GENTIVA®
home health

HAND DELIVERED

May 31, 2013

Mr. Craig Smith
Chief, Certificate of Need Section
Division of Facility Services
701 Barbour Drive
Raleigh, NC 27626-0530

RE: Certificate of Need for a home health agency in Brunswick County

Dear Mr. Smith:

On behalf of Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services (Gentiva), please accept this letter with our comments regarding the filings for the above referenced project. As described in our application and in our attached comments, Gentiva proposes to develop a home health agency in Brunswick County and believes its proposal will best meet the identified need in the 2013 State Medical Facilities Plan.

An original and copy of our comments in response to each of the applications submitted for this project accompanies this letter.

Sincerely,

Susan Benoit

Susan Benoit
Regional Vice President of Sales – Carolinas Region

Enclosure

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Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services
Comments in Opposition to Competing Applications for
A New Home Health Agency in Brunswick County
May 31, 2013

In accordance with N.C.G.S. 131E-185 (1), the following are comments submitted by Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services ("Gentiva"). Gentiva submitted Project ID# O-010121-13 for the establishment of a new home health agency in Brunswick County to create a new office. Gentiva is filing comments in opposition to the following applications:

- Project I.D. #O-10118-13 Advanced Home Care, Inc. ("Advanced")
- Project I.D. #O-10122-13 Continuum Home Care of Brunswick County ("Continuum")
- Project I.D. #O-10119-13 HealthKeeperz of Brunswick ("HealthKeeperz")
- Project I.D. #O-10120-13 Maxim Healthcare Services, Inc. ("Maxim")
- Project I.D. #O-10117-13 NHRMC Home Care ("NHRMC")
- Project I.D. #O-10113-13 UniHealth Home Health ("UniHealth")

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. Furthermore, the comparative analysis ***clearly demonstrates that Gentiva is the best applicant*** to meet the need identified in the 2013 SMFP for Brunswick County based on the following factors:

- Gentiva provides the most financial accessibility to underserved patients of any of the applicants.
- Gentiva provides the most documented support for its project of all the applicants.
- Gentiva projects the highest percentage of Medicaid patients of the applicants and the second highest combined Medicaid and indigent care percentage.
- Gentiva projects the highest amount of skilled care.

Based on these factors, Gentiva should be approved for a new home health agency office in Brunswick County and meet all review criteria.

The CON Section has an opportunity to approve one applicant in this batch based on an unmet need for 324.9 patients in Brunswick County in 2014. Seven applicants submitted proposals to the CON Section for review. The following applicants have serious flaws in their projections and/or documentation deficiencies and cannot be approved:

- NHRMC
- Advanced
- HealthKeeperz
- UniHealth

The specific flaws and deficiencies associated with each of these applications are described in detail in Section III of this document.

The remaining applicants, Continuum and Maxim, are approvable; however, they are less effective than Gentiva for the following reasons:

- Continuum does not adequately define or document the patients it proposes to serve by overprojecting its ability to ramp up as quickly as projected.
- Continuum's staffing is insufficient to meet its projected utilization.
- Maxim's projected volumes and payor mix do not demonstrate the intent to increase access. In addition, Maxim's identified populations to be served and payor mix does not appear to align.
- Maxim projects the highest ratio of net revenue to total cost of any applicant, due to high charges and understated expenses.

For these reasons, Gentiva 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 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
Gentiva	$ 107,500	$ 497,884	$ 605,384
HealthKeeperz	$ 62,400	$ 137,057	$ 199,457
Advanced	$ 70,000	$ 3,000	$ 73,000
Maxim	$ 90,000	$ 525,000	$ 615,000
UniHealth	$ 318,967	$ 580,437	$ 899,404
Continuum	$ 102,200	$ 295,568	$ 397,768
NHRMC	$ 80,190	$ 50,764	$ 130,954

Gentiva's project costs appear in line in comparison to many of the other applicants. However, as discussed in detail later in this document, some of the other applicants critically underestimate their project costs and working capital requirements for this project. In particular, Advanced and NHRMC underestimate working capital needs while HealthKeeperz, Advanced, and NHRMC underestimate project costs. As a result, their cost per patient and visit is drastically understated. Atypically, for this batch of applicants, the higher costs from an aggregate and a per-patient/visit standpoint actually highlight the most feasible and effective projects since these projects realistically capture all costs that will be associated with opening a new agency. Therefore, the application submitted by Gentiva is among the most effective with regard to project costs.

Proposed Services

The range of services is of high importance in determining the home health agency which will best meet the needs of the community. The table below demonstrates the services proposed by each of the applicants.

Services Comparison for Prospective Home Health Agencies							
Service	**Gentiva**	**Health Keeperz**	**Advanced**	**Maxim**	**UniHealth**	**Continuum**	**NHRMC**
Skilled Nursing	X	X	X	X	X	X	X
Occupational Therapy	X	X*	X	X	X*	X	X
Physical Therapy	X	X	X	X	X*	X	X
Speech Therapy	X	X*	X	X	X*	X	X
Social Worker	X	X*	X	X	X	X	X
Home Health Aide	X	X	X	X	X	X	X
Wound Care	X	X	X	X	X	X	X
IV/Infusion Therapy	X	X	X	X	X	X	X
Alzheimer's & Dementia Care	X			X		X	
Mental & Behavioral Health	X			X	X		
Medication Management	X			X			X
Medical Supplies	X	X		X	X		
Telemonitoring	X		X		X		
Cardiac Care	X		X		X		
Disease Management	X			X	X		
Diabetes Education & Management	X	X	X		X		
Stroke Care	X		X		X		
COPD Care	X		X		X		
Respiratory Care	X	X	X		X*		
Fall Prevention	X		X				
Foreign Language Interpreter Services	X		X	X			
Palliative Care		X			X		
Pharmacy Services		X		X	X		
Patient Education	X	X		X			X
Dietician/Nutrition Care	X		X	X	X*		
Safe Strides/Balance Care	X		X				
Pain Management	X			X	X		
Joint Replacement Care	X		X		X		
Swallowing Training	X						
Septicemia Program			X				
Pediatric Care				X			
Oncology Care	X				X		
HIV/AIDS Care	X				X		
Private Duty/Respite Svcs.							

