



In accordance with N.C.G.S. 131E-185 (1), the following are comments submitted by Carolinas Medical Center at Home, LLC d/b/a Healthy@Home – Carolinas Medical Center, LLC ("H@H-CMC") and The Charlotte-Mecklenburg Hospital Authority ("CMHA"). H@H-CMC and CMHA submitted Project ID#F-010004-12 for the expansion of an existing home health agency in Mecklenburg County to create a new office. Throughout this document the applicants, H@H-CMC and CMHA, will be referred to collectively as H@H-CMC. H@H-CMC is filing comments in opposition to the following applications:

- Project I.D. #F-010006-12 Assisted Care of the Carolinas ("Assisted Care")
- Project I.D. #F-010010-12 Continuum Home Care of Charlotte ("Continuum")
- Project I.D. #F-010008-12 Emerald Care ("Emerald Care")
- Project I.D. #F-010005-12 HealthKeeperz of Mecklenburg ("HealthKeeperz")
- Project I.D. #F-010012-12 J and D Health Care Services ("J and D")
- Project I.D. #F-010003-12 Maxim Healthcare Services ("Maxim")
- Project I.D. #F-010011-12 UniHealth Home Health ("UniHealth")
- Project I.D. #F-010010-12 Vizion One, Inc. ("Vizion")
- Project I.D. #F-010007-12 Well Care Home Health of Mecklenburg ("Well Care")

### I. Overview

These comments include a comparative analysis of all applicants followed by comments regarding each application in relation to the Review Criteria. Based on the analyses included, we believe the Agency will find that numerous applicants are not approvable based on their failure to conform to numerous review criteria. This comparative analysis *clearly demonstrates that H@H-CMC is the best applicant* to meet the need identified in the 2012 SMFP for Mecklenburg County based on the following factors:

- H@H-CMC is by far the most financially accessible applicant projecting the highest level of visits to Medicaid, indigent/charity and self-pay patients. H@H-CMC also projects to provide the highest level of combined Medicaid, indigent/charity, self- pay, and Medicare visits of all applicants.
- H@H-CMC has the greatest demonstrated support for its project presenting over 100 letters of support from providers within the service area.

- H@H-CMC has the most competitive charges of all applicants.
- H@H-CMC's total agency projects the lowest gross revenue and net reimbursement per patient visit. This is based on H@H-CMC's low charges by discipline and high percentage of service to Medicaid patients, which are reimbursed at a comparatively low rate.
- H@H-CMC projects among the highest percent of skilled care compared to all applicants.
- H@H-CMC's projected percent of care to Medicare patients and its projected Medicare recertification rate are consistent with the experience of existing services to Mecklenburg County residents.
- H@H-CMC's total agency projects the lowest gross revenue per visit and lowest overall charges by discipline.
- H@H-CMC is the most effective alternative with respect to lowest direct and total cost based on reasonable levels of staffing and consideration of all costs required to implement a new office in Mecklenburg County.
- H@H-CMC projects a lower number of staff patient visits per day by discipline and longer patient visits resulting in a greater level of direct patient care.
- H@H-CMC provides a vast range of unique patient programs and services including pediatric and women's services, which are not offered by many of the applicants.

Based on these factors, H@H-CMC should be approved for a new home health agency office in Mecklenburg County and meet all review criteria.

The CON Section has an opportunity to approve two applicants in this batch based on an unmet need for 675 patients in Mecklenburg County in 2013. The choice of two applicants will allow for balance within the market between various types of providers and applicants. H@H-CMC presents a unique application to approve in the market for the following reasons:

- H@H-CMC is the only not-for-profit applicant.
- H@H-CMC is the only hospital-based applicant.
- H@H-CMC is the only applicant that operates as part of a full continuum of care from primary care, to tertiary acute care, and post-acute services, and
- H@H-CMC is one of only two applicants that is seeking approval for expansion of an existing agency and is thus, uniquely knowledgeable about the needs of the service area.

H@H-CMC believes the approval of H@H-CMC along with one new, for-profit, non-hospital applicant would provide the greatest balance for future home health services in Mecklenburg County.

The following applicants have serious flaws in their projections and/or documentation deficiencies and cannot be approved:

• J and D

Well Care

Vizion

Assisted Care

HealthKeeperz

Continuum

Maxim

The remaining applicants, Emerald Care and UniHealth, are approvable,; however, they are less effective than H@H-CMC for the following reasons:

Emerald Care is less effective than H@H-CMC based on the following:

- Less financial accessibility in terms of Medicaid and indigent/charity care volume,
- Low level of projected incremental volume for the new offices does not the meet need identified in the SMFP,
- High recertification rates that exceed the experience of existing Mecklenburg County providers on average, and
- High project costs and operating cost for small incremental utilization.

<u>UniHealth</u> is less effective than H@H-CMC based on the following:

- Less financial accessibility in terms of Medicaid and indigent/charity care volume,
- High projected charges by discipline and high gross revenue,
- Higher cost per patient than H@H-CMC, and
- Inconsistency in demand forecast, referral data, and projected utilization.

For these reasons, H@H-CMC is the most effective applicant and should be approved.

### II. Comparative Review:

### **Project Costs**

The following table compares the project costs of the applicants by total project costs, working capital, total capital costs, cost per patient (Year 2) and cost per visit (Year 2).

Applicant:	Project Costs	Working Capital	Total Capital Costs		Cost per Year 2 Patients	Cost per Year 2 Visits
Н@Н-СМС	\$ 450,000	\$ 600,000	\$ 1,050,000	\$	350.82	\$ 21.98
AssistedCare	\$ 31,874	\$ 407,187	\$ 439,061	\$	1,247.33	\$ 71.29
Continuum	\$ 92,270	\$ 290,391	\$ 382,661	\$	777.77	\$ 44.72
Emerald Care	\$ 111,713	\$ 166,921	\$ 278,634	\$	585.37	\$ 22.17
HealthKeeperz	\$ 62,400	\$ 153,592	\$ 215,992	\$	546.82	\$ 25.18
J and D*	\$ 6,000	\$ 50,000	\$ 56,000	· \$	608.70	\$ 35.02
Maxim	\$ 65,000	\$ 225,000	\$ 290,000	\$	576.54	\$ 30.53
UniHealth	\$ 196,196	\$ 711,168	\$ 907,364	\$	1,655.77	\$ 78.72
Vizion	\$ 115,099	\$ 461,303	\$ 576,402	\$	1,773.54	\$ 70.94
Well Care	\$ 110,000	\$ 550,000	\$ 660,000	\$	1,116.75	\$ 58.57

<sup>\*</sup>J and D does not provide sufficient capital cost to develop the proposed agency.

Due to H@H-CMC having to show both incremental and existing costs, the applicant appears to have considerably higher costs than the other applicants. However, when these costs are broken down by the number of patients and visits for the second year of operation, H@H-CMC's application projects the lowest costs. Therefore, the application submitted by H@H-CMC is the most effective with regard to project costs.

### Letters of Support

The number of letters of support an applicant receives for its proposed project supports its ability to meet the projected utilization and demand.

As shown in the table below, H@H-CMC has overwhelmingly documented that its project has the support of affected persons. This has been demonstrated by three major factors. First, H@H-CMC has submitted the most physician letters with documented referral numbers and the second-highest number of physician letters of support for its project. Next, H@H-CMC submitted the most letters of support from other healthcare professionals. H@H-CMC also received a significant number of letters of support from the community.

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Summary of CON Support by Applicant

	Н@Н-	Assisted	ż	Emerald	Health					
Applicant Name:	CMC	Care	Continuum	Care	Keeperz	J and D	Maxim	UniHealth	Vizion	Well Care
Physicians:	37	1	1	41	0	2	8	2	3	3
Letters indicating referrals:	10	1	1	40			8	0	ß	0
Other Healthcare Professionals:	56	6	9	17	9	-	0	8	2	13
Letters indicating referrals:	12	2	9	15	2	,		4	1	7
Community Letters:	18	5	0	0	0		5	13	11	1
Politician:	111	15	7	58	9	3	13	23	16	17

Note: Only includes letters of support submitted in original application.

### Projected Access by Medicaid and Charity Care Patients

The percentage of visits to Medicaid patients and Charity Care/Indigent/Self-Pay Patients in the second year of operation as projected by each applicant are compared in the following table.

		Charity/ Indigent &	Total
	Medicaid %	Self Pay %	Underserved
Н@Н-СМС	23.4%	2.3%	25.7%
AssistedCare	8.2%	0.9%	9.1%
Continuum	8.17%	0.90%	9.1%
Emerald Care	7.4%	0.4%	7.8%
HealthKeeperz	14.9%	Not Listed	14.9%
J and D	0.0%	1.0%	1.0%
Maxim	8.7%	0.4%	9.1%
UniHealth	9.2%	1.04%	. 10.2%
Vizion	12.95%	1.40%	14.4%
Well Care	14.48%	0.11%	14.6%

As shown in the table above, H@H-CMC projects by far the highest percentage of total visits provided to Medicaid recipients as well as the highest percentage of total visits provided to Charity Care/Indigent/Self-Pay patients. Therefore, H@H-CMC clearly projects the highest percentage of total underserved. J and D projects the lowest percentage of total underserved. As shown above, H@H-CMC projects to serve 10 percent more of its total visits to the underserved when compared to the closest competitor, Well Care. Thus, the application submitted by H@H-CMC is the most effective alternative with regard to access by the underserved population by a significant margin.

### Average Number of Visits per Unduplicated Patient

The CON Section often assesses the average number of visits per unduplicated patient projected by each applicant. However, this measure cannot be evaluated in isolation. Several factors influence the visits per patient, including the Medicare recertification rate and percentage of Medicare patients, which tend to result in higher visits per patient. In addition, a high rate of Medicaid provision often results in lower visits per patient. The majority of home health care services are covered by Medicare, which does not reimburse on a per visit basis and thus, providers must manage care on an episodic basis. More visits per episode is not necessarily an indicator of better care or better outcomes.

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. It also compares the percentage of Medicare and Medicaid visits for each applicant along with the projected Medicare recertification rate. Historically, higher visits per patient have been seen as a positive; however, there are several factors that influence visits per patient that must also be evaluated. These include: the percent of skilled care visits provided, the percent of Medicaid visits provided, and Medicare utilization including recertification rates. Some of these factors have also been included in the table below.

	# of Unduplicated Patients	# of Projected Visits	# of Visits	Medicare % of Visits	Medicaid % of Visits	Medicare ReCerts
H@H-CMC (Incremental	2 0020	, 1010	<u> </u>	7 25 20	, 1510	
- North)	513	8,208	16.0	72.0%	15.2%	1.39
H@H-CMC (North)	2,993	47,780	16.0	72.0%	15.2%	1.39
H@H-CMC (Total)	6,178	98,495	15.9	70.0%	15.2%	1.39
AssistedCare	352	6,159	17.5	67.7%	8.2%	*
Continuum	492	8,556	17.4	67.8%	8.2%	1.52
Emerald Care (Total)	2,273	61,584	27.1	77.9%	7.4%	1.70
Emerald Care (New)	476	12,570	26.4	77.9%	7.4%	1.70
Emerald Care	, ,					·
(Incremental)	275	7,262	26.4	NA	NA	NA
HealthKeeperz	395	8,578	21.7	66.8%	14.9%	**
J and D	92	1,599	17.4	89.0%	0.0%	1.00
Maxim	503	9,499	18.9	80.9%	8.7%	1.33
UniHealth	548	11,527	21.0	79.4%	9.2%	1.37
Vizion	325	8,125	25.0	52.9%	13.0%	1.55
Well Care	591	11,268	19.1	72.4%	14.5%	1.33
Mecklenburg County			22.1	69.1%	9.0%	1.33

<sup>\*</sup>Medicare recertification rate is not provided but estimated to be 1.16, well below the county average.

Higher Medicare utilization (percent of visits) and Medicare recertification rates tend to increase visits per patient. Agencies providing a higher percentage of unskilled HHA visits also tend to have higher visits per patient, which not indicative of higher quality or better outcomes. Higher Medicaid utilization also reduces the number of visits per patient. Most relevant is fact that North Carolina DMA has significantly restricted the number of skilled therapy visits paid for by Medicaid for outpatient and home health patients. As of January 2012, DMA will only pay for a limited number of therapy visits and evaluations. (Please see Attachment B.)

<sup>\*\*</sup> Recertification rate for Medicare patients is not provided.

www.ncdhhs.gov/dma/mp/8f.pdf

As shown in the table above, Emerald Care projects the highest number of visits per patient. However, it also has the highest ratio of Medicare re-certifications, for which Medicare pays an additional episode of care. With nearly 70 percent projected Medicare patients, such a high recertification rate will inflate the number of visits per patient. Emerald Care's recertification rate of 1.7 percent is much higher than the Mecklenburg County average. Vizion and Continuum also have recertification rates that are higher than the average for Mecklenburg County.

