a patient's current medications and prescription history will be sent to each patient's doctor every three months or sooner upon request to assist him/her in his/her efforts to stay current and provide each patient with the best care possible.

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. 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.

The HealthSync Pharmacy Program has been operational for three years, and focuses on the comorbid patient in order to decrease hospital re-admission. During the last several months, HealthKeeperz, Inc. tracked hospital inpatient admissions for patients participating in the HealthSync Pharmacy Program. From February through May 2012, less than 3% of all HealthSync patients have been hospitalized as reflected in the following table.

HealthSync Patients Admitted to Hospital

	February	March	April	May	Total (4 mo)
#HealthSync Patients	260	262	265	265	1,052
# Patient Hospitalized	8	10	3	8	29
Percent Hospitalized	3.08%	3.82%	1.13%	3.02%	2.76%

Source: CON Application F-10005-12, page 16

While the previous table reflects all payors, patients in the HealthSync Pharmacy Program are predominantly Medicare beneficiaries. Hospital re-admissions for the Medicare population in North Carolina exceeds 18%; nationally, it exceeds 19%¹⁵.

HealthKeeperz, Inc. has a physician who serves in an advisory role for its three existing agencies. That physician will serve in an advisory role for **HKZ Group**. The Management Service Agreement between **HKZ Group** and HealthKeeperz, Inc. includes compensation for the services of that physician.

Veterans Administration

North Carolina has about 766,000 veterans.¹⁶ The Salisbury VA Medical Center in Rowan County provides inpatient services to veterans in Mecklenburg and surrounding counties. In addition, the Charlotte Community Based Outpatient Clinic provides care to the over 50,000 veterans in Mecklenburg County¹⁷. 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 Group** intends to pursue a similar arrangement with the Veterans Administration services in Mecklenburg County and the Salisbury VA Medical Center to provide home health care services to veterans who are residents of the defined service area. **HKZ Group** will provide the services that each veteran needs, based on a service plan that each veteran, his/her family, and his/her VA health care provider develop.

In FY 2011, only one Medicare-certified home health agency in Mecklenburg County reported serving Veteran Administration patients, as shown in the following table.

**Mecklenburg Medicare-certified Home Health Agencies
Veteran Administration Clients as % of Total Clients
October 1, 2010 – September 30, 2011**

Agency	Payment Source	# Clients	% of Total Clients*
Home Health Professionals	VA	67	11.0%

CON Application F-10005-12, page 18

*Mecklenburg County Medicare-certified home health agencies reported serving a total of 16,165 clients in FY 2011 (page 4 of the Source: 2012 Home Health Agency Annual Data Supplement to License Application)

As shown in the previous table, **HKZ Group's** proposed service to Veteran Administration patients does not duplicate services in Mecklenburg County.

¹⁵ Kaiser Health Facts <http://www.statehealthfacts.org/profileind.jsp?cat=6&sub=80&rgn=35>

¹⁶ <http://www.newsobserver.com/2012/06/17/2143293/2-new-veterans-homes-to-open.html>

¹⁷ http://www.va.gov/vetdata/Veteran_Population.asp

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”
F-10005-12	HKZ Group	Native American population
F-10004-12	Healthy @ Home – CMC -North Zone Office	Pediatric population to include neonatal/premature babies
F-10006-12	AssistedCare	No specific population identified
F-10010-12	Continuum	No specific population identified
F-10008-12	Emerald Care – Branch Office	No specific population identified
F-10012-12	J and D Healthcare	No specific population identified
F-10003-12	Maxim	No specific population identified
F-10011-12	UniHealth	No specific population identified
F-10001-12	Vizion One	No specific population identified
F-10007-12	Well Care	No specific population identified

As shown in the previous table, **HKZ Group** is one of two applicants to identify an “underserved population” to which it will provide Medicare-certified home health services. Healthy @ Home is an existing Mecklenburg County agency providing services to a pediatric population that includes neonatal and premature babies.

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

Registered Nurse, Home Health Aide, and Licensed Practical Nurse Salaries in Project Year 2

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

Emerald Care projects the highest annual salary for a registered nurse, as shown in the following table.

Annual Salary for Registered Nurse – PY 2

CON Application	Applicant	Annual Salary
F-10008-12	Emerald Care – Branch Office	\$73,987
F-10003-12	Maxim	\$72,774
F-10011-12	UniHealth	\$72,420
F-10006-12	AssistedCare	\$71,070
F-10007-12	Well Care	\$70,967
F-10005-12	HKZ Group	\$70,627
F-10010-12	Continuum	\$65,938
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$64,951
F-10001-12	Vizion One	\$64,067
F-10012-12	J and D Healthcare	\$43,784

As shown in the previous table, **HKZ Group** projects an annual salary for a registered nurse that is less than 5% lower than Emerald Care.