**Service is proposed to be offered through contact arrangement and not by agency staff.*

As demonstrated above, Gentiva, Advanced, and UniHealth offer the broadest range of services of the applicants. Continuum and NHRMC provide the least amount of offerings and do not appear to provide more specialized care or specific protocols for disease management. Several applicants including UniHealth, HealthKeeperz propose to use only contract staff for core services. The use of contract services is more costly and can raise concerns about uniformity of training, qualifications and oversight.

Reasonableness of Utilization Projections

Existing Providers are Growing

In projecting utilization for the proposed agencies, fully accounting for the current growth in existing agencies is an important factor. In Brunswick County, it is even more important since existing agencies have been growing rapidly in recent years. From 2008 to 2012 the Brunswick County admissions to existing home health agencies grew by a Compounded Annual Growth Rate (CAGR) of 4.8 percent, from 3,021 to 3,646, representing an overall 20.7 percent growth during that time. Much of the growth occurs in the 65 and over age group, which experienced a CAGR of 5.9 percent and a percent change of 25.6 percent during the four year period (Gentiva application, p 42). The growing need for home health services is due to an even faster growing population, particularly in the senior (65+) segment of the population (Gentiva application, pp36-38). Therefore, projecting to serve more than the demonstrated need is not reasonable given that the existing agencies are growing. The need identified takes into consideration some growth of existing agencies at the area-wide level. The existing agencies specifically serving Brunswick County have been growing more quickly. Only Gentiva fully takes this into consideration projecting reasonable levels of utilization within the SMFP identified need.

Utilization Projections Compared to Need

As demonstrated in the table below, Gentiva and Advanced are the only applicants whose Year 2 utilization projections do not exceed the 2014 Brunswick County need per the 2013 SMFP and also do not exceed the applicant's own calculations for the Brunswick County need for home health services in Year 2 of operation. Given the growth of the existing providers serving Brunswick County, it is illogical and unreasonable to project to meet all of the future need. However, with the exception of Gentiva and Advanced, that is exactly what every other applicant does. Advanced's methodology for projecting its utilization is severely flawed and clearly manufactured to align with the SMFP, which is outlined in detail in Section III of this document. Therefore, Gentiva is the only applicant which presents a reasonable utilization projection given the current growth of the existing providers serving Brunswick County.

	Gentiva	Health Keeperz	Advanced	Maxim	UniHealth	Continuum	NHRMC
2013 SMFP Projected Need for Brunswick County 2014	324.9	324.9	324.9	324.9	324.9	324.9	324.9
Applicant's Projected Brunswick Cty Need for Year 2*	652	536.53	324.9	324.9	432	453	**
Applicant's Projected Brunswick Cty Utilization for Year 2*	313	557	303	503	432	453	1,108
Does Utilization Exceed SMFP Projections?	**NO**	Yes	**NO**	Yes	Yes	Yes	Yes
Does Utilization Exceed Applicant's Own Need Projections?	**NO**	Yes	**NO**	Yes	Equal	Equal	N/A

* *For most applicants Year 2 is 2015, for NHRMC Yr 2 is 2016*

** ** *Projections not based upon need but upon market attaining a certain market share*

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, Gentiva has overwhelmingly documented that its project has the support of affected persons. Gentiva has submitted the most physician letters of support for this project, the most letters of support from other healthcare providers, and is clearly the provider of choice for this community based on the number of community letters of support. Not included in this table are surveys that were completed by a number of healthcare providers for HealthKeeperz, UniHealth, and Continuum. Even considering the numbers of surveys collected by these providers (13, 28, and 11 respectively), Gentiva still received significantly more documented support than all of the other providers. This is significant given that many of these other providers project much higher utilization than Gentiva.

Summary of CON Letters of Support by Applicant

Applicant Name:	Gentiva	Health Keeperz	Advanced	Maxim	UniHealth	Continuum	NHRMC
Physicians:	18	4	8	2	0	2	8
Letters indicating referrals:	2	0	0	2	0	2	1
Other Healthcare Professionals:	28	13	7	7	2	5	10
Letters indicating referrals:	3	0	1	2	1	2	2
Community Letters:	71	2	5	7	17	3	0
Politician:	1	0	0	0	0	0	0

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.

	Medicaid %	Charity/ Indigent & Self Pay %	Total Underserved
Gentiva	20.20%	1.20%	22.00%
HealthKeeperz	17.90%	0.10%	18.00%
Advanced	12.90%	1.80%	14.70%
Maxim	17.80%	0.90%	18.70%
UniHealth	18.32%	0.09%	18.41%
Continuum	21.77%	0.27%	22.04%
NHRMC	Not Listed	0.00%	0.00%
Brunswick Existing	13.0%	0.80%	13.8%

As shown in the table above, Gentiva and Continuum project the highest total percentage of Medicaid and charity visits. Of these two providers, Gentiva projects the highest percentage of charity care visits. While Advanced projects the highest percentage of charity visits overall, it also projects the lowest percentage of Medicaid overall and the lowest total underserved visits overall. It should also be noted that NHRMC does not project to serve any underserved patients in its application. In summary, the application submitted by Gentiva is the most effective applicant with regard to access by the underserved population.

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 visits for each applicant along with the projected Medicare recertification rate. Most applicants are in line with existing providers in the area. HealthKeeperz did not provide a recertification rate. NHRMC projects a much lower level of Medicare visits than all the other applicants and the existing agencies.