Emerald Care, along with J and D, Maxim, and UniHealth also project a greater percentage of Medicare visits than the Mecklenburg County average, which would typically explain the higher visits per patient.

H@H-CMC projects recertification rates and Medicare percentages in line with the county average and a much greater percentage of Medicaid visits. The visits per patient average for H@H-CMC are skewed lower due to the volume of Medicaid patients it projects to serve as Medicaid payment for skilled therapy visits are significantly limited to as few as 1 evaluation visit and 3 therapy visits for most diagnoses. H@H-CMC projects the highest percentage of Medicaid services of any applicant. Additionally, H@H-CMC's projections are based on its historical experience providing home health services in the Mecklenburg County and the surrounding areas.

<sup>&</sup>lt;sup>2</sup> www.ncdhhs.gov/dma/bulletin/0112bulletin.htm.

### Percent of Visits by Discipline

The percent of visits by discipline for the second year of operation were compared for each applicant by dividing the visit for each discipline by the total number of projected visits.

		Home Health					Total Skilled
	Nursing	Aide	PT	OT	ST	MSW	Care
H@H-CMC (North)	51%	6%	33%	7%	1%	2%	94%
AssistedCare	57%	7%	27%	4%	3%	1%	93%
Continuum	46%	6%	36%	8%	3%	1%	94%
Emerald Care	41%	5%	42%	6%	2%	4%	95%
HealthKeeperz (New)	52%	7%	32%	6%	2%	0%	93%
J and D	11%	23%	39%	20%	5%	2%	77%
Maxim	46%	6%	36%	8%	2%	1%	94%
UniHealth	47%	8%	33%	10%	_ 1%	0%	92%
Vizion	46%	7%	36%	8%	2%	1%	93%
Well Care	59%	7%	25%	6%	2%	1%	93%

As shown in the table above, Emerald Care projects the highest percent of skilled visits. However, the applicant projects the second lowest percentage of nursing visits and by far the highest percent of Physical Therapy visits.<sup>3</sup> Well Care projects the highest percent of nursing visits but the lowest percent of PT visits. However, Well Care does not provide sufficient staffing to support the proposed agency.

J and D projects the lowest percentage of skilled visits of all applicants and it appears that with 23 percent home health aide visits, that J and D is not familiar with the experience of existing Mecklenburg County providers or the CMS requirements for provision of skilled care.

H@H-CMC, Continuum, and Maxim project the next highest percentage of skilled visits. Maxim, however, does not provide sufficient staffing to support the proposed agency. Therefore, the applications submitted by H@H-CMC and Continuum, which have the highest level of skilled visits, are the most effective alternative regarding percent of visits by discipline.

<sup>&</sup>lt;sup>3</sup> The Senate Finance Committee released a report in September 2011 describing the Committee's findings based on an investigation into Amedisys (Emerald Care's parent), LHC Group, Gentiva, and Almost Family, four of the largest publicly-traded home health care companies. The Committee alleges that home health care companies "gamed" the Medicare reimbursement system for therapy visits to the homes of eligible Medicare beneficiaries

### Projected Gross Charges

Gross charges, while not paid by most insurers, do impact some negotiated rates and may impact the accessibility of services to self-pay patients. Charges may also impact patient deductibles or the portion of payment for which individuals may be responsible. The following table presents a comparison of the applicants stated charges per visit by discipline. J and D projects the lowest total charges; however, other inaccuracies with its financial projections raise questions regarding the validity of these data. H@H-CMC generally projects the second lowest overall charges, which are based on the actual charges currently in place at H@H-CMC. Maxim's charges are the next lowest. AssistedCare projects the highest level of charges in most categories, though UniHealth's charges are comparable to those of AssistedCare.

Gross Charge per		Но	me Health				Me	dical Social
Visit:	Nursing		Aide	PT	OT	ST		Work
Н@Н-СМС	\$ 125.00	\$	60.00	\$ 125.00	\$ 125.00	\$ 125.00	\$	165.00
AssistedCare	\$ 169.00	\$	82.00	\$ 180.00	\$ 169.00	\$ 169.00	\$	327.00
Continuum	\$ 155.00	\$	98.00	\$ 155.00	\$ 155.00	\$ 155.00	\$	155.00
Emerald Care	\$ 125.00	\$	65.00	\$ 141.00	\$ 142.00	\$ 142.00	\$	186.00
HealthKeeperz	\$ 130.00	\$	65.00	\$ 145.00	\$ 145.00	\$ 145.00	\$	190.00
J and D	\$ 102.63	\$	46.95	\$ 108.86	\$ 108.86	\$ 108.86	\$	102.63
Maxim	\$ 125.00	\$	70.00	\$ 130.00	\$ 130.00	\$ 130.00	\$	175.00
UniHealth	\$ 165.00	\$	65.00	\$ 175.00	\$ 175.00	\$ 175.00	\$	195.00
Vizion	\$ 160.00	\$	90.00	\$ 165.00	\$ 165.00	\$ 165.00	\$	180.00
Well Care	\$ 135.00	\$	70.00	\$ 135.00	\$ 145.00	\$ 145.00	\$	350.00

### Gross and Net Revenue per Visit

The gross and net revenue per visit in the second year of operation were calculated by dividing the projected gross revenue and net revenue from Form B by the projected number of visits from Section IV.

	# of Visits	Gross Revenue	Gross Revenue per Visit	Net Revenue	Net Revenue per Visit
H@H-CMC (North)	47,780	\$7,551,470	\$158.05	\$6,931,041	\$145.06
H@H-CMC (Total)	98,495	\$14,051,186	\$142.66	\$13,740,581	\$139.51
AssistedCare	6,159	\$1,105,895	\$179.56	\$931,653	\$151.27
Continuum	8,556	\$1,296,768	\$151.56	\$1,610,678	\$188.25
Emerald Care (New)	12,570	\$ 2,141,846	\$170.39	\$ 1,977,666	\$157.33
Emerald Care (Total)	61,584	\$10,154,928	\$164.90	\$9,509,999	\$154.42
HealthKeeperz	8,578	\$1,323,127	\$154.25	\$1,224,203	\$142.71
J and D	1,599	\$1,664,137	\$1,040.74	\$1,664,137	\$1,040.74
Maxim	9,499	\$1,632,535	\$171.86	\$1,528,574	\$160.92
UniHealth	11,527	\$2,153,122.61	\$186.79	\$1,752,641	\$152.05
Vizion	8,125	\$1,399,254	\$172.22	\$1,140,200	\$140.33
Well Care	11,268	\$1,883,516	\$167.16	\$1,740,941	\$154.50

As shown in the table above, H@H-CMC (Total Agency) projects the lowest gross revenue per visit and lowest net revenue per visit. H@H-CMC's projections were based on its experience providing home health services in the Mecklenburg County area. Continuum projects the second lowest gross revenue per visit. However, there is an inconsistency with its financial projections, as its net revenue is projected to be higher than its gross revenue. AssistedCare, Emerald Care, Maxim, UniHealth, Vizion and Well Care all project significantly higher gross revenue per visit than H@H-CMC. UniHealth projects the highest gross revenue per patients. J and D's projected revenue per visit do not appear to be calculated correctly. Thus, the application submitted by H@H-CMC is the most effective alternative with regard to gross revenue and net revenue per visit.

### Average Total Cost and Direct Cost per Visit

The average total cost and direct care cost per visit in the second operating year were calculated by dividing projected total operating cost and direct care expenses from Form B by the total number of home health visits from Section IV, as shown in the table below. While lower total costs may be viewed as a positive, higher direct care costs are reflective of more direct patient care provided by sufficient levels of staffing.

					Average	Direct Costs
		Total Operating	Average Total	Direct Care	Direct Cost	as % of
	# of Visits	Cost	Cost per Visit	Costs	per Visits	Total Cost
H@H-CMC (North)	47,780	\$6,793,650	142.19	\$4,895,971	102.47	72.1%
H@H-CMC (Total)	98,495	\$14,230,721	144.48	\$10,031,834	101.85	70.5%
AssistedCare	6,159	\$859,289	139.52	\$529,668	86.00	61.6%
Continuum	8,556	\$1,299,562	151.89	\$966,142	112.92	74.3%
Emerald Care (Total)	61,584	\$7,895,655	128.21	\$5,339,002	86.69	67.6%
Emerald Care (New)	7,262	\$1,419,673	195.49	\$918,474	126.48	64.7%
HealthKeeperz	8,578	\$1,196,680	139.51	\$734,997	85.68	61.4%
J and D	1,599	\$1,464,928	916.15	\$1,278,863	799.79	87.3%
Maxim	9,499	\$1,175,706	123.77	\$783,753	82.51	66.7%
UniHealth	11,527	\$1,711,184	148.45	\$1,043,442	90.52	61.0%
Vizion	8,125	\$1,068,007	131.45	\$564,614	69.49	52.9%
Well Care	11,268	\$1,494,904	132.67	\$971,065	86.18	65.0%

<sup>\*</sup>Costs are understated as staffing projections are insufficient to provide projected levels of care.

J and D projects the highest average total cost per visit and average direct cost per visit, which are substantially higher than any other applicant. It does not appear that J and D has accurately presented their costs. Emerald Care's new office projects the next highest costs for its new office. Emerald Care's projections of costs per visit for its new office versus total agency are not aligned. Further costs for the new agency are high reflecting the fact that costs are spread over low incremental patient volume.

Maxim, Vizion, Well Care, Assisted Care, and HealthKeeperz project the lowest total cost per visit in the second year of operation. However, each of these applicants also fails to provide sufficient staff to meet their projected utilization and staffing assumptions; therefore, the projected costs are unreliable. H@H-CMC's total costs per visit are the next lowest and are based on actual operational experience in Mecklenburg County. UniHealth's projections are a little higher than H@H-CMC.

The measure of direct costs as a percentage of total costs provides a measure of the amount of cost spent in the provision of direct care versus administrative overhead. H@H-CMC has the highest percentage of total costs allocated to direct care other than J and D, which is not based on accurate projections. Based on all of these factors, H@H-CMC is most effective alternative.

### Average Administrative Cost per Visit

The average administrative cost per visit in the second operating year was calculated by dividing projected indirect/administrative cost from Form B by the total number of home health visits from Section IV, as shown in the table below. Lower administrative costs reflect more cost effective operation.

		Indirect/	Average
:		Administrative	Administrative
	# of Visits	Costs	Costs per Visit
H@H-CMC (North)	47,780	\$1,897,679	39.72
AssistedCare	6,159	\$329,621	53.52
Continuum	8,556	\$333,420	38.97
Emerald Care (New)	7,262	\$501,199	. 69.02
HealthKeeperz	8,578	\$461,683	53.82
J and D	1,599	\$186,065	116.36
Maxim	9,499	\$391,953	41.26
UniHealth	11,527	\$667,742	57.93
Vizion	8,125	\$503,392	61.96
Well Care	11,268	\$523,840	46.49

As shown in the table above, Continuum and H@H-CMC project the lowest average administrative cost per visit in the second year of operation. However, Continuum projects a substantial financial loss in the first year of operation and it is not clear whether this loss can be overcome in year 2. Maxim projects relatively low administrative costs; however, Maxim does not appear to project sufficient levels of administrative staffing. AssistedCare, HealthKeeperz, UniHealth, Emerald Care, and Vizion all project significantly higher administrative costs per visit in comparison to H@H-CMC. H@H-CMC will be able to capitalize on its existing organization to effectively and efficiently provide home health services. Therefore, the application submitted by H@H-CMC 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 of the revenue to total operating costs in the table below was calculated by dividing the net revenue per visit by the average total operating cost per visit. This ratio is a measure of overall profitability of each applicant. Continuum, Emerald Care, Maxim, and Well Care project high levels of profitability, which reflect either high charges or that expenses have been underestimated. H@H-CMC, HealthKeeperz, and UniHealth projected the lowest ratio of net revenue to the average total operating cost per visit in the second operating year. However, HealthKeeperz does not adequately consider all required cost, including administrative costs, and thus its projections are unreliable. While UniHealth's ratio of Net Revenue to Average Cost is the same as H@H-CMC, its Net Revenue and Average Costs are significantly higher than H@H-CMC. H@H-CMC adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. The application submitted by H@H-CMC is the most effective alternative with regard to the lowest ratio of net revenue per visit to the average total operating cost per visit.