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

Annual Salary for Home Health Aide – PY 2

CON Application	Applicant	Annual Salary
F-10003-12	Maxim	\$33,313
F-10011-12	UniHealth	\$32,895
F-10008-12	Emerald Care – Branch Office	\$32,493
F-10007-12	Well Care	\$32,188
F-10005-12	HKZ Group	\$30,810
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$30,363
F-10006-12	AssistedCare	\$29,870
F-10010-12	Continuum	\$21,532
F-10012-12	J and D Healthcare	\$20,828
F-10001-12	Vizion One	\$20,659

HKZ Group 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
F-10005-12	HKZ Group	\$48,269
F-10006-12	AssistedCare	\$45,423
F-10010-12	Continuum	\$43,627
F-10008-12	Emerald Care – Branch Office	\$40,035
F-10012-12	J and D Healthcare	\$39,574
F-10004-12	Healthy @ Home – CMC – North Zone Office	\$36,838
F-10003-12	Maxim	LPN not included in staffing plan
F-10011-12	UniHealth	LPN not included in staffing plan
F-10001-12	Vizion One	LPN not included in staffing plan
F-10007-12	Well Care	LPN not included in staffing plan

Physical Therapist, Occupational Therapist, and Speech Therapist Salaries in Project Year 2

Salaries are a significant contributing factor in recruitment and retention of staff. The following three tables compare the proposed annual salary for physical therapists, occupational therapists, and speech therapists in the second operating year.

Physical therapy drives the profitability of a Medicare-certified home health agency. **HKZ Group** projects the highest annual salary for a physical therapist among the 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
F-10005-12	HKZ Group	\$102,700
F-10008-12	Emerald Care – Branch Office	\$94,585
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$84,445
F-10010-12	Continuum	\$84,144
F-10006-12	AssistedCare	\$83,945
F-10007-12	WellCare	\$83,430
F-10003-12	Maxim	\$80,353
F-10001-12	Vizion One	\$79,310
F-10012-12	J and D Healthcare	\$43,739

Emerald Care projects the highest annual salary for an occupational therapist among the eight 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
F-10008-12	Emerald Care – Branch Office	\$83,785
F-10007-12	WellCare	\$83,430
F-10001-12	Vizion One	\$80,718
F-10006-12	AssistedCare	\$79,001
F-10010-12	Continuum	\$78,663
F-10003-12	Maxim	\$73,856
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$72,196
F-10012-12	J and D Healthcare	\$43,722

Emerald Care projects the highest annual salary for a speech therapist among the eight 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
F-10008-12	Emerald Care – Branch Office	\$112,828
F-10004-12	Healthy @ Home – CMC -North Zone Office	\$86,677
F-10003-12	Maxim	\$78,014
F-10006-12	AssistedCare	\$77,765
F-10007-12	WellCare	\$77,250
F-10010-12	Continuum	\$74,551
F-10001-12	Vizion One	\$70,740
F-10012-12	J and D Healthcare	\$43,722

Financial Proforma Comparison Project Year 2

The following tables compare the 10 applications on basic financial measures. Values highlighted in yellow represent the two projects at the high end of each comparative metric and values highlighted in blue represent the two projects at the low end of each comparative metric. As reflected in the following tables, **HKZ Group** is based upon reasonable assumptions in the middle of the range for each metric. They only metrics in which **HKZ Group** is highlighted are lowest revenue per patient visit, lowest net gain, and highest total cost as a percent of revenue.