	# of Unduplicated Patients	# of Projected Visits	# of Visits per Patient	Medicare % of Visits	Medicare ReCerts
Gentiva	391	7,706	19.7	75.3%	1.30
HealthKeeperz	582	10,935	18.8	76.6%	**
Advanced	533	11,123	20.9	80.2%	1.50
Maxim	503	9,405	18.7	73.2%	1.22
UniHealth	508	11,576	22.8	79.4%	1.35
Continuum	474	11,162	23.5	75.5%	1.43
NHRMC	1,328	23,022	17.3	11.3%	1.30
Brunswick County			16.0	69.4%	NA

***Recertification rate for Medicare patients is not provided*

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.

	Nursing	Home Health Aide	PT	OT	ST	MSW	Total Skilled Care
Gentiva	40%	5%	40%	6%	8%	1%	95%
HealthKeeperz	56%	9%	28%	5%	2%	1%	91%
Advanced	52%	8%	30%	7%	2%	1%	92%
Maxim	57%	8%	26%	6%	2%	1%	92%
UniHealth	47%	6%	33%	12%	2%	0%	94%
Continuum	47%	7%	35%	8%	2%	1%	93%
NHRMC	49%	8%	32%	9%	2%	1%	92%
Brunswick County	39.8%	5.1%	39.9%	8.0%	6.4%	0.8%	94.9%

As shown in the table above, Gentiva projects the highest percentage of skilled visits. Because Gentiva will bring its Safe Strides program to Brunswick County and because it has a specialty focus on falls preventions and balance maintenance, its PT percentage is slightly higher than the other applicants. The variation in percentage of skilled visits is small; however Gentiva and UniHealth stand out slightly from the rest overall. HealthKeeperz, Advanced, Maxim, Continuum, and NHRMC project to provide a lower percentage of skilled care than the existing agencies serving Brunswick County. Gentiva's project most closely aligns with the percent skilled care provided in total by the existing agencies in serving Brunswick County. Notably, UniHealth does not project to provide any Medical Social Work services. Social work is an essential part of quality home health care. Medical Social Workers assess patient needs from a non-clinical standpoint and connect vulnerable patients to services such as Meals on Wheels, transportation to doctor appointments, and assistance for those who cannot afford medications. All of these services are necessary to patients' overall quality of care and their ultimate outcomes. Also, all other applicants project to provide a much lower percent of Speech Therapy than is currently being utilized by Brunswick residents. Gentiva projects the highest level of Speech Therapy. Speech Therapy is critical for patients recovering at home from stroke, which can impact not only actual speech but also swallowing.

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 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
Gentiva	7,706	$1,208,033	$ 156.77	$1,099,399	$ 142.67
HealthKeeperz	10,935	$1,700,137	$ 155.48	$1,595,709	$ 145.93
Advanced	11,123	$1,804,095	$ 162.20	$1,541,982	$ 138.63
Maxim	9,405	$1,547,697	$ 164.56	$1,518,518	$ 161.46
UniHealth	11,576	$2,225,040	$ 192.21	$1,430,501	$ 123.57
Continuum	11,162	$1,682,515	$ 150.74	$1,636,041	$ 146.57
NHRMC	23,022	$3,812,029	$ 165.58	$3,564,820	$ 154.84

As shown in the table above, Gentiva, HealthKeeperz, and Continuum project low gross revenue per visit and low net revenue per visit. While UniHealth projects the lowest net revenue per visit, its gross revenue per visit is by far and away the highest of all the applicants. HealthKeeperz has numerous financial inconsistencies throughout its application, including the inclusion of Medicare revenue beginning in month one of operation. Therefore, Gentiva is the most effective alternative with regard to gross revenue and net revenue 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. NHRMC has projected an incredibly high level of profitability due to high charges and underestimated expenses. UniHealth and Gentiva demonstrate the lowest ratio of net revenue to the total average operating cost per visit in the second year of operation. The net revenue per visit and cost per visit for both of these applicants appear to be within a reasonable range. Therefore, these two applicants are the most effective alternatives.

	# of Visits	Net Revenue per Visit (Year 2)	Total Operating Cost	Average Cost per Visit (Year 2)	Ratio of Net Revenue to Total Cost
Gentiva	7,706	$142.67	$1,056,821	$137.14	1.04
HealthKeeperz	10,935	$145.93	$1,445,606	$132.20	1.10
Advanced	11,123	$138.63	$1,306,201	$117.43	1.18
Maxim	9,405	$161.46	$1,305,747	$138.84	1.16
UniHealth	11,576	$123.57	$1,410,200	$121.82	1.01
Continuum	11,162	$146.57	$1,455,998	$130.44	1.12
NHRMC	23,022	$154.84	$2,041,650	$88.68	1.75

Several applicants have not provided sufficient administrative staffing, which would impact these figures. Please see discussion below.

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. Clearly there is a wide range of salary offerings between the applicants for each position. No one applicant is clearly the highest or the lowest overall. Gentiva's projected salaries are based on the actual salaries for its other agencies in Eastern North Carolina. Therefore, it knows that its salary projections are reasonable.

Gentiva and HealthKeeperz project the highest benefits percentages of the applicants. However, HealthKeeperz intends to primarily use contracted providers, so its benefits percentage may be inflated as a result. As a result, Gentiva's salaries and benefits offerings are strongest of the applicants.

The applicants proposing to use contract staff will pay a significant premium for services. UniHealth and HealthKeeperz both intend to exclusively use contract therapy services. For UniHealth, this contract therapy will cost $76.50 per hour in Year 2. At 2080 hours (an FTE equivalent) each therapist will cost $159,120. Similarly, HealthKeeperz projects to exclusively use contract staff for the OT, ST, and MSW positions. These staff will be paid the equivalent of $156,000 per FTE. With the other applicants projecting these positions salaries to range from $69,951 to $102,700, the use of contract therapy is clearly not cost effective.