	:		Average	Ratio of
		Net Revenue	Cost per	Net
		per Visit (Year	Visit (Year	Revenue to
	# of Visits	2)	2)	Total Cost
Н@Н-СМС	47,780	145.06	142.19	1.02
AssistedCare	6,159	151.27	139.52	1.08
Continuum	8,556	188.25	151.89	1.24
Emerald Care				
(New)	61,584	157.33	128.21	1.23
HealthKeeperz	8,578	142.71	139.51	1.02
J and D	1,599	1,040.74	916.15	1.14
Maxim	9,499	160.92	123.77	1.30
UniHealth	11,527	152.05	148.45	1.02
Vizion	8,125	140.33	131.45	1.07
Well Care	11,268	154.50	132.67	1.16

### Salaries by Position

While it is important to assess the reasonableness of projected salaries, the level of benefits must also be taken into consideration as well as the actual prevailing market rates. The salaries by position for H@H-CMC are based on the going rate for each position in the Mecklenburg County market. All H@H-CMC positions are employed staff; it will not be utilizing contracted staff. Additionally, as shown below, H@H-CMC offers the highest benefit percentage of all the applicants. In some cases, the variance in benefits percentage is significant. H@H-CMC is affiliated with one of the largest employers in the region. With the exception of Emerald Care and J and D, all projected salaries per position are in a similar range and should be competitive in the market. The salary projections made by J and D are unrealistically high. Emerald Care projects salaries that are more realistic but on the very high end of the range of the other applicants, which suggests unnecessary cost of care.

		Registered				Physical	0	Occupational		Speech		Medical		
		Nurse		LPN		Therapist		Therapist	L	Therapist	Soci	Social Work   Administrator	Admi	nistrator
H@H-CMC (North)	↔	64,591	8	36,838	\$	84,445	8	72,196	\$	86,677	8	42,742	8	87,511
AssistedCare	8	71,070	8	45,423	8	83,945	8	79,001	\$	77,765	8	51,888	8	76,220
Continuum	8	65,938	8	43,627	S	84,144	↔	78,663	S	74,551	8	55,274	S	86,529
Emerald Care	\$	73,987	8	40,035	\$	94,585	8	83,785	 \$	112,828	8	86,872	\$	81,600
HealthKeeperz	8	70,627	8	48,269	8	102,700		\$77 per hr*	\$7.	\$77 per hr*		(a)	8	87,295
J and D	\$	58,233	8	92,207	89	203,826	↔	145,593	8	58,233	↔	7,276	8	62,400
Maxim	8	72,774	8	•	S	82,362	S	75,702	8	79,964	↔	49,395	S	92,250
UniHealth	8	72,420	8	•		\$75 per hr*		\$75 per hr*	\$75	\$75 per hr*	8	51,000	8	81,600
Vizion	S	64,067	S	1	8	79,310	8	80,718	S	70,740	↔	45,917	8	79,950
Well Care	S	70,967	8	43,775	8	83,430	8	77,250	8	77,250	8	46,350	8	79,310
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\*Contracted

(a) HealthKeeperz does not provide a contract rate for MSW.

Benefits Percent

	Calculated in	
	Form B	
H@H-CMC	24.5%	
AssistedCare	21.0%	
Continuum	17.9%	
Emerald Care	18.0%	
HealthKeeperz	23.0%	
J and D*	NA	۔ ۔
Maxim	16.0%	
UniHealth	23.0%	
Vizion	12.0%	
Well Care	22.0%	

### Hours per Visit per Staff

Hours per visit can be calculated based on data from Tables IV.2 and VII.2. A higher level of hours per visit indicates more time available for direct patient care. H@H-CMC, Continuum, UniHealth provide the highest hours per visit. AssistedCare, HealthKeeperz, Vizion, and Well Care project the lowest hour per visits. However, taking these figures into consideration, many applicants have not projected ample staffing. Please see detailed comments on each applicant.

			Physical			Medical
	Registered		Therapist/	Occupational	Speech	Social
	Nurse/LPN	HHA	LPTA	Therapist/COTA	Therapist	Work
H@H-CMC (North)	1.83	1.75	1.91	1.63	3.16	2.59
AssistedCare	1.40	1.18	1.97	2.85	1.09	0.73
Continuum	1.96	1.93	1.74	1.94	2.28	NA
Emerald Care	1.76	1.73	1.75	1.74	1.86	1.68
HealthKeeperz	1.54	1.67	1.50	1.52	1.38	2.45
J and D*	NA	NA	NA	`NA	NA	NA
Maxim	1.78	1.79	1.65	1.95	1.77	4.08
UniHealth	1.91	1.76	1.60	1.60	NA	NA
Vizion	1.60	1.59	1.60	1.59	1.56	2.51
Well Care	1.63	1.58	1.48	1.54	1.66	3.68

<sup>\*</sup>J and D did not provide adequate information to determine visits per FTE per day.

### Visits per FTE per Day

Visits per FTE per Day was calculated by dividing the visits for each discipline by the number of FTEs for each discipline. Visits per FTE per day can be calculated based on data from Tables IV.2 and VII.2. A lower level of visits per FTE indicates more time spent providing direct patient care. H@H-CMC, Continuum, UniHealth provide the lowest visits per FTE. AssistedCare, HealthKeeperz, Vizion, and Well Care project the highest visits per FTE. The lower visit per FTE rates do not mean that the providers are inefficient and may in fact indicate that applicants not project visits of sufficient duration or fully consider travel time required in congested Mecklenburg County. By comparison, H@H-CMC actual experience with patient care and travel in Mecklenburg County was utilized to ensure that all of its projections were realistic and attainable.

	Registered Nurse/LPN	ННА	Physical Therapist/ LPTA	Occupational Therapist /COTA	Speech Therapist	Medical Social Work
H@H-CMC (North)	4.54	4.75	4.35	5.11	2.64	3.21
AssistedCare	5.96	7.06	4.22	2.92	7.64	11.47
Continuum	4.24	4.30	4.78	4.29	3.65	0.77
Emerald Care	4.72	4.81	4.74	4.79	4.46	4.94
HealthKeeperz	5.40	4.98	5.54	5.46	6.04	3.40
J and D*	NA	NA	NA	NA	NA	NA
Maxim	4.67	4.66	5.03	4.26	4.70	2.04
UniHealth	4.36	4.73	5.20	5.20	NA	0.63
Vizion	5.20	5.23	5.19	5.23	5.32	3.31
Well Care	5.11	5.26	5.63	5.41	5.00	2.26

<sup>\*</sup>J and D did not provide adequate information to determine visits per FTE per day.

### **Overall Comparative Assessment**

The following table summarizes the data-driven comparative analysis presented above to provide an overall view of the effectiveness of all of the applicants across a wide variety of measures. Based on this summary, it is clear that H@H-CMC is the most effective applicant to meet the need identified in Mecklenburg County for home health services.

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	н@н-смс	AssistedCare	Continuum	Emerald Care	Health Keeperz	J and D	Maxim	UniHealth	Vizion	Well Care
Project Cost	Most Effective	Not effective <sup>(1)</sup>	Effective	Effective	Not effective <sup>(1)</sup>	Not effective <sup>(1)</sup>	Not effective <sup>(1)</sup>	Effective	Effective	Effective
Letters of Support	Most Effective	Less Effective	Not effective	Effective	Notelective	Not effective	Less Effective	Effective <sup>(2)</sup>	Less Effective	Less Effective
Accessibility	Most Effective	Less Effective	Less Effective	Less Effective	Effective	Not effective	Less Effective	Less Effective	Effective	Effective
Visits per Patient	Effective	Effective	Not effective <sup>G)</sup> Not effective <sup>G</sup>	Not effective <sup>(3)</sup>	Effective	Not effective	Effective	Effective	Not effective (3)	Effective
Skilled Visit %	Most Effective	Effective	Most Effective	Effective <sup>(4)</sup>	Effective	Not effective	Most Effective	Effective	Effective	Effective
Charges	Most Effective	Less Effective	Effective	Effective	Effective	Not effictive <sup>(5)</sup>	Most Effective	Less Effective	Effective	Effective
Gross & Net Revenue per Visits	Most Effective	Effective	Not effective	Effective	Effective	Not effective	Effective	Less Effective	Effective	Effective
Direct Cost	Effective	Less Effective <sup>(6)</sup>	Effective	Less Effective <sup>(7)</sup>	Less Effective <sup>(6)</sup>	Not effective	Less Effective <sup>(6)</sup>	Effective	Less Effective <sup>(6)</sup>	Not effective
Total Cost	Most Effective	Effective	Effective	Not effective	Effective	Not effective	Effective	Effective	Effective	Effective
Administrative Cost	Most Effective	Effective	Effective	Less Effective	Effective	Not effective	Effective	Effective	Less Effective	Effective
Ratio of Net Revenue to Cost	Most Effective	Effective	Less Effective	Less Effective	Effective	Not effective	Less Effective	Effective	Effective	Less Effective
Salaries & Benefits	Effective	Effective	Effective	Less Effective <sup>(8)</sup>	Effective	Not effective	Effective	Effective	Effective	Effective
Staffing	Effective	Less Effective	Effective		Less Effective	Not effective	Effective	Effective	Less Effective	Less Effective

(1) Projects do not appear to include all required capital costs.

(2) UniHealth has a reasonable number of letters of support; however, referral volumes appear to be inconsistent with market demand

(3) High number of visits per patient; however, Medicare recertifications are unusually high compared to Mecklenburg County experience.

(4) Emerald care has an unusual high percentage of therapy visits.

(5) I and D projects the lowest charges but projections do not appear to be calculated correctly.

(6) Applicants have low direct cost but do not appear to have included sufficient staffing, so direct costs per visit are understated.

(7) Costs for Emerald Care's new office and total agency do not align. Costs for new agency are high and reflect cost spread over low incremental volume.

(8) Salaries appear to be above market levels leading to higher cost.

### III. Consistency with Review Criteria:

Each applicant will be discussed individually with respect to consistency with the Review Criteria applicable to all applications as well as with the Home Health Services Criteria. The applicants will be discussed in the following order:

- AssistedCare
- Continuum
- Emerald Care
- HealthKeeperz
- J and D
- Maxim
- UniHealth
- Vizion
- Well Care

For convenience, a cover page has been inserted before each applicant.

### H@H-CMC's Comments on

### **AssistedCare**

### **AssistedCare**

### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

AssistedCare's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. On page 116 of its application, AssistedCare projects to provide 0.9 percent of projected visits and revenue as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. It is unclear the amount of self-pay patients that AssistedCare projects to serve because self pay is combined with VA and Worker's Compensation patient utilization and revenue. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of visits to self pay/indigent/charity care patients. As such, AssistedCare will not serve its share of patients in need and is not projected to be financially accessible.

### (3) Identification of the Population to be Served and Need for the Project

AssistedCare does not provide a reasonable basis for its projected utilization. AssistedCare projects to serve 326 unduplicated patients in Year One and 351 in Year Two. On page 79 of its application, AssistedCare claims that its projections are reasonable and conservative. However, the applicant does not explain how the projections were calculated or the assumptions it used.

The 2012 State Medical Facilities Plan projects a need of 651 patients in Mecklenburg in 2013. AssistedCare projects to serve 326 unduplicated patients in year one, half the need in the first year as a new provider. Such projections are unrealistic given the lack of ramp up period for a new agency. By Year 2, AssistedCare projects to serve 352 unduplicated patients. There are already 24 home health agencies serving Mecklenburg County residents (10 of which are located in the county). To anticipate that residents will bypass existing agencies and that the proposed agency will serve half the need in just the first year of operation is unrealistic at best. A projection as simple as serving half of the unmet need does not represent any actual analysis of the unmet need in the County and lacks understanding of the market. Further, AssistedCare has no experience in Mecklenburg or the surrounding counties. AssistedCare only has experience in the southeastern part of the state, a completely different environment to the urban, competitive Mecklenburg County market.

AssistedCare attempted to justify its utilization projections by analyzing the median market share for home health providers in Mecklenburg County. On page 78 of its application, AssistedCare claims that if it attains the median market share of 7.45 percent, it will far exceed its utilization projections. On page 79 of its application, AssistedCare also analyzes the median market share in Wake County because it is the only other county with a similar population. Again, it states that if it reaches the median markets share for Wake County of 4.73, it will exceed its utilization

projections. The applicant does not provide any detail on how it will attain the median market share in the county. AssistedCare also discusses its experience in Brunswick County on page 80 of its application. It claims that it has a utilization rate of 15.45 per 10,000 of population in its existing service area and applies this to Mecklenburg County. However, with all three of these analyses, AssistedCare in no way shows how it will attain its utilization projections or how the projections were calculated. Additionally, AssistedCare's experience is in a service area that is far different from the highly competitive Mecklenburg County market.

The lack of detail supporting AssistedCare's utilization projections makes it impossible to check the projections to see if they are reasonable. Further, AssistedCare does little to explain how it will go about meeting its projections in a county in which it has no presence or experience, which leads to doubt about AssistedCare's ability to meet its projections.