Financial Proforma
Comparative Analysis

	Project Year 2										
	F-10001-12	F-10003-12	F-10004-12	F-10005-12	F-10006-12	F-10007-12	F-10008-12	F-10010-12	F-10011-12	F-10012-12	J and D
Unduplicated Patients	Vizion	Maxim	CMC - North	HKZ	Assisted	Well Care	Emerald	Continuum	UniHealth		
Total Patient Visits	325	503	2,993	395	352	542	476	492	549		92
Visit per Patient	8,125	9,499	47,780	8,578	6,159	11,268	12,570	8,556	11,527		1,482
	25.0	18.9	16.0	21.7	17.5	20.8	26.4	17.4	21.0		16.1
Net Revenue	\$ 1,140,200	\$ 1,528,574	\$ 7,008,529	\$ 1,224,203	\$ 931,653	\$ 1,740,941	\$ 1,937,522	\$ 1,610,678	\$ 1,752,640		\$ 1,664,138
Net Revenue per Patient	\$ 3,508.31	\$ 3,038.91	\$ 2,341.64	\$ 3,099.25	\$ 2,646.74	\$ 3,212.07	\$ 4,070.42	\$ 3,273.74	\$ 3,192.42		\$ 18,088.46
Net Revenue per Visit	\$ 140.33	\$ 160.92	\$ 146.68	\$ 142.71	\$ 151.27	\$ 154.50	\$ 154.14	\$ 188.25	\$ 152.05		\$ 1,122.90
Direct Cost	\$ 564,614	\$ 783,753	\$ 4,895,971	\$ 734,997	\$ 529,668	\$ 971,065	\$ 1,059,192	\$ 966,142	\$ 1,043,442		\$ 2,887,897
Direct Cost Per Patient	\$ 1,737.27	\$ 1,558.16	\$ 1,635.81	\$ 1,860.75	\$ 1,504.74	\$ 1,791.63	\$ 2,225.19	\$ 1,963.70	\$ 1,900.62		\$ 31,390.18
Direct Cost Per Visit	\$ 69.49	\$ 82.51	\$ 102.47	\$ 85.68	\$ 86.00	\$ 86.18	\$ 84.26	\$ 112.92	\$ 90.52		\$ 1,948.65
Direct Cost % Total Cost	53%	67%	72%	61.4%	62%	65%	64%	74%	61.0%		93%
Administrative Cost	\$ 503,393	\$ 391,953	\$ 1,897,679	\$ 461,683	\$ 329,621	\$ 523,840	\$ 599,491	\$ 333,420	\$ 667,742		\$ 228,500
Adm Cost Per Patient	\$ 1,548.90	\$ 779.23	\$ 634.04	\$ 1,168.82	\$ 936.42	\$ 966.49	\$ 1,259.43	\$ 677.68	\$ 1,216.29		\$ 2,483.70
Adm Cost Per Visit	\$ 61.96	\$ 41.26	\$ 39.72	\$ 53.82	\$ 53.52	\$ 46.49	\$ 47.69	\$ 38.97	\$ 57.93		\$ 154.18
Admin Cost % Total Cost	47%	33%	28%	38.6%	38.4%	35%	36%	26%	39.0%		7%
Total Cost	\$ 1,068,007	\$ 1,175,706	\$ 6,793,650	\$ 1,196,680	\$ 859,289	\$ 1,494,905	\$ 1,658,683	\$ 1,299,562	\$ 1,711,184		\$ 3,116,397
Total Cost Per Patient	\$ 3,286.18	\$ 2,337.39	\$ 2,269.85	\$ 3,029.57	\$ 2,441.16	\$ 2,758.13	\$ 3,484.63	\$ 2,641.39	\$ 3,116.91		\$ 33,873.88
Total Cost Per Visit	\$ 131.45	\$ 123.77	\$ 142.19	\$ 139.51	\$ 139.52	\$ 132.67	\$ 131.96	\$ 151.89	\$ 148.45		\$ 2,102.83
Total Cost % Net Revenue	94%	77%	97%	97.8%	92%	86%	86%	81%	97.6%		187%
Gain (Loss)	\$ 72,193	\$ 352,868	\$ 214,879	\$ 27,523	\$ 72,364	\$ 246,036	\$ 278,839	\$ 311,116	\$ 41,456		\$ (1,452,259)
Gain (Loss) Per Patient	\$ 222.13	\$ 701.53	\$ 71.79	\$ 69.68	\$ 205.58	\$ 453.94	\$ 585.80	\$ 632.35	\$ 75.51		\$ (15,785.42)
Gain (Loss) Per Visit	\$ 8.89	\$ 37.15	\$ 4.50	\$ 3.21	\$ 11.75	\$ 21.83	\$ 22.18	\$ 36.36	\$ 3.60		\$ (979.93)
Gain (Loss) % Revenue	6.3%	23.1%	3.1%	2.2%	7.8%	14.1%	14.4%	19.3%	2.4%		-87.3%

Notes:

Blue shaded cells indicate two lowest of the applicants for a particular metric of comparison

Yellow shaded cells indicate the two highest of the applicants for a particular metric of comparison

J and D Healthcare was not included for purposes of comparison with the other applicants because the project is not financially feasible.

Visits and unduplicated patients are not adjusted for any of the discrepancies and other issues identified in the individual Comments in Opposition submitted by HKZ Group