Projected Salaries per FTE

	Registered Nurse	LPN	Physical Therapist	Occupational Therapist	Speech Therapist	Medical Social Worker	Administrator
Gentiva	$50,247*	N/A	$75,370	$75,370	$75,370	$88,670	$71,050
HealthKeeperz	$70,627	$48,269	$102,700	$75/hr	$75/hr	$75/hr	$87,295
Advanced	$67,600	$46,800	$75,000	$75,000	$75,000	$45,000	$80,000
Maxim	$69,215	N/A	$78,279	$72,054	$73,965	$53,618	$90,200
UniHealth	$76,500	$46,155	$76.50/hr	$76.50/hr	$76.50/hr	$48,450	$80,019
Continuum	$67,172	$43,497	$81,600	$78,901	$88,098	$55,274	$76,106
NHRMC	$73,329	$47,386	$75,447	$69,951	$76,160	$52,765	$55,906

**This salary is for a staff nurse. The nurse supervisor and therapy supervisor are paid at a higher salary than the staff nurses and therapists.*

Benefits Percent

	Calculated in Form B
Gentiva	35.0%
HealthKeeperz	37.3%
Advanced	18.5%
Maxim	20.7%
UniHealth	30.8%
Continuum	22.0%
NHRMC	23.9%

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. Advanced's higher amount of time dedicated to non-skilled care compared to its lower amount of time per patient per RN shows that Advanced may not be providing a level of care sufficient to achieve adequate quality outcomes. All other applicants project a reasonable range of hours per visit. UniHealth cannot be adequately assessed given the information provided. It should be noted that taking these figures into consideration, many applicants have not projected ample staffing. Please see detailed comments on each applicant for more information.

	Registered Nurse/LPN	HHA	Physical Therapist/ LPTA	Occupational Therapist/ COTA	Speech Therapist	Medical Social Work
Gentiva	1.70	1.57	1.69	2.12	1.34	1.70
HealthKeeperz	1.76	1.55	1.59	1.53	1.50	2.38
Advanced	1.37	1.91	1.81	2.62	2.41	3.94
Maxim	1.59	1.64	1.67	1.74	1.70	2.34
UniHealth	1.68	1.53	N/A*	N/A*	N/A*	13.87*
Continuum	1.70	1.84	1.63	2.40	2.16	4.10
NHRMC	1.71	1.43	1.47	1.43	1.55	3.05

**These positions will be contracted. As a result the information provided was insufficient or resulted in likely inaccurate calculations.*

Administrative and Clinical Supervisory Staffing

As shown in the table below, Gentiva provides the most administrative staffing to meet the needs of its agency. Most other applicants do not effectively staff their proposed offices to have the ability to promptly take referrals, keep quality medical records, and have adequate resources on hand to meet the needs of its patients, among other essential administrative tasks. Many applicants denote share position that do not provide are reasonable level of support as volumes ramp up. HealthKeeperz and Advanced are less effective with its staffing projections. NHRMC cannot possibly run an effective agency branch office with 2 staff members serving over 1,300 unduplicated patients. While NHRMC is an expansion, they have not explained how the level of staffing for the proposed new office will be supported by the existing agency office.

Administrative Staffing Comparison							
	Gentiva	**Health Keeperz**	**Advanced**	**Maxim**	**Unihealth**	**Continuum**	**NHRMC**
Total Administrative Staff Year 2	4	2	2.5	3.5	3	3	2
Unduplicated Patients - Year 2	391	582	533	503	508	474	1,328
Year 2 Patients per Administrative Staff Member	**97.75**	**291**	**213.2**	**143.7**	**169.33**	**158**	**664**

As shown in the table below, clinical supervisory staffing follows a similar trend. Maxim and Continuum most effectively staff its offices to provide clinical oversight. Gentiva and Advanced also provide effective clinical supervisory staffing for its proposed offices. UniHealth projects to provide minimal clinical supervisory staffing, which raises questions regarding the quality of its services particularly when contract staff is exclusively used to provide core services for all therapies with insufficient supervision. However, HealthKeeperz and NHRMC provide no clinical supervisory staffing at all which highlights serious issues with its proposed quality of care.

Clinical Supervisory Staffing Comparison							
	Gentiva	**Health Keeperz**	**Advanced**	**Maxim**	**Unihealth**	**Continuum**	**NHRMC**
Total Clinical Supervisory Staff - Year 2	1.3	0	1.5	2	1	2	0
Unduplicated Patients - Year 2	391	582	533	503	508	474	1328
Year 2 Patients per Clinical Supervisory Staff Member	**300.77**	**No Staff**	**355.33**	**251.5**	**508**	**237**	**No Staff**

Overall Comparative Assessment

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

Summary of Comparative Factors							
	Gentiva	**Continuum**	**Maxim**	**UniHealth**	**Health Keeperz**	**Advanced**	**NHRMC**
Project Cost	Most Effective	Most Effective	Most Effective	Effective	Effective	Least Effective	Least Effective
Proposed Services	Most Effective	Least Effective	Effective	Most Effective	Effective	Most Effective	Least Effective
Utilization	Most Effective	Less Effective	Least Effective	Less Effective	Least Effective	Most Effective	Least Effective
Letters of Support	Most Effective	Least Effective	Least Effective	Effective	Effective	Least Effective	Least Effective
Accessibility	Most Effective	Effective	Effective	Less Effective	Less Effective	Less Effective	Least Effective
Skilled Visit %	Most Effective	Effective	Effective	Most Effective	Effective	Effective	Effective
Gross & Net Revenue per Visit	Most Effective	Less Effective	Least Effective	Less Effective	Less Effective	Least Effective	Least Effective
Profitability	Most Effective	Effective	Least Effective	Most Effective	Less Effective	Less Effective	Least Effective
Salaries and Benefits	Effective	Effective	Effective	Cannot be assessed	Effective	Least Effective	Effective
Administrative Staffing	Most Effective	Effective	Effective	Effective	Less Effective	Less Effective	Least Effective
Clinical Supervisory Staffing	Effective	Most Effective	Most Effective	Less Effective	Least Effective	Effective	Least Effective