Also highlighting the uncertainty of its projections is AssistedCare's lack of community and physician support. AssistedCare gathered just 15 total letters of support, with only one from a physician. AssistedCare also received nine letters from other healthcare professionals, but only two of these letters state that they intend to refer home health patients. As a result, AssistedCare failed to adequately confirm that a need exists or demonstrate how the applicant intends to meet that need.<sup>4</sup>

AssistedCare's choice of Matthews as its location will make it difficult to serve all of Mecklenburg County. Please see Attachment A for a map of the proposed locations for each applicant. Matthews is in the far south east portion of the county, close to Union and Stanly Counties. AssistedCare will be in closer proximity to Union County than most of Mecklenburg County. AssistedCare's employees must travel through the congested southern portion of the county and the city of Charlotte to reach patients, which will lead to longer travel times, lower visits per day and greater staff dissatisfaction. The choice of Matthews illustrates AssistedCare's lack of familiarity with the Mecklenburg County market.

### (5) Immediate and Long-term Financial Feasibility

AssistedCare's immediate and long-term financial feasibility is based on undocumented assumptions for its utilization projections. The projections are not substantiated by letters of support or historical utilization. Therefore, AssistedCare's proposed project cannot be found conforming to this criterion.

Further, AssistedCare has not provided for reasonable project capital. The cost for medical equipment of just \$31,874 is unrealistic given that AssistedCare is not an existing provider in Mecklenburg County. AssistedCare cannot share equipment and other assets with existing home

<sup>&</sup>lt;sup>4</sup> Only includes letters submitted in CON application.

health agencies in the area to utilize synergies and economies of scale. Additionally, AssistedCare fails to provide a listing of the equipment to be purchased. It is not possible to check the accuracy or reasonableness of AssistedCare's projected equipment cost because of the lack of any documentation.

AssistedCare also fails to provide sufficient administrative and clinical staff to provide the volume of services projected. AssistedCare fails to provide an Administrator for the new agency. With only a clinical operations manager and one clerical person, it is not reasonable that Assisted Care can serve 352 patients in year two. Further, AssistedCare projects insufficient direct care staff to meet its own projections of visits per day. The following table compares AssistedCare's assumed visits per day by position with the actual visits per day required for the projected staff to serve the volume of visits projected. This analysis shows, for example, that AssistedCare's RNs and LPNs will have to provide six visits per day, when they have assumed this staff can only provide five visits per day. Thus, staffing projections and associated expenses are understated.

	Calculated Visits per Day	Stated Visits per Day
Registered Nurse/LPN	6.0	5
ННА	7.1	5
Physical Therapist	4.2	5
Occupational Therapist	2.9	5
Speech Therapist	7.6	5
Medical Social Work	11.5	3.5

Source: AssistedCare application p. 132 and 396.

Based on both unsupported utilization projections and insufficient consideration of expense, AssistedCare's project is not financially feasible and should be found non-conforming with Criterion (5).

### (7) Availability of Resources Including Health Manpower

AssistedCare indicates that it has an existing relationship with CompHealth Associates, a leading clinical healthcare recruiting company. The applicant states that CompHealth Associates has expressed a willingness to assist it in securing clinical staff but there is no documentation of this. AssistedCare fails to provide any evidence of CompHealth Associates' willingness or availability to recruit clinical staff in Mecklenburg County.

AssistedCare also fails to project sufficient staffing levels to provide the level of care projected in the application. See discussion of Criterion (5).

### (13) Accessibility to Medically Underserved Groups

### (13a) Historical Service to Underserved Populations

On page 14 of the application, AssistedCare shows that charity care and bed debt combined for just 1.5 percent of its revenue in 2011 for its existing agency. AssistedCare fails to show that it has provided adequate historical service to underserved populations. Therefore, AssistedCare should be found non-conforming to this criterion.

### (13c) Projected Service to Underserved

AssistedCare's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. On page 116 of its application, AssistedCare projects to provide just 0.9 percent of visits as indigent/charity care in the first two years of operation of the proposed home health agency. It is unclear how much care AssistedCare projects to provide to self pay patients because this figure is combined with VA and Workers Compensation care. AssistedCare's indigent/charity care is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, AssistedCare will not serve its share of patients in need.

### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

AssistedCare fails to conform to numerous other criteria and thus should be found non-conforming with Criterion (18a). In addition, AssistedCare fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved population. Further, AssistedCare projections do not document that they will be accessible to self pay and charity care patients.

### **Summary:**

AssistedCare's application should not be approved because it fails to conform to Criterion (1), (3), (5), (7), (13a), (13c), and (18a). Even if AssistedCare was approvable, it would not be comparatively favorable to H@H-CMC.

## H@H-CMC's Comments on Continuum

### Continuum Home Care of Charlotte

### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

Continuum's proposed project is not consistent with the SMFP because it recalculates the need projections outlined in the SMFP with its own methodology and presents its application and justification based on the approval of one applicant. This is described in more detail below.

Continuum projects to provide 0.9 percent of projected visits as self-pay/indigent/charity care in its first two years of operation. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of visits to self pay/indigent/charity care patients. As such, Continuum will not serve its share of patients in need and is not projected to be financially accessible.

### (3) Identification of the Population to be Served and Need for the Project

Continuum identifies Mecklenburg County as the primary service area for the project and Union County as the secondary service area for the project. It is unusual that Continuum would include Union County in its service area when its proposed office location is in the northeast corner of Mecklenburg County, which is not easily accessible from Union County. Please see Attachment A for a map of the proposed location of each applicant, including Continuum.

Continuum spends considerable time re-assessing the need in Mecklenburg and Union County and projects a lower level of need than the 2012 SMFP projects. The projected need is disconnected from the utilization projections that are based on a project year ending May 31<sup>st</sup>. There is no explanation as to how the recalculated calendar year unmet need is linked to the project year utilization projections. Further, the Year 2 projected unduplicated patients from Mecklenburg County (483) exceed what Continuum has labeled as the Year 2 need (457).

	2013	2014	2015
MECKLENBURG COUNTY			
SMFP Need	675		
Continuum Projected Need	297	457	665
Continuum Projected Utilization – YE May 31st	74	483	
UNION COUNTY			
SMFP Need	261		
Continuum Projected Need	136	219	300
Continuum Projected Utilization – YE May 31st	0	35	

In addition, Continuum only projects to serve 74 patients in their first year of operation. The financial implications of this projection are discussed in item (5) below. However, the change in utilization from 74 patients in Year 1 to 492 patients in Year 2 represents a 665 percent increase. Continuum attributes this drastic increase in patients to limited referral acceptance in the first year of operation while the Medicare certification process is underway. However, if this is the case, referral relationships will not be fully developed and quality and range of care will not fully be demonstrated until the second year of operation when a full spectrum of patients can be seen. Anticipating a jump in utilization of 665 percent in the second year of operation (which is actually the first year all payor sources can access care from Continuum) seems unrealistic at best.

### (5) Immediate and Long-term Financial Feasibility

The staffing, utilization, and financial projections submitted in the application make the financial feasibility of the project appear questionable in both the short and long-term. Continuum admittedly shows a loss for Year One totaling \$306,030. Start up and staffing costs for an agency projecting 74 unduplicated patients results in cost inefficiencies that could be difficult to overcome. This is best demonstrated by the applicant's own figures. Table X.1 on page 98 shows the cost per unit of care (visit) for the first two years of operation. It indicates that in Year 1 the cost per visit for:

- Nursing is \$605.48
- Physical Therapy is \$224.54
- Speech Therapy is \$332.90
- Occupational Therapy is \$225.15
- Medical Social Work is \$530.46

In comparison, on page 99, Continuum projects a charge per visit for each of these services of \$150.00. There is a footnote beneath this figure indicating that "very few visits are paid at these rates. Revenue is mainly generated from Medicare Prospective Payments on an episodic basis." However, text on page 46 indicates that year one is actually a caveat from the generality described above. Continuum claims, "Although Mecklenburg County need in 2012 is close to 300 patients, Continuum anticipates serving 74 unduplicated clients. To project a higher number would be unreasonable given the time required to achieve State licensure and Medicare/Medicaid certification. Since the majority of home health patients are Medicare recipients, we will be unable to serve that population until certification is achieved." If that is the case, the charge per visit is relevant for year one, especially given Continuum's high percentage of projected patients with commercial insurance. To summarize, the cost of establishing services for such a low projection of patients in Year One will lead to losses that may be difficult from which to recover.

The costs associated with the dramatically low projected utilization for Year One also causes the utilization projections for Year Two to be scrutinized further. The costs and charges for Year Two, while better than Year One, still do not demonstrate cost efficient care. The cost per visit for nursing and medical social work continues to be higher than the proposed charges. The cost per visit for physical, speech, and occupational therapies is almost even, though just less, than the charge per visit (\$155) associated with each. Given these ratios, it is difficult to calculate the shift in profitability from Year One to Year Two. In addition, this shift hinges on the 665 percent increase in utilization from Year One to Year Two. An increase of this size is also unlikely. Given these factors, both the immediate and long-term financial feasibility of this project is questionable.

### (6) No Unnecessary Duplication

While Continuum proposes a scenario where only its application is approved and thereby, prevents any unnecessary duplication of services, this scenario is unlikely and is not in keeping with the SMFP. In addition, using its own methodology that veers significantly from the SMFP, Continuum generates its own set of need projections and then develops utilization projections for the proposed project that exceed the need. These need and utilization projections do not factor in the approval of a second applicant and do not account for any impact on existing providers.

### (8) Necessary Ancillary and Support Services

Continuum identifies a number of different referral sources and avenues for accessing home health. However, coordination of ancillary and support services outside the provision of home health is not discussed in detail.

### (13) Accessibility to Medically Underserved Groups

Continuum projects 8.17 percent of total visits to patients with Medicaid and 0.9 percent of total visits to indigent/self pay patients. The projected indigent/self pay percentage is well below the Mecklenburg County average experience of 3.4 percent indicating that Continuum will not be reasonably accessible. Continuum also details accessibility to racial and ethnic minorities, specifically the African-American and Hispanic communities, as well as to patients with cancer, HIV, and Alzheimer's disease on pages 54-57 of the application. However, its discussion of accessibility omits a number of traditionally underserved groups in home health, including women and pediatrics. Women's services, particularly obstetric and gynecological services, are not addressed. In addition, Continuum does not directly address the provision of pediatric home health. Because its patient projections are not broken down by age, it is impossible to determine whether Continuum intends to provide pediatric home health services at all, though it does use historical utilization rates for all age ranges to justify it projections.

### (13c) Projected Service to Underserved

Continuum projects that 25.08 percent of total patients served in Year 2 of operation will be patients with commercial insurance. This appears to be an unusually high projection for home health services, given that the most frequent users of home health are those aged 65 and up who generally have Medicare coverage. This high projection calls into question the age demographics of Continuum's utilization projections. Again, since projected utilization was not presented by age range, this cannot be confirmed. Both the elderly and medically underserved generally do not utilize or have access to commercial insurance. Therefore, the extent to which each of these groups is expected to utilize the applicant's proposed services is undetermined.

Continuum projects to provide 0.9 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Continuum will not serve its share of patients in need and is not projected to be financially accessible.

### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

As discussed above, Continuum projects to achieve more utilization than demonstrated need by the second year of operation. This projection does not account for the approval of a second applicant and does not factor in the impact on existing providers. Outside of a lengthy general discussion on the merits of an additional provider in Mecklenburg County, the competitive impact of this particular project on existing providers is not fully analyzed.

Continuum fails to conform to numerous other criteria and thus should be found non-conforming with Criterion (18a). In addition, Continuum fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved population. Further, Continuum projections do not document that they will be accessible to self pay and charity care patients. Continuum also fails to prove that it will meet the clinical needs of health professional training programs. Continuum should be found non-conforming with Criterion (18a).

### Summary:

Continuum's application should not be approved because it fails to conform to Criterion (1), (3), (5), (6), (8), (13), (13c), (18a) and (20). Even if Continuum was approvable, it would not be comparatively favorable to H@H-CMC.

### H@H-CMC's Comments on Emerald Care

### **Emerald Care**

### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

Emerald Care's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant failed to include any discussion of the consistency of the project with Policy GEN-3. Instead on page 41 of the application, Emerald Care simply states these basic principals are incorporated into the application.

The applicant fails to enhance access to the medically indigent. Emerald Care projects to provide just 0.3 percent of projected visits as self-pay/indigent/charity care in the second year of operation of the proposed home health agency. This is far below the average level of care provided by existing Mecklenburg County agencies. Further, Emerald Care only projects 7.4 percent of its care to Medicaid patients. This percentage is also significantly lower than existing Mecklenburg providers. As such, Emerald Care will not provide a reasonable level of accessibility and will not expand financially accessibility to medically underserved patients.