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:

- Continuum
- Maxim
- UniHealth
- HealthKeeperz
- Advanced
- NHRMC

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

Gentiva's Comments on Continuum

Continuum

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

Continuum does not adequately define or document the patients it proposes to serve by over-projecting its ability to ramp up as quickly as projected. Further, Continuum's staffing is insufficient to meet its projected utilization. Thus, is should be found inconsistent with Policy GEN-3.

(3) Populations to be Served and Need for the Project

Projected Need and Utilization

Continuum updates the SMFP's need projections using updated population data released by NC OSBM/State Demographer after the SMFP was published, resulting in a slightly higher need than was projected for Brunswick County in the SMFP. Specifically, it projects an unduplicated patient need of 343 for Brunswick County in 2014 and 453 in 2015. While these projections seem to be reasonable, Continuum's resulting utilization projections are not. First, Continuum only projects to serve 125 Brunswick County patients in their first year of operation. This projection is an arbitrary number which Continuum chooses to appear conservative. Should this figure be accurate, it would have financial implications that are discussed in item (5) below. Astoundingly, the applicant projects a 262 percent increase in Brunswick County utilization in 2015 by projecting to serve all 453 patients from its need projections. Given that Continuum documents that the existing home health agencies serving Brunswick County have been growing for the past few years, it is unreasonable to project that a new provider would be addressing all of the deficit need by year 2 of operation. These existing, established home health agencies are likely to serve a number of the 453 patients Continuum projects in their need methodology.

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 262 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.

On page 54 of its application, Continuum uses three examples of other home health agencies who had substantial increases in patients served from Year 1 to Year 2 to justify their increase in utilization. All three home health agencies are located in either Mecklenburg or Wake County. The sizes of these counties are not comparable in terms of population as Mecklenburg and Wake Counties are significantly larger than Brunswick County. There is more room for a

home health agency to grow in an urban county because there is a larger pool of patients to serve within the county and surrounding counties. Comparing Brunswick County to either Wake County or Mecklenburg County to justify projections is unreasonable. In addition, Continuum uses an average annual rate of change for these examples which is misleading at best. Continuum admits, "...each of the three agencies reported low numbers of unduplicated clients served in Year 1 (12, 27, and 22). These numbers are likely so low, and much lower than each agency's projected clients, because the timeframe probably reflects only some portions of a twelve-month reporting period...Therefore it is most appropriate to consider the combined Year 1 and Year 2 data as 'first year' unduplicated patients served." However, Continuum goes on to use the Year 1 and Year 2 figures individually to generate huge rates of change for the first two years of operation for two of these agencies (950% and 759%) to support its huge increase in utilization from Year 1 to Year 2. The third agency has not yet completed its second year of operation, so a rate of change could not be calculated.

In Year 2 of operation, Continuum projects to serve 21 unduplicated patients from New Hanover County. Aside from calculating a need using the same methodology it used for Brunswick County, it has no basis for this projection. The projection is completely arbitrary.

On page 61 of its application, Continuum includes a table to show potential referrals documented by the community surveys it collected. According to this table, Continuum has 81 potential referrals per month or 966 referrals per year. This further discounts the reliability and basis for Continuum's utilization projections.

Populations to be Served/Staffing

As described in item (7) below, there are a number of staffing issues associated with the proposed agency. The logistics of on-call staffing do not appear to support the ability to provide 24/7 care. In addition, clinical staffing numbers are so low it is questionable that it can cover the projected volumes during regular working hours.

(4) Least Costly or Most Effective Alternative

Continuum does not state how their home health agency will be the least costly or most effective alternative. In their description of cost-effectiveness, Continuum states that home health care "can provide a lower cost, higher value service" (page 88) than a hospital or skilled nursing facility. However, it does not specify how its application is the least costly or most effective alternative compared to other home health agencies. In fact, as discussed in detail above, Continuum only projects to serve 125 total unduplicated patients in its first year of operation, which hardly addresses the need for additional home health services in Brunswick County.

(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 shows a loss for Year One totaling $226,734. Start up and staffing costs for an agency projecting 125 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 134 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 $213.29
- Physical Therapy is $175.85
- Speech Therapy is $213.23
- Occupational Therapy is $175.20
- Medical Social Work is $387.17
- Home Health Aide is $156.01

In comparison, on page 135, Continuum projects a charge per visit for Nursing, Physical Therapy, Speech Therapy, Occupational Therapy, and Medical Social Work services of $150.00 and Home Health Aide services of $95.00. There is a footnote beneath this figure indicating that "few visits are paid at these rates. Revenue is mainly generated from Medicare Prospective Payments on an episodic basis." However, text on page 53 indicates that year one is actually a caveat from the generality described above. Continuum claims, "Although Brunswick County need in 2014 is 343 patients, Continuum anticipates serving 125 unduplicated clients. We believe it would be unreasonable to project a higher number given the time required to achieve State licensure and Medicare/Medicaid certification. Through prior discussions with NC Office of Acute and Home Care Licensure and Certification, Continuum believes it will take at least six months to obtain 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. 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 speech therapy, occupational therapy, and medical social work continues to be higher than the proposed charges. 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 262 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.