### (3) Identification of the Population to be Served and Need for the Project

Emerald Care undertakes an elaborate analysis of the projected overall demand for home health services in Mecklenburg County resulting in the suggestion that the need identified in the 2012 SMFP is conservative. In terms of projected utilization, however, Emerald Care simply projects to meet one half of the demand identified in the SMFP in the first year. The projection of 330 patients (roughly  $\frac{1}{2}$  of 651) includes 201 patients that Emerald Care served in 2011. These patients are not part of the unmet need because they were already taken into consideration in projecting need. Thus the actual incremental patients that Emerald Care projects to serve is just 129 patients, which is actually 20 percent of the identified need. (129 / 651 = 20%) By Year 2, Emerald Care only projects to serve 275 incremental patients or only 42 percent of the identified need. (275 / 651 = 42%) On one hand, Emerald Care suggests the need is much larger than 651 patients. Yet, Emerald Care only projects to serve a small percentage of the 651. Thus, by Emerald Care's own suggestion, it is not making any considerable impact on reducing the unmet need in Mecklenburg County.

Emerald Care's utilization projections are not supported by its physician support letters. In addition, many of the physician letters and surveys are simply initialed and not signed, thus making it difficult to confirm if the actual provider reviewed the letter. As a result, Emerald Care failed to adequately confirm these physicians will refer a material number of incremental patients.<sup>5</sup>

For these reasons, Emerald Care should be found non-conforming with Criterion (3).

<sup>&</sup>lt;sup>5</sup> Only includes letters submitted in CON application.

### (4) Least Costly or Most Effective Alternative

Developing a new home health agency to serve just 275 incremental patients, just 42 percent of the identified unmet need is not cost effective. According to Emerald Care's own analysis, there is a much larger need in Mecklenburg County. It does not make sense to approve an applicant that will only minimally expand utilization in the county leaving a gap in unmet need. Emerald Care should be found non-conforming with Criterion (4).

### (5) Immediate and Long-term Financial Feasibility

Emerald Care has not fully identified the cost of the proposed project. Emerald Care identifies a primary and secondary site but fails to document that the lessor of these properties is willing to lease to Emerald Care. Sample lease agreements are made out to Amedisys, LLC, which is not the applicant and is not identified as the parent of the applicant either. Realtor letters and sample lease agreements do not specify any terms associated with build-out costs, or wiring/telecom. [See Exhibit 16.] Emerald Care has not included any project cost for build-out or even wiring and telecom. No contingency for these costs is provided either. Thus, Emerald Care has not fully documented the cost of the project.

### (13) Accessibility to Medically Underserved Groups

### (13a) Historical Service to Underserved Populations

On page 60 of the application, Emerald Care failed to supply its historical data for charity care but states that its projected charity care is "consistent with previous years' experience of Emerald Care." Yet, Emerald Care identified that it provided \$0 of charity care previously. Thus, Emerald Care should be found non-conforming to this criterion.

### (13c) Projected Service to Underserved

Emerald Care's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. Emerald Care projects to provide just 0.3 percent of projected visits as self-pay/indigent/charity care in the second year of operation of the proposed home health agency. As such, Emerald Care will not enhance access to medically underserved patients in Mecklenburg County.

### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

Developing a new home health agency to serve just 275 incremental patients, just 42 percent of the identified unmet need is not cost effective. According to Emerald Care's own analysis, there is a much larger need in Mecklenburg County. It does not make sense to approve an applicant that will only minimally expand utilization in the county leaving a gap in unmet need. Further, Emerald Care has a poor track record with respect to serving self pay and indigent/charity care patients. Emerald Care reports \$0 charity care for the most recent full year and projects just 0.6 percent of gross revenue as charity care which is far less than the historical track record of Mecklenburg County providers. Emerald Care should be found non-conforming with Criterion (18a).

### **Summary:**

Emerald Care should be found non-conforming with Criterion (1), (3), (4), (5), (13a), (13c), and (18a). Thus, Emerald Care's application is not approvable. Even if Emerald Care's application was approvable, it would not be found comparatively superior to H@H-CMC.

# H@H-CMC's Comments on HealthKeeperz

### **HealthKeeperz**

### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

HealthKeeperz's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3 as it fails to document its ability to provide quality care. While HealthKeeperz touts how it plans to undergo the Lean Six Sigma Program on page 23 and 40 of its application, neither the applicant nor the management company, HealthKeeperz, Inc., operates any accredited home health agencies. Further, HealthKeeperz does not indicate that it will seek accreditation.

HealthKeeperz's proposed project fails to document financial accessibility under Policy GEN-3. Specifically, the applicant fails to enhance access to the medically indigent. HealthKeeperz projects to provide just 0.6 percent of projected gross revenue as charity care in the first and second years of operation of the proposed home health agency. HealthKeeperz, further, does not quantify any indigent or self pay patients in Section VI of its application. The 0.6 percent is far less than the actual experience of existing agencies serving Mecklenburg County.

### (3) Identification of the Population to be Served and Need for the

HealthKeeperz does not provide a reasonable basis for its projected utilization. Essentially, HealthKeeperz projects to serve half of the unmet need in Mecklenburg County without tying this assumption to any supporting documentation, including support from referral sources. On page 38 of its application, HealthKeeperz states that its utilization projections are based on population growth, the experience of other agencies in Mecklenburg County, and the experience of HealthKeeperz. The application will have a management services agreement in place with HealthKeeperz, Inc., which has three existing Medicare-certified home health agencies in North Carolina in Robeson, Scotland, and Cumberland Counties. Market share capture by HealthKeeperz in other markets is provided to support the projected utilization in Mecklenburg County; however, this experience does not necessarily provide a reasonable basis for projected market share in Mecklenburg County.

In addition, HealthKeeperz proposes to locate on the far southeast edge of Mecklenburg County near the border of Union County. No real basis for this location is provided and the location will make service to northern, central, and western Mecklenburg County more difficult. There was no attempt to demonstrate that this part of Mecklenburg County needs greater access to care. Nor is there any discussion of how HealthKeeperz will meet the needs of all parts of densely populated and congested Mecklenburg County from a location so far from the center of the county.

HealthKeeperz includes Union County as its secondary service area. HealthKeeperz's focus on serving Union County is not documented and is unreasonable. HealthKeeperz recognizes that the projected unmet need in Union County is actually projected to decline in the 2013 Draft. While Union County has an unmet need in the 2012 SMFP, HealthKeeperz projects to serve only 50 patients from Union County, which will have little impact. HealthKeeperz provides no quantitative basis for the projection 50 Union County patients. [See HealthKeeperz CON page 49.]

In Exhibit 7, HealthKeeperz provides several letters that were sent to area physicians informing them about the proposed project. However, a letter from HealthKeeperz does not constitute physicians showing support for the proposal or a willingness to refer patients. In fact, HealthKeeperz provided no letters of support from physicians or local referral sources. Three letters were provided indicating support from HealthKeeperz own employees and three letters of support were included from providers in the Cumberland and Robeson markets that have no bearing on the Mecklenburg application. Three Referral Surveys were included from Mecklenburg County providers. The number of referrals suggested by these surveys falls short of supporting the utilization projections in the application.

Thus, HealthKeeperz failed to garner adequate physician support to confirm that a need exists or demonstrate how the applicant intends to meet that need. HealthKeeperz admits that it had "difficulty obtaining letters of support from physicians and hospitals with established relationships with existing Medicare-certified home health agencies."

HealthKeeper's failed to document a reasonable basis for its projected utilization and thus should be found non-conforming with Criterion (3).

#### (5) Immediate and Long-term Financial Feasibility

HealthKeeperz's immediate and long-term financial feasibility is based on undocumented assumptions for its utilization projections. The projections are not substantiated by letters of support or historical utilization. Therefore, HealthKeeperz's proposed project cannot be found conforming to this criterion.

HealthKeeperz failed to provide the required assumptions to the financial projection in the CON form for Section X, Question, Form B, part (b). (See page 102.) Instead of providing the required table, HealthKeeperz directs the reader to the Medicare assumptions on pages 118-123. These pages do not provide all of the required information particularly the Medicare recertification rate or number of Episodes per Patient required on the form.

<sup>&</sup>lt;sup>6</sup> Only includes letters and surveys submitted in CON application.

HealthKeeperz's has not fully identified the cost of the proposed project. HealthKeeperz identifies a primary and secondary site but fails to document that the lessor of these properties is willing to lease to HealthKeeperz. There are minimal identified terms for each site in a letter from a real estate agent that do not secure the site. [See Exhibit 16.] These letters indicate that no build-out allowance is provided. HealthKeeperz has not included any project cost for build-out or even wiring and telecom. No contingency for these costs is provided either. Thus, HealthKeeperz has not fully documented the cost of the project.

In its Form B Pro Forma projection, HealthKeeperz does not take into consideration in its projections that it is unlikely to receive Medicare certification for the new agency for several months after opening of the new office. HealthKeeperz projects Medicare revenue to be captured beginning in the first month of operation, which is unrealistic. As a result of this mistake, HealthKeeperz has understated its working capital needs to cover the shortfall in income associated with the typical delay in receiving Medicare certification and beginning payment.

#### (7) Availability of Resources Including Health Manpower

HealthKeeperz does not project sufficient staffing to develop and operate a new home health agency serving over 400 patients. Specifically, HealthKeeperz projects just one Administrator and one Secretary/Clerk to provide onsite administrative support for the proposed agency. No clinical supervisory staff are identified. No Oasis support staff is identified. The level of direct local staff within the proposed agency office is unreasonable to provide a high level of quality care for a new start-up agency in Mecklenburg County.

In terms of hiring and training qualified personnel, job descriptions are only provided for five individuals and no job descriptions are provided for contracted staff. The Administrative Assistant position description indicates the person reports to the office manager, but there is no Office Manager identified on the staffing scheduled. For these reasons, HealthKeeperz should be found non-conforming with Criterion (7).

#### (8) Necessary Ancillary and Support Services

Page 88 of the application requires that the applicant provide letters of interest for each service that will be contracted. HealthKeeperz provides two letters of interest for staffing services in Exhibit 12. A letter of support is also included from LabCorp but it does not indicate that services will be made available to Mecklenburg County. HealthKeeperz also plans to contract for infusion therapy and nutritionist services, as needed. Yet, no letters of interest are provided for these services. Instead, it notes that HealthKeeperz has an established relationship with the infusion therapy and laboratory providers and assumes that the proposed agency will have the same relationships. There is no documentation that

organizations supporting HealthKeeperz Cumberland, Scotland and Robeson County would have any interest in serving or ability to serve patients in Mecklenburg County. As a result, HealthKeeperz fails to conform with this criterion.

#### (13) Accessibility to Medically Underserved Groups

#### (13a) Historical Service to Underserved Populations

On page 81 of the application, HealthKeeperz failed to supply its historical data for charity care stating that "HealthKeeperz of Mecklenburg is not an existing agency;" however, it picks and chooses when this statement is relevant throughout the application. On just the previous pages, pages 77 to 80, it provided admission data for HealthKeeperz, Inc. to document the availability of existing services to low income persons, racial and ethnic minorities, women, handicapped persons, and the elderly. The table on page 77 indicates that HealthKeeperz, Inc. did not provide any care to patients identified as either self pay or charity care. Therefore, HealthKeeperz should be found non-conforming to this criterion.

#### (13c) Projected Service to Underserved

HealthKeeperz does not specifically break out any care to self pay and indigent patients on page 84 of its application. Further, HealthKeeperz projects to provide just 0.6 percent of projected gross revenue as charity care in the first and second years of operation of the proposed home health agency. This is far below the average for Mecklenburg County of 3.4 percent for charity care/indigent/self pay. As such, HealthKeeperz has not documented that it will meet the needs of the medically underserved in Mecklenburg County.

#### (14) Clinical Needs of Health Professional Training Programs.

HealthKeeperz's application states that it contacted University of North Carolina Charlotte and Central Piedmont Community College. However, the applicant failed to document sending any letters of interest to these schools documenting the desire to establish a relationship or education and training program. There are numerous colleges, university and technical level programs in Mecklenburg County providing training to health care professionals. Yet, representatives of HealthKeeperz failed to reach out to these schools and thus, HealthKeeperz fails to satisfactorily meet this criterion.

HealthKeeperz should be found non-conforming with Criterion (18a). HealthKeeperz fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved populations. In addition, HealthKeeperz will not have a positive impact on the quality of care given its lack of accreditation. Further, HealthKeeperz' track record and projections do not document that they will be accessible to self pay and charity care patients.

#### (20) Evidence of Quality Care

HealthKeeperz's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3 as it fails to document its ability to provide quality care. While HealthKeeperz touts how it plans to undergo the Lean Six Sigma Program on page 23 and 40 of its application, neither the applicant nor the management company, HealthKeeperz, Inc., operate any accredited organization. Further, HealthKeeperz does not indicate that it will seek accreditation from any organization on page 76 of its application.

Accreditation is a periodic external evaluation by recognized experts that provides impartial evidence of the quality of care delivered to patients and clients. Preparing for accreditation affords the organization the opportunity for an in-depth review of its patient safety and care delivery processes. Achieving accreditation demonstrates an organization's ongoing commitment to safeguard patients, staff and brand. Without such safeguards in place, quality of care may suffer and is not ensured.

HealthKeeperz's lack of accreditation may be reflected in its scores available through the CMS website <a href="www.medicare.gov/homehealthcompare">www.medicare.gov/homehealthcompare</a>. These data are summarized for HealthKeeperz on the following page. HealthKeeperz reports scores that are worse than the North Carolina and national averages across all three of its existing agencies for numerous categories. Most concerning are the rates of readmission that are 47 percent, 37 percent, and 33 percent for HealthKeeperz's three agencies compared to 26 percent for the North Carolina average and 27 percent for the national average.

The lack of current accreditation and lack of intention to be accredited along with its poor quality of care track record reported to Medicare should result in a finding that HealthKeeperz is non-conforming with Criterion (20).

<sup>&</sup>lt;sup>7</sup> http://www.jointcommission.org/assets/1/18/Home%20Health%20Value%20Brochure%202010.pdf

			HealthKeeperz		
	NC Average	National Average	HealthKeeperz- Lumberton	HealthKeeperz Laurinburg	
How often patients got better at walking or moving around	56%	57%	48%	52%	50%
How often patients got better at getting in and out of bed	56%	54%	55%	47%	47%
How often patients got better at bathing.	61%	65%	56%	53%	57%
How often the home health team checked patients for pain.	98%	98%	99%	99%	99%
How often the home health team treated their patients' pain.	97%	97%	94%	94%	99%
How often patients had less pain when moving around.	65%	67%	71%	64%	57%
How often the home health team treated heart failure patients' symptoms.	97%	98%	N/A	N/A	91%
How often patients' breathing improved.	66%	63%	70%	49%	73%
How often patients' wounds improved or healed after an					
operation.	87%	89%	93%	95%	88%
How often the home health team checked patients for the risk of developing pressure sores (bed sores).	98%	98%	99%	97%	98%
How often the home health team included treatments to prevent					
pressure sores (bed sores) in the plan of care.	94%	95%	73%	_ 97%	95%
How often the home health team took doctor-ordered action to prevent pressure sores (bed sores).	93%	94%	89%	89%	96%
How often the home health team began their patients' care in a timely manner.	90%	91%	66%	65%	73%
How often the home health team taught patients (or their family caregivers) about their drugs.	86%	90%	96%	77%	87%
How often patients got better at taking their drugs correctly by mouth.	44%	48%	39%	45%	42%
How often the home health team checked patients' risk of falling.	91%	95%	98%	100%	97%
How often the home health team checked patients for depression.	96%	97%	98%	98%	94%
How often the home health team determined whether patients received a flu shot for the current flu season.	70%	68%	68%	34%	73%
How often the home health team determined whether their patients received a pneumococcal vaccine (pneumonia shot).	67%	66%	70%	32%	70%
For patients with diabetes, how often the home health team got doctor's orders, gave foot care, and taught patients about foot care.	90%	92%	95%	96%	98%
How often patients receiving home health care needed any urgent, unplanned care in the hospital emergency room — without being admitted to the hospital.	N/A	N/A	N/A	N/A	N//
How often home health patients had to be admitted to the hospital.	26%	27%	42%	37%	33%

10A NCAC 14C .2005(b) HealthKeeperz's plans to contract for infusion therapy, laboratory, and nutritionist services, as needed. Yet, no letters of interest are provided for these services. Instead, it notes that HealthKeeperz has an established relationship with the infusion therapy and laboratory providers and assumes that the proposed agency will have the same relationships. There is no documentation that organizations supporting HealthKeeperz Cumberland, Scotland, and Robeson County operation would have any interest in serving or ability to serve patients in Mecklenburg County. A letter of support is included from LabCorp but if fails to indicate that they are willing provider services in Mecklenburg County.

#### **Summary:**

HealthKeeperz' application should not be approved because it fails to conform to Criterion (1), (3), (5), (7), (8), (13c), (18a), and (20). Further, HealthKeeperz also fails to provide documentation to meet home health criterion .2005(b). Even if HealthKeeperz was approvable, it would not be comparatively favorable to H@H-CMC.

## H@H-CMC's Comments on J and D

#### J and D Healthcare Services, LLC

#### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

J and D projects to serve just 50 total unduplicated patients for Year One and 92 total unduplicated patients for Year Two. These limited volumes will not incorporate and support quality, access or value of care and will not adequately address the needs of the proposed service area. Additionally, J and D projects to provide 1.0 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, J and D will not serve its share of patients in need and is not projected to be financially accessible.

Further, J and D does not project to serve any Medicaid patients; thus, the project will not be accessible to all underserved population. J and D should be found non-conforming with Policy GEN-3 and Criterion (1).

#### (3) Identification of the Population to be Served and Need for the Project

The applicant identifies five counties that will be served by the proposed project. These include Mecklenburg, Gaston, Union, Cabarrus, and Lincoln. However, the sixty-mile radius that limits the service area and the resulting eligible areas for service are never identified. J and D does not identify how many patients will originate from each of these counties and does not identify or address the specific needs for the proposed service area. It is also unclear how J and D expect to serve a broad, multi-county service area with only 92 unduplicated patients in Year 2. This level of utilization is less than a fifth of the identified need in Mecklenburg County alone.

Most importantly, J and D only projects to serve 92 unduplicated patients in its second year of operation and makes no projection for the third year. Therefore, this project will likely not meet the threshold of 275 unduplicated patients in Mecklenburg County by its third year of operations, and cannot be approved.

J and D should be found non-conforming with Criterion (3).

#### (5) Immediate and Long-term Financial Feasibility

The applicant fails to demonstrate both the immediate and long-term financial feasibility of this project. The applicant uses a bank statement for the month of June 2012 from two operational checking accounts to demonstrate its ability to finance the project. Both accounts appear to be actively used for business purposes. The sum of both accounts totals just over \$103,000 and the projected capital costs and start up expenses for this project are \$56,000. Given that one account had almost \$70,000 of withdrawals, debits, checks, and/or service charges in that single month, these accounts do not adequately demonstrate that sufficient funds will be on hand in the future if the project is approved.

Long term viability of this project is also questionable. As stated previously, the applicant projects 50 and 92 unduplicated patients in its first two years of operation, respectively. Simultaneously, the applicant projects to have 23.31 FTES on staff during this time (only one staffing table was submitted and its year of operation was not labeled). The overstaffing of this project is only one area of concern for financial viability.

While clearly in error, the cost and charge per visit for all disciplines is shown to be equal on pages 34 and 35. In addition, the numbers provided are clearly not per visit, and appear to be the total projected charges in each discipline. However, given the lack of usable information in this area and others (including staffing, start-up expenses, and operating expenses), evaluating the financial feasibility of this project is not possible.

#### (7) Availability of Resources Including Health Manpower

On page 26 of the application, J and D anticipates having difficulty recruiting staff for this project. However, the application presents a number of ways it intends to advertise for job opportunities.

#### (8) Necessary Ancillary and Support Services

The applicant did not address how support services would be coordinated in conjunction with the proposed home health services. In addition, coordination of care with other ancillary providers was not thoroughly addressed. It is unclear how J and D will provide a full range of home health services, including durable medical equipment, supplies, pharmacy, and infusion therapy.

#### (13) Accessibility to Medically Underserved Groups

J and D states that the proposed services will be accessible to all underserved groups identified in the application document. However, it does not specifically address how it will provide access or specific services to these identified groups.

#### (13c) Projected Service to Underserved

As stated above, J and D does not project to serve any patients with Medicaid as a payor by its second year of operation. Outside of financial accessibility, it does not specifically project how it will serve other underserved populations. In spite of this, the application repeatedly states that they will provide services to patients from all underserved groups. Additionally, J and D projects to provide 1.0 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, J and D will not serve its share of patients in need and is not projected to be financially accessible.

#### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

J and D fails to conform to numerous other criteria and thus, should be found non-conforming with Criterion (18a). In addition, J and D fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved population. Further, J and D projections do not document that they will be accessible to self pay and charity care patients. J and D should be found non-conforming with Criterion (18a)

#### (20) Evidence of Quality Care

Though the applicant currently provides home care in Mecklenburg and Gaston Counties, as well as operates a home health agency in Wichita, Kansas, no historical quality information or data was provided. Existing policies and procedures used to ensure quality and safety practices were included with the application for review.

#### Section .2000 - Criteria and Standards for Home Health Services

10A NCAC 14C .2002(a)(3) - J and D states that the total unduplicated patient count of the new office for each of the first two years of operation will be "200 patients." In other parts of the application J and D identifies 50 and 92 unduplicated patients for the first and second years of operation, respectively. J and D's projections are inconsistent and do not conform to this standard.

10A NCAC 14C .2003 Performance Standards - J and D states it will provide "an annual number of 500 patient caseload of Mecklenburg, Gaston, Cabarrus, Union, Lincoln Counties in the third year of operation." However, as discussed previously, the applicant projects 50 and 92 unduplicated patients in its first two years of operation, respectively, on Table IV.1 (p12) of Section IV of the application. Given the conflicting projections, and the improbability that 500 unduplicated patients will be served by Year Three using the other projections, this project cannot be approved since it does not meet the minimum performance standards for a home health agency.

#### **Summary:**

J and D's application should not be approved because it fails to conform to Criterion (1), (3), (5), (6), (7), (8), (13c), (18a), 10A NCAC 14C .2002(a)(3) and .2003. Even if J and D was approvable, it would not be comparatively favorable to H@H-CMC.

## **H@H-CMC's Comments on**

### Maxim

#### **Maxim**

#### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

Maxim's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. Maxim projects to provide just 0.9 percent of projected visits as self-pay/indigent/charity care in the second year of operation of the proposed home health agency. (See Maxim CON page 70.) This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Maxim will not serve its share of patients in need.

#### (3) Identification of the Population to be Served and Need for the

Maxim states its service area is Mecklenburg County and projects to provide 100 percent of its care to residents of Mecklenburg County. Mecklenburg is a densely populated county with varying demographics within its boundaries. Maxim provided no evidence of where it will get its patients from within the county or whether there are sub-populations within this market that have unmet needs, thus resulting in the need recognized in the SMFP. Given two decades of service to Mecklenburg County, it is surprising that Maxim does not present a better understanding of the proposed service area.

Maxim provides a variety of statistics regarding Mecklenburg County population demographics and historical home health use; however, there is no link between these statistics and the projected utilization of Maxim's proposed agency. No basis is provided for its projected market share and no historical support for the admissions per week ramp up described on page 49 of their CON application. Maxim projects to serve 426 unduplicated patients in Year 1 and 503 unduplicated patients in Year 2, which is an unusually rapid ramp up in utilization for a provider that has no experience in operating a Medicare-certified home health agency.

Maxim's only substantiation for their projected utilization is the 1,400 private duty nursing patients served in Mecklenburg County over the past two decades. This would average out to serving 70 patients per year, which hardly supports admitting over 400 to 500 home health patients. Maxim states it is serving about 125 patients currently and that 31 of them could use therapies if they were approved. Again, 31 patients with skilled care need does not support a projection of over 400 to 500 annual admissions. [See Maxim CON page 49.]

Maxim claims to have working relationships with existing referral sources in the county; however, these relationships are undocumented and unsupported. Maxim's lack of ability to meet its utilization projections is further demonstrated by its lack of community and

physician support. Maxim gathered just seven letters of support from physicians, and none of these letters give numbers of projected referrals.<sup>8</sup> As a result, Maxim failed to adequately confirm that a need exists or demonstrate how the applicant intends to meet that need.

Furthermore, on page 83, the application states that applicants provide a list of existing health care providers in the projected service area that were contacted to discuss the needs within the community by date. Maxim fails to provide a list of <u>ANY</u> providers and states that it is "already aware of the home health needs of county residents." Yet, Maxim failed to gauge any new needs within the community or garner support for the proposed project from existing organizations, providers or referral sources. Thus, Maxim's projected utilization cannot be substantiated by any documentation of referral sources.

In addition, Maxim provides a detailed list of providers from which it expects to receive referrals on pages 90 to 93 of the application. However, Maxim received not one letter of support from any of the listed hospitals, governmental agencies, nursing care facilities, adult care homes or hospice agencies. Thus, its list of referral sources cannot be substantiated; and therefore, its utilization projections are not based on documented assumptions and are unreasonable. Maxim provides five letters signed by individual patients and do little to support Maxim's projected utilization.

Lastly, Maxim fails to provide a map of the proposed service area as required on page 62. As a result, the geographical relationship of the Mecklenburg County service area to the proposed office is not defined.

Maxim has not provided reasonable assumptions to support the need for its project and its basis for projection utilization is unsupported.

#### (4) Least Costly or Most Effective Alternative

Maxim has not documented that it is the most effective alternative. Given Maxim's lack of experience in providing Medicare-certified home health care, there are many providers and applicants that are more effective alternatives. Further, Maxim failed to provide a reasonable basis for its projected utilization and thus, cannot document that it is the least costly or most effective alternative.