Reimbursement Rates Appear Unreasonably High

Further, Continuum's projected reimbursement rate is 97.2 percent of its projected average charges, which is not realistic. Payors, especially Medicare, reimburse based on an episode of care instead of paying per visit. Patients requiring more visits than the allotted episode, which happens frequently, will reduce the reimbursement percentage. A projected reimbursement percentage near 100% demonstrates that the applicant has not realistically projected its revenues.

Staffing Expense is Understated

As discussed above, it also appears that Continuum has under-staffed the projected agency. Adding sufficient levels of staff to the financial projections would result in a greater loss in year one and significantly less net revenue in year two.

(7) Availability of Resources Including Health Manpower

Accessibility to all groups, not just the underserved, appears to be a significant issue for at least the first year of operation. Continuum states that the proposed project includes providing services on a 24 hour on-call basis. However, on page 127 of its application, it states, "On-call staffing for patient care on evenings, weekends, and holidays will be provided by the Director of Professional Services/Nursing Supervisor and the OASIS/QA nurse, who will rotate on-call responsibilities 24 hours/day. Scheduled visits may be delegated to LPN staff within the parameters of scope of practice." This seems impossible given the staffing projections for year one. In the first year of operation, these three positions total 1.1 FTEs. The Director of Professional Services and Nurse Supervisor positions are each 0.5FTE positions. The OASIS/QA position is only a 0.1FTE. Even the back-up LPN is only 0.33FTE. Clinical staffing numbers are so low that it is questionable if they can adequately support the regular work hours. In the first year of operation, there are less than four FTEs spread out over nine clinical positions and six skilled areas.

Continuum projects 125 unduplicated patients in its first year of operation while it anticipates 966 referrals per year. Given Continuum's limited staffing projections, it will face extraordinary difficulties serving patients should the actual utilization exceed its projections. In addition, Continuum references a zoned staffing plan to ensure access to all areas of the county. It is difficult to understand how staffing will be zoned, when almost all clinical positions do not even have one FTE allocated in the first year of operation. With one full-time RN projected for year one, this person will be serving the entire county alone.

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

As discussed above, Continuum projects to achieve utilization equal to the demonstrated need in the second year of operation. This projection does not account for the recent historical growth of existing providers. As detailed in Item 3 above, quality and access both appear to be issues with this application in terms of Year 1 staffing projections. Unreliable utilization projections, staffing issues, and overstated reimbursement could all lead to issues with financial feasibility and cost effectiveness.

While Continuum's projections reflect an acceptable payor mix, its policies do not reinforce these projections. On page 166 of its application, Continuum states that it requires arrangements for payment prior to providing service. This does not ensure timeliness of care or the provision of charity care. Therefore, the accessibility of the proposed agency is questionable.

Summary:
Continuum's application should not be approved because it fails to conform to Criteria (3), (4), (5), (7) and (18a). Even if Continuum was approvable, it would not be comparatively favorable to Gentiva.

Gentiva's Comments on Maxim

Maxim

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

Simply put, Maxim fails to meet the principals in Policy GEN-3, particularly the promotion of equitable access and providing access to services for patients with limited financial resources. In no way does its application document how the projected volumes promote equitable access or serve those with limited financial resources. While the narrative of the application may say one thing, the volumes certainly suggest otherwise. There are inconsistencies in the discussion of the patient population to be served (seniors versus pediatric patients) and these discussions are not linked to the payor mix projections for the agency. Thus, Maxim fails to meet Criterion 1 and is inconsistent with Policy GEN-3.

(3) Populations to be Served and Need for the Project

Maxim fails to clearly identify the patient population to be served and as a result does not document the need for the project.

Identification of Population to be Served

- In Section II.8, Criteria and Standards for Home Health Services (p40), Maxim identifies that, "The proposed new Medicare-certified agency will serve Brunswick County." It does not identify any other counties as secondary markets.
- Maxim does not clearly define whether its intent is to focus on serving pediatric patients or senior patients. The confusion is magnified by the inconsistencies between the population to be served and the projected payor mix.

Services to Pediatric Population

- Maxim attempts to distinguish themselves from other providers with their intent to provide and experience in providing pediatric home health services (p22).
- In justifying the reasonableness of its projections on page 56, Maxim states that its projections are reasonable and conservative. It gives several reasons for this. Among these are the following:
    - "Maxim's Wilmington office is the sole contracted provider for 1-on-1 nursing, aide, and habilitation technician care in Brunswick County Schools. Maxim has been the exclusive contracted provider in Brunswick County schools for 12 years.
    - "The following is a list of physicians that Maxim actively communicates with on almost a daily basis to maintain care coordination for current patients." The entire ten practice list is made up of pediatricians.
    - "Maxim also has relationships with area CAP/C [Katie-Beckett Medicaid] programs. Maxim will leverage its existing relationships with CAP/C supervisors

to provide expanded access to home health services for pediatric Medicaid patients in Brunswick County."

- As Maxim acknowledges on page 54 of its application, pediatric home health patients are typically Medicaid recipients, since they often qualify for Medicaid under the CAP/C / Katie-Beckett program, which is available to a category of medically fragile children, regardless of their financial need, who may otherwise be treated in an institutional setting, but are instead receiving care in the home or community. Children who need healthcare services in a school setting also often fall into this category of payor.
- Maxim does not break down its projected utilization by age group, but it certainly seems to use its existing relationships in the pediatric market to justify much of its projected utilization. Given that pediatric home health patients are often recipients of Medicaid, either in its traditional form or through the Katie Beckett waiver, the projected payor mix for this project does not align with its projected utilization.