Immediate and Long-term Financial Feasibility

Maxim's immediate and long-term financial feasibility is based on undocumented assumptions for its utilization projections. The projections are not substantiated by letters of support or by historical utilization. In addition, Maxim does not provide sufficient staffing to

<sup>&</sup>lt;sup>8</sup> Only includes letters submitted in CON application.

support the proposed agency. Maxim projects just a third of an administrator, a fifth of a clerk, and half of a branch manager. This is insufficient staff to support care for over 500 patents. At minimum, per Medicare Conditions of Participation, a full time dedicated Administrator is required for a new agency. Further, Maxim has not provided for reasonable project capital and start-up costs. There is no cost included for medical equipment associated with provision of home health services, which is unrealistic given that Maxim does not provide Medicare-certified home health in any existing location. In addition, Maxim's start up costs and working capital are unrealistically low because insufficient salaries are included for staff that will be required for the ramp up of an entirely new agency with no experience.

Based on unsupported utilization projections and on insufficient consideration of expenses, Maxim's project is not financially feasible.

#### (7) Availability of Resources Including Health Manpower

Maxim has failed to project sufficient staffing to support the provision of care for over 500 unduplicated patients. Maxim projects just a third of an administrator, a fifth of a clerk, and half of a branch manager. At minimum a full time dedicated Administrator is required. Given the insufficient staffing projections, the availability of resources including health manpower cannot be fully assessed.

#### (8) Necessary Ancillary and Support Services

10A NCAC 14C .2005 (b), on page 38 of the application, requires that the applicant provide letters of interest for each service that will be contracted. Maxim does not provide any letters of interest. Instead, it notes that when DME and pharmacy services are needed, Maxim "refers" them directly to these providers, who then bills directly to the patient. At minimum, a letter should be supplied stating that such arrangements will exist to verify that these patients will receive such care.

#### (13c) Projected Service to Underserved

Maxim does not have a historical track record of provision of care to underserved groups since Maxim does not operate any Medicare-certified home health agencies. Maxim's projected provision of care does not appear to reflect an accurate assessment of the needs of underserved populations in Mecklenburg County and will not enhance access to the medically indigent. Maxim projects to provide just 0.4 percent of projected visits as self-pay/indigent/charity care in the second year of operation of the proposed home health agency, which is far less than the level of care provided to home health patients by existing providers

#### (14) Clinical Needs of Health Professional Training Programs.

Page 80 of Maxim's application states that "all schools and health training programs in the region will have access to" Maxim's proposed agency for health professional training. However, the applicant only sent a letter of interest to one school, Central Piedmont Community College. There are numerous colleges, universities, and health professional training programs in Mecklenburg County, yet Maxim failed to reach out to these schools. Maxim fails to satisfactorily meet this criterion.

#### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

Maxim should be found non-conforming with Criterion (18aMaxim fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved populations. Further, Maxim lacks of experience and track record with respect to provision of Medicare-certified home health care. Most importantly, its poor patient satisfaction scores for its existing home care services (discussed below) indicates questionable quality of care.

#### (20) Evidence of Quality Care

Maxim presents its patient satisfaction scores in Exhibit 14 of the application. The results were presented for the entire southeast region. For the 4th quarter of 2011, just 73.4 percent of patients were very satisfied with the timeliness of staff and staff training and education. Less than 70 percent were very satisfied with staff consistency and staff response time. Overall, just 76.8 percent of respondents were very satisfied with the care provided. These are all quality issues that Maxim finds acceptable but demonstrates the lack of quality care its patients typically receive.

Section .2000 - Criteria and Standards for Home Health Services

10A NCAC 14C .2005 (b), on page 38 of the application, requires that the applicant provide letters of interest for each service that will be contracted. Maxim does not provide any letters of interest. Instead, it notes that when DME and pharmacy services are needed, Maxim "refers" them directly to these providers, who then bill directly to the patient. At minimum, a letter should be supplied stating that such arrangements will exist to verify that these patients will receive such care.

#### **Summary:**

Maxim's application should be found non-conforming with Criteria (1), (3), (4), (5), (7), (8), (13c), (14), (18a), and (20). Further, Maxim failed to meet the requirements of 10A NCAC 14C .2005 (b). As a result, Maxim's application should not be approved

# H@H-CMC's Comments on UniHealth

#### UniHealth

#### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

UniHealth's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. UniHealth projects to provide 2.5 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is less than the 3.4 percent amount of self-pay/indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County. As such, UniHealth will not serve its share of patients in need and is not projected to be financially accessible.

#### (3) Identification of the Population to be Served and Need for the

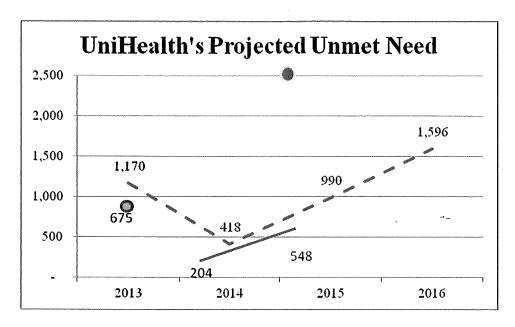
UniHealth does not provide a reasonable basis for its projected utilization. UniHealth projects to serve 204 unduplicated patients in Year One and 548 in Year Two. However, the applicant does not explain how the projections were calculated or the assumptions it used, which makes the projections unreliable. On page 158 of its application, UniHealth simply claims that it will receive a certain number of patients each month to reach its projected unduplicated patients for Years One and Two.

UniHealth claims that it will help meet the "unmet need" for home health services in Mecklenburg County. The applicant discusses its step by step methodology to calculate the "unmet need" for home health. However, its methodology is flawed. The results of its calculation vary widely for the four years in provided the calculation. The projected unmet need varies from 1,170 in 2013 but drops to 418 in 2014, as shown on page 128 of UniHealth's application. UniHealth attempts to explain the projections are based on different population sources. However, it results in unreliable projections and does not make sense from a health planning perspective to mix population sources. In addition, the drop in unmet need to 418 in 2014 implies that there would only be a need for one new home health agency or office in Mecklenburg County.

Contrary to the trend from 2013 to 2014, the projections for 2015 increases to 990 and for 2016 increase to 1,596. The following graph demonstrates the unrealistic levels of unmet need identified by UniHealth. In addition, this graphic depiction demonstrates the inconsistency of UniHealth's projection with the SMFP and that lack of any identifiable linkable between the projections of unmet need on page 128 and the projected utilization for the proposed agency on

<sup>&</sup>lt;sup>9</sup> On page 168 of its application, the percentage of self-pay/indigent/charity care visits was calculated by dividing the total number of visits for Indigent and Private Pay patients from Tables IV. 19 and IV. 20, 96 in year 1 and 187 in year 2, by the total number of visits in each of the respective tables, 3,730 in year 1 and 11,527 in year 2.

158 through 170. UniHealth's projections are stated for an undefined "Project Year 1" and "Project Year 2" that are only defined as Year End 9/30/2014 and 2015 on page 240. There is no relationship between UniHealth's projected utilization and the market forecast of unmet need described in the application.



United Unmet Need — — — — United Project Utilization — — — SMFP Need Implied Referrals

UniHealth also refers to the support it has received in the form of letters and surveys from area physicians and referral sources as a basis for its projected utilization and unmet need. It should be noted that often the same entities provided a letter of support and a survey and these should not be double-counted as different supportive organizations.

The projected demand or unmet need based on UniHealth's letters of support is also disconnected from its utilization projection and market based unmet need calculation. UniHealth projects over 2,500 referrals from area providers, which is more than 5 times the unmet need identified in 2014 and more than 2.5 times the unmet need identified by UniHealth in 2015. Once again, the documentation is inconsistent and does not present a reliable basis for the need for the project.

UniHealth's reliance on other United Healthcare-related entities shows that it will not be meeting an unmet need, contrary to what it claims. UniHealth will simply be taking patients that are presently being served by other providers. The letters and surveys do not state that they will be

referring patients from the incremental growth they achieve but from their existing patient base. The referrals are, in reality, simply a re-routing of patients. In the letters and surveys, UniHealth does not discuss how it will address Mecklenburg County's "unmet need."

Additionally, the number of referrals from another entity appears to have been double counted by UniHealth. There are multiple letters from Saturn Nursing and Rehabilitation. These letters state that the entity would be interested in referring 10 patients per month. UniHealth counted each letter received as a separate potential pledge of 10 patients per month when in fact there is only a single potential pledge. The language of the letters specifically states that "we have referred" patients to home health, meaning that the organization as a whole referred, not just the individual filling out the letter. These letters and surveys further imply the referral sources will be shifting its existing base of referrals from existing providers to United.

Additionally, some of the survey and letters show that the organization will refer all of its patients to UniHealth. It is not reasonable to assume that a non-related referral source will send all of its patients in need of home health services to an agency with which it has no experience in the Mecklenburg County market.

As discussed above, UniHealth's methodology and support for its utilization projections are inconsistent and unreliable. UniHealth's failed to document a reasonable basis for its projected utilization and thus should be found non-conforming with Criterion (3).

#### (5) Immediate and Long-term Financial Feasibility

UniHealth's immediate and long-term financial feasibility is based on undocumented assumptions for its utilization projections. UniHealth fails to discuss how its utilization projections were calculated. It simply states that it will receive a certain number of patients per month until it reaches its annualized unduplicated patient projections. UniHealth's projected utilization has no relationship to its calculated unmet need or its unrealistic implied number of referrals. Additionally, UniHealth claims to have significant support for its project, but, as discussed above, this support is based on serving patients already served by existing providers.

Because it is based on unsupported utilization projections, UniHealth's project is not financially feasible and should be found non-conforming with Criterion (5).

#### (6) Unnecessary Duplication of Existing or Approved Health Service Capabilities or Facilities

UniHealth's proposed project will lead to an unnecessary duplication of health care service capabilities. As stated above, UniHealth will not be serving an unmet need. Its letters of support and surveys clearly show that its referral sources will be rerouting patients instead of referring patients from incremental growth. In essence, UniHealth will be serving patients that are currently being served by existing providers. UniHealth gives no specific mention of how it will seek out new patients that are currently not receiving care; how it will increase the home health

use rate or any other avenue to increase the overall home health utilization of Mecklenburg County and to serve patients whose needs are currently going unmet.

#### (13c) Projected Service to Underserved

UniHealth's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. On page 168 of its application, UniHealth projects to provide just 2.5 percent of visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, UniHealth will not serve its share of patients in need.

#### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

UniHealth fails to specifically demonstrate a positive impact on access because it fails to project sufficient care to underserved populations. UniHealth relies on redirection of referrals for which the need is already met rather than seeking to identify the unmet need in the County. As a result, UniHealth's project will not have a positive impact on competition. In addition, UniHealth projections do not document that they will be accessible to self pay and charity care patients. Further, UniHealth also fails to prove that it will meet the clinical needs of health professional training programs. Summary:

UniHealth's application should not be approved because it fails to conform to Criterion (1), (3), (5), (6), (13c), and (18a). Even if UniHealth was approvable, it would not be comparatively favorable to H@H-CMC.

## **H@H-CMC's Comments on**

## Vizion

#### Vizion One

#### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

Policy GEN-3 states, "A Certificate of Need applicant shall also document how its projected volumes incorporate these concepts in meeting the need indentified in the SMFP as well as addressing the needs of all residents in the proposed area." Vizion's proposal does not address the needs of all residents in the proposed area since it does not intend to provide pediatric, high-risk obstetric or psychiatric services (p. 18 of Vizion application). Additionally, Vizion projects to provide 1.4 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Vizion will not serve its share of patients in need and is not projected to be financially accessible.

#### (3) Identification of the Population to be Served and Need for the Project

Vizion identifies the population to be served by the proposed project and provides a significant amount of demographic data about the service area. However, Vizion does not clearly identify how it will serve the market segments that are identified. On page 53 of the application, Vizion states that it will provide approximately 1.4 percent of its services in self-pay/indigent/charity care. Outside of financial definitions, Vizion fails to specifically address how it will serve traditionally underserved groups. Vizion also states that it will not serve pediatric patients, thereby eliminating one underserved group.

Vizion does not properly define its service area. Vizion indicates it will serve Mecklenburg County and a 60-mile radius. This radius cuts through numerous counties. Vizion does not confirm which counties are within the service area and outside the service area. Further, Vizion does not recognize that this is a very large and densely populated area for a new home health agency to attempt to serve. On page 65, Vizion states that 100 percent of its patients will come from Mecklenburg County, which is inconsistent with its service area definition.