Need for the Project

- The discrepancy between whether Maxim is focused on pediatric patients or more typical senior services results in questions regarding the needs of the population they plan to serve. This is demonstrated by their payor mix projections.
- On page 52 of its application, Maxim demonstrates how Medicaid home health visits decreased by 25.6 percent from FY2011 to FY2012 which the Medicaid eligible population grew by 14.9 percent from 2010 to 2012. It went on to conclude from these statistics that Medicaid recipients have a significant need for access to home health services in Brunswick County.
- Page 53 states that, "Maxim has typically served a high Medicaid payor mix. For example, during CY 2012 at the New Hanover County office, 83.86 percent of annual revenue was Medicaid funded, and 56.14 percent of the census was Medicaid patients."
- Page 78 of Maxim's application shows that it projects 17.4 percent of its projected payor mix to be Medicaid patients. On page 98 of the application, it states that approximately 15.8 percent of its patients will be Medicaid recipients. Either way, this is a drastic difference than the 56.14 percent of Medicaid patients it is serving in neighboring New Hanover County. Maxim reiterates the statistics from the two previous bullet points, on page 106 within the Accessibility section of the application, but they never demonstrate how the proposed agency will achieve the accessibility that Maxim argues is needed and that they will provide. Their payor mix and projected utilization, in fact, demonstrate quite the opposite.

(4) Least Costly or Most Effective Alternative

Maxim's lack of clarity on the patient base they will serve (See discussion under Criterion 3) makes their project less effective. In addition, Maxim projects to serve far more patients than are

projected to need home health services. Therefore, Maxim's project will adversely affect existing providers if it does attain these unlikely projections. Further, Maxim projects far lower physical therapy use than the existing providers already serving Brunswick County, thus it does not demonstrate it will effectively meet the needs of area patients. Most importantly, Maxim projects the highest ratio of net revenue to total cost of any applicant, due to high charges and understated expenses. As a result, Maxim's proposed project does not represent the least costly or most effective alternative.

(5) Immediate and Long-term Financial Feasibility

Immediate Feasibility

- The proforma balance sheet (Form A) appears to be for Maxim as a corporation instead of for the proposed agency. Therefore, there are few conclusions specific to the proposed agency that can be drawn from this document.
- Based on the information provided, it is not possible to ascertain the financial performance of the proposed agency.

Long Term Feasibility

- Maxim projects a gain its second year of operation; however, these numbers are unreliable given Maxim's many utilization and payor discrepancies described above.

(7) Availability of Resources Including Health Manpower

Page 22 of the application states, "Maxim is on call 24 hours per day, seven days per week, and has clinicians on call at all times for access to patients and nurses in the field." However, the projected staffing table for Year 2 shows that Maxim only has 0.5 FTE allocated to an RN for "on call coverage." With only 0.5FTE allocated to on-call coverage, it is difficult to understand how 24/7 coverage will realistically be provided.

(8) Necessary Ancillary and Support Services

10A NCAC 14C .2005(b) on page 44 of the application requires that the applicant provide letters of interest for each service that will be contracted. Maxim acknowledges that DME and pharmacy services will be referred out to other providers who will directly bill the patients for these services. Maxim provides only one letter of support from Cape Fear Respicare, Inc., a DME provider. No letters of interest are referenced in the application for pharmacy services.

(13) Accessibility to Medically Underserved Groups

(13c) Projected Service to Underserved

In Section VI.3 on page 98 of Maxim's application, the applicant does not specifically address how they will provide access or increase availability to any of the traditionally underserved groups outlined in items (a) – (g). It only rehashes its focus on the Medicaid population and states its non-discrimination policy.

As stated, above, Maxim only projects to provide 0.50 percent of its gross revenues in services to the medically indigent. Because Maxim does not break down its utilization by age group, it is uncertain whether it intends to focus on services for the elderly or pediatric patients and to what extent. Its 71.2 percent Medicare payor mix projections would certainly indicate that the elderly are their target market. However, the large amount of narrative on their pediatric focus and the reliance on referrals from pediatric practices to meet their utilization projections contradict any assumptions that would be taken from the payor mix projections.

The applicant is not an existing provider of home health services in Brunswick County. Maxim does successfully show that Medicaid home health patients are underserved in Brunswick County and it attempts to use its Medicaid payor mix in New Hanover County to demonstrate its focus on the Medicaid population. However, its 15.8 percent projection for the proposed Brunswick County agency compared to its 56.14 percent Medicaid census in New Hanover demonstrates that its intent is not to offer a comparable level of Medicaid services, let alone expand access to the financially underserved in Brunswick County.

Maxim projects that 0.6 percent of its total unduplicated patients will be indigent patients (p78). The most recent figures from the Annual Data Supplements, 2013, show that this is less than the average for Brunswick County (Gentiva Application, p 52). In year 2, Maxim projects that the amount of charity care they project to provide is only 0.50 percent of gross revenues (p100).

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

Quality

Exhibit 14 of Maxim's 2012 application to establish a home health agency in Mecklenburg County presented its patient satisfaction scores 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 seventy 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. While Maxim may be putting forth great effort in restoring its quality of care, perhaps they should be focusing more on this effort than on expanding into new markets.

Access

As previously discussed in items (1), (13a) and (13c), information regarding increased access to home health services as a result of this project is incomplete or omitted. The information that is provided seems to be contradictory.

(20) Evidence of Quality Care

On page 31 of the application, Maxim describes its extensive compliance and quality improvement initiative that it has undertaken since 2009 as a result of a federal inquiry and a resulting settlement regarding "false claims related to certain Medicaid and Department of Veteran Affairs payments received from October 1998 to May 2009." It appears that the initiatives that have been put into place involving compliance, accreditation, clinical service delivery, patient centered care, healthcare technology, and quality improvement initiatives are quite extensive.

Section .2000 – Criteria and Standards for Home Health Services

As stated above, 10A NCAC 14C .2005(b) on page 44 of the application requires that the applicant provide letters of interest for each service that will be contracted. Maxim acknowledges that DME and pharmacy services will be referred out to other providers who will directly bill the patients for these services. Maxim provides only one letter of support from Cape Fear Respicare, Inc., a DME provider. No letters of interest are referenced in the application for pharmacy services.