Vizion projects to serve 325 patients in Year 2, which is one-half of the need identified in the SMFP. Year 1 utilization is simply "less than the average of existing providers' patients per agency." There is no analysis to support why this projection is reasonable or how Vizion can achieve this level of utilization. In response to the question in the CON form asking the applicant to provide a statistical basis for the unmet need, Vizion simply embedded a copy of the

Medicare Standards of Participation and did not provide any analysis or quantitative basis for its utilization assumption. Vizion goes on to present national rates of utilization of home health by DRG. This is not data relevant to the local service area and the rates are not applied to the service area.

Vizion's projected utilization is inconsistent with the experience of Mecklenburg County providers. For example, Vizion projects 25 visits per patient and a Medicare recertification rate (episodes per patient) of 1.55. By contrast, the experience of existing providers in Mecklenburg County is an average of 22 visits per patient and 1.33 recertification rate. Vizion does not explain why its projected utilization assumptions differ from the historical experience of the market.

Further, Vizion's letters of support do not confirm the reasonability of the projected utilization. Vizion had three letters of support from physicians and two from other healthcare providers. This level of support does not provide documentation for the reasonability of Vizion's projections, particularly when there is no other quantitative basis for the projected utilization other than one-half the unmet need.

#### (5) Immediate and Long-term Financial Feasibility

Without even taking financial data provided by the applicant into consideration, the utilization projections provided by the applicant make the resulting financial projections unreliable. In addition, a number of mathematical errors throughout the staffing tables results in unreliable staffing numbers and resulting expenses. In terms of staffing and real estate costs, Vizion never fully explains its current presence in Mecklenburg County. Vizion states on page 75 of the application that it intends to utilize a current RN Administrator for this project. It is not clear if this is a shared position because a 1.0 FTE Administrator is included in the staff table. The mathematical mistakes are clear when projected versus calculated visits per FTE per day are compared. Based on Vizion's projected visits by discipline, each staff member will need to provide more visits per day than the stated assumptions provided by Vizion. Thus, Vizion's projections are understated for staffing salary and benefit expense to provide the volume of care projected.

<sup>&</sup>lt;sup>10</sup> Only includes letters submitted in CON application.

	Calculated Visits per Day	Stated Visits per Day
Registered Nurse	5.20	5.00
ННА	5.23	5.00
Physical Therapist	5.19	5.00
Occupational Therapist	5.23	5.00
Speech Therapist	5.32	5.00
Medical Social Work	3.31	3.00

Source: Vizion application p. 67 and 77.

In addition, Vizion intends to use its current home care offices for this project. According to page 102 of the application, this site is leased. However, no lease appears to be attached. Therefore, the size of the office space and the associated rental costs cannot be located or verified for reasonableness or suitability, especially since two operating entities will be sharing the space. Vizion states, "\$42,000 and \$65,916 were allocated in operating years 1 and 2, respectively for "Central Office Overhead." It is unclear if this category simply includes the lease cost or also includes other typical office overhead expenses.

Numerous mathematical errors coupled with many unclear or unanswered financial items makes the financial feasibility of this project questionable at best.

#### (7) Availability of Resources Including Health Manpower

Vizion uses its small projected staffing volumes to justify the availability of health manpower and management personnel. These volumes are insufficient to serve the projected patient visits based on its own assumptions. Further, Vizion does not clearly identify where or how staffing will be recruited.

#### (8) Necessary Ancillary and Support Services

With the exception of medical equipment, Vizion does not address how it intends to make available the provision of support services to its clients. More importantly, its restriction to only accept patients by physician referral demonstrates that it does not have a cohesive plan to coordinate care for its patients with the existing health care system.

#### (13c) Projected Service to Underserved Populations

Vizion projects to provide only 52.9 percent of its visit volume to Medicare patients. This is much lower than the average for Mecklenburg County patients of 69.1 percent. Thus, Vizion will not sufficiently meet the needs of Medicare patients in Mecklenburg County who are typically the largest group of patients that require home health services.

Vizion projects to provide 1.4 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Vizion will not serve its share of patients in need and is not projected to be financially accessible.

#### (18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

Vizion briefly addresses the positive competitive impact of its project on cost effectiveness, quality, and access in item V.7 (b) on page 70 of the application. However, much of its argument conflicts with responses in other sections of the application.

First, Vizion's response on page 70 states that "Given the implementation of a Prospective Payment System for home health, there is no longer competition with regard to price (or cost-effectiveness) rather than current emphasis is on improved outcomes and clinical depth." However, Table VII.1 on page 75 shows that Vizion anticipates almost one-third of its projected duplicated patients and projected visits in the second year of operation will be patients with commercial insurance who will not be subject to a Prospective Payment System, but will be subject to deductibles and co-payments. Therefore, price is a factor in this application. However, for the sake of argument, if price is not a factor due to a Prospective Payment System, then cost effectiveness and operating efficiencies are essential for the financial feasibility of this project. Vizion does not fully address or demonstrate how this project will achieve operating efficiencies to make this project financially feasible.

Vizion's response regarding the positive competitive impact of this project on access says, "With regards to access, the applicant plans to serve all patients in need including Indigent patients." However, previously in the application, Vizion claims that it does not intend to serve pediatric, high-risk obstetrics, or psychiatric patients. In addition, according to the response on page 73 of the application, the only means of accessing home health services from Vizion is through a physician's order. This also could limit the access to the proposed services.

#### (20) Evidence of Quality Care

Vizion fails to address item I.11 (c). Specifically, it does not address home health and/or home care offices they have developed in other states. Vizion uses its corporate size to justify its cash reserves to fund this project and to justify its experience. However, it does not clearly identify what types of services it provides outside of North Carolina. In addition, the application repeatedly mentions that Vizion is an existing, licensed home care provider in Mecklenburg County, but provides little information about its history, utilization, or quality.-

Vizion provides administrative policies and other quality documents to demonstrate its commitment to quality. However, given its "extensive experience in the development and provision of home and community and home health services and existing local presence (p7)," the application does not provide any documentation of quality statistics or history with these other entities.

10A NCAC 14C .2002 - Vizion does not clearly define the counties that will be served by the applicant. The service area is described as a 60-mile radius, which includes many partial counties. Vizion's patient origin is projected to be 100 percent from Mecklenburg County.

10A NCAC 14C.2005(b) – Vizion does not provide any letters of intent from any organization it expects to work with to provide ancillary and support services. It is unclear how Vizion will provide durable medical equipment and supplies, pharmacy, infusion therapy among other services. No staffing is included for these services and it does not appear that expenses for these types of services are included in the pro forma projections.

#### **Summary:**

Vizion's application should not be approved because it fails to conform to Criterion (1), (3), (5), (6), (7), (8), (13c), (18a) 10A NCAC 14C .2002 and .2005(b

## **H@H-CMC's Comments on**

## Well Care

#### Well Care

#### (1) Consistency with the State Medical Facilities Plan including Policy GEN-3

Well Care's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. On page 62 of its application, Well Care projects to provide a drastically low 0.11 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Well Care will not serve its share of patients in need and is not projected to be financially accessible.

#### (3) Identification of the Population to be Served and Need for the

Well Care does not provide a reasonable basis for its projected utilization. On page 45 of its application, Well Care states that its "existing home health agency in New Hanover County provides extensive home health utilization in all of its neighboring counties and provides a full scope of services." However, it fails to provide the historical utilization for this agency to substantiate this statement. Nor does it provide historical data for its other Medicare-certified North Carolina agency in Wake County. Without such information, Well Care fails to prove its ability to meet its utilization projections.

In addition, Well Care proposes to locate its proposed agency in Mecklenburg County but also serve Cabarrus, Iredell, Lincoln, Gaston and Union Counties as its secondary service area. On page 44 of its application, Well Care states that the five counties that comprise the secondary service area are contiguous to Mecklenburg County and have projected deficits in 2013. In both the 2013 Draft and 2012 State Medical Facilities Plans, there is no need identified for an additional home health services in the secondary service area counties. The projected deficit persons needed to be served in Cabarrus, Iredell, Lincoln, Gaston, and Union are actually projected to decline in the 2013 Draft. In fact, the projected 2013 deficit for Gaston County is projected to be a surplus of 192 persons in 2014. Therefore, Well Care does not provide a reasonable basis to serve Cabarrus, Iredell, Lincoln, Gaston, and Union Counties; yet, nearly 14 percent of total patient volume is expected to reside in the secondary service area. It is unrealistic for Well Care to serve a significant base of patients from outside of Mecklenburg County as a new provider with no current market presence.

Well Care projects to care for 378 patients in the first year of operation, 325 of which are from Mecklenburg. The 2012 State Medical Facilities Plan projects a need of 651 patients in Mecklenburg in 2013. Thus, Well Care projects to serve half the need in the first year as a new provider. Such projections are unrealistic given the lack of ramp up period for a new agency. By Year 2, Well Care projects to serve 510 patients, including 81 from outside of Mecklenburg

County. There are already 24 home health agencies serving Mecklenburg County residents (10 of which are located in the county). To anticipate that residents will bypass existing agencies and that the proposed agency will serve half the need in just the first year of operation is unrealistic at best. Further, a projection as simple as serving half of the unmet need does not represent any actual analysis of the unmet need in the County and shows a lack of understanding of the market.

Also highlighting the unlikelihood of its projections is Well Care's lack of community and physician support. Well Care gathered just 17 letters of support. Only three of these letters come from physicians, and none of these letters indicate potential referrals to Well Care. These letters do nothing to support Well Care's projected utilization. As a result, Well Care failed to adequately confirm that a need exists or demonstrate how the applicant intends to meet that need.

#### (5) Immediate and Long-term Financial Feasibility

Well Care's immediate and long-term financial feasibility is based on undocumented assumptions for its utilization projections. The projections are not substantiated by letters of support or historical utilization. Therefore, Well Care's proposed project cannot be found conforming to this criterion.

Well Care does not include any costs for the upfit of space, including such items as telecom and wiring. The letter from the leasing associated provided as Exhibit 10 indicates that there is no tenet up fit allowance or other provision for modifications included in the lease payment. Thus, it does not appear that Well Care has considered all required costs to develop the proposed project.

In addition, Well Care does not provide sufficient staffing to support the proposed agency. Well Care projects just a half of an occupational therapist, less than a fifth of a speech therapist, a fifth of a medical social worker, and just over a half of a home health aide/certified nursing assistant. This is insufficient staff to support care for nearly 600 patents. This level of staffing results in a length of visit that is too short to provide required admission, re-certification, and evaluation visits that are of longer duration particularly for Nurses and Physical Therapist. It is not clear that Well Care has considered sufficient visit time and travel time in congested Mecklenburg County and the broad 6-county service area. Well Care's projected visits per day based on projected staffing for Physical Therapy is 5.63 visits per day when Well Care states that it projects PTs to provide 5.5 visits per day.

<sup>&</sup>lt;sup>11</sup> Only includes letters of support submitted in the CON application.

#### (7) Availability of Resources Including Health Manpower

Well Care indicates that it will use a contract relationship to provide infusion therapy; however, there are no letters of intent from an organization that indicates such a company is willing to provide this service. Exhibit 11 to the application provides a letter from Walgreens Infusion Services; however, this is a generic letter of support and does not indicate that it will provide infusion services to Well Care's patients. See also 10A NCAC 14C .2005(b).

#### (8) Necessary Ancillary and Support Services

Well Care does not provide documentation for how it will provide infusion therapy services. See discussion under Criterion (7).

#### (13) Accessibility to Medically Underserved Groups

#### (13a) Historical Service to Underserved Populations

On page 74 of the application, Well Care provided its historical data for charity care for its Wilmington office. In 2011, just 0.1 percent of its total duplicated patients received charity care. The percentage increases slightly to 0.23 percent when total visits are considered. Well Care does not have a history of providing service to the underserved population, and as shown below, it does not project to do so in the future with the proposed home health agency. Thus, Well Care should be found non-conforming to this criterion.

#### (13c) Projected Service to Underserved

Well Care's proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. The applicant fails to enhance access to the medically indigent. On page 62 of its application, Well Care projects to provide an amazingly low 0.11 percent of projected visits as self-pay/indigent/charity care in the first two years of operation of the proposed home health agency. This is far less than the amount of indigent/charity care provided by the existing agencies serving the majority of patients in Mecklenburg County, which provide 3.4 percent of care to self pay/indigent/charity care patients. As such, Well Care will not serve its share of patients in need.

Section .2000 - Criteria and Standards for Home Health Services

10A NCAC 14C .2005(b) – Well Care does not document how it will provide infusion therapy services. A letter of support from an infusion therapy provider indicates that it will refer patients but does not indicate its willingness to provide infusion therapy under contract to Well Care.

#### **Summary:**

Well Care should be found non-conforming with Criterion (1), (3), (5), (7), (8), (13a), (13c), and 10A NCAC 14C .2005(b). Even if they were approvable, Well Care does not compare favorably to H@H-CMC particularly with respect to provision of care to underserved population.

### Attachment A