Maxim's application should not be approved because it fails to conform to Criteria (1), (3), (4), (5), (7), (8), (13b), (13c), (18a), and (20). Even if Maxim was approvable, it would not be comparatively favorable to Gentiva Health Services.

Gentiva's Comments on UniHealth Home Health

United Home Care, Inc.

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

United Home Care, Inc. d/b/a UniHealth's ("UniHealth") proposed project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3. Specifically, the applicant fails to enhance access to the medically indigent and other financially underserved populations. This is detailed in Item (13c) below. Its projections for indigent care are far below that which is typically acceptable and it also appears to limit access to private pay patients and those with commercial insurance.

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

Need for the Project

While UniHealth's projected need for the project is directly tied to the 2013 SMFP methodology, its utilization projections appear to be tied to a methodology which is constructed to produce the desired patient projections. The applicant simply chooses a total patient projection for the year, which is not directly tied to any referral projections or quantitative analysis, and then works backwards to distribute that total on a weekly basis. This is apparent in its Year 2 calculations. On page 136, UniHealth demonstrates that in 2015 the unmet need for home health services in Brunswick County is 432 patients using the 2013 SMFP methodology. Not ironically, this is the exact number of unduplicated Brunswick County patients UniHealth projects to serve in Year 2 of operation (p142). This projection does not account for any growth of the existing providers. As demonstrated on page 42 of Gentiva's application, the growth of the existing providers serving Brunswick County has been rapid. Therefore, these utilization projections are not reasonable and are likely inaccurate.

While UniHealth's application includes surveys that include estimated potential referrals, these projected referrals are not tied back to the methodology used to project patients. In addition, some of these referral projections do not appear to be reasonable. Two of the 21 providers that stated projected referrals account for 360 of the 946 total estimated referrals. In other words, these two providers account for more than 1/3 of the projected potential referrals. A single provider which is not a large health care system referring 120 to 240 patients per year is highly unlikely. Therefore, these projected referrals are likely overstated. As a result, UniHealth's projected utilization appears to be contrived and does not appear to be based on a specific methodology. In addition, UniHealth held an informational session regarding the proposed agency at Ruth's Chris Steakhouse in Wilmington. Given that the restaurant is located outside of Brunswick County, it is unclear whether those in attendance were reflective of the primary market UniHealth proposes to serve in its application.

(4) Least Costly or Most Effective Alternative

This project does not represent the least costly or most effective alternative. As described above, UniHealth's proposed project limits access to patients requiring charity care and those who are private pay patients or carry commercial insurance. In addition, UniHealth proposes to use contract staff for all SLP, OT, and PT services. At the stated contract rate of $76.50 per hour, this equates to $159,120/year for 1 full time contractor. This yearly rate is more than double the typical annual salaries of these same positions, based on the salaries provided by other applicants. UniHealth's staffing assumptions do not represent the least costly method for providing care. As a result, UniHealth has therefore not met this criterion and cannot be approved.

(5) Immediate and Long-term Financial Feasibility

There is a disconnect between charges and reimbursement. UniHealth projects unusually high charges per patient and per visit at $4,380 and $192.21, respectively. This conflicts with its associated reimbursement per patient and per visit which average $2,816 and $123.57.

UniHealth does not provide for sufficient local clinical supervisory staff. Thus, staffing expense is understated. UniHealth has limited home health presence in the area with only one agency in North Carolina, thus, limiting the availability of a region presence to make up for such potential local shortcomings. For this reason, UniHealth has understated staffing expense.

If UniHealth fails to meet its high projected levels of utilization and the addition cost of adequate staffing is included, the financial feasibility of the project is called into question. UniHealth's projections show narrow profitability margins without consideration of additional understated expenses or lower patient volumes.

UniHealth's project should be found non-conforming to Criterion (5).

(7) Availability of Resources Including Health Manpower

As discussed previously, UniHealth has insufficient local clinical supervisory staff. In addition, administrative staff may also have constraints in Year 2 as the agency begins to grow, since two administrative FTEs will be carrying the duties of four positions. Specifically, the OASIS Coordinator will also serve as the Client Care Coordinator. The Team Assistant and the Community Relations Representative Roles will also be shared by one person. This is particularly of concern given UniHealth's track record with civil rights and equal access complaints. UniHealth self reports 30 civil rights and equal access complaints currently pending,

dismissed, or settled in North Carolina alone (United Home Health application, page 181). The volume and consistency of these claims suggests that UniHealth has problems meeting obligations to their employees. This concern translates into a questionable ability for UniHealth to adequately staff its proposed agency with staff that can maintain a high quality of care. This is a significant concern and should be carefully considered by the Agency given the duration and breadth of such complaints. The documented pattern of civil rights and equal access complaints raises significant doubts as to the staff and health manpower resources that UniHealth will be able to bring to this project.

For these reasons, UniHealth should be found non-conforming with Criterion 7.

(13) Accessibility to Medically Underserved Groups

(13b) Past Performance in Meeting Obligations

Over the last 5 years UniHealth has had 30 civil rights and equal access complaints currently pending, dismissed, or settled in North Carolina alone (United Home Health application, page 181). The volume and consistency of these claims suggests that UniHealth has problems meeting obligations to their employees. This information was disclosed in relation to the accessibility section of the application, implying that this issue is related to patient access as well.

(13c) Projected Service to Underserved

UniHealth projects to provide 0.09 percent of total visits (p188), equaling 11 total visits (p155) and $1,700 (p179) of true charity care, in year 2 of operation of the proposed home health agency. This is an extraordinarily low amount of indigent care and is well below typical projections. In addition, UniHealth makes numerous references to the $8,000 of charity care it projects to serve in year 2 throughout its application, (page 140 & 175) by combining its projected bad debt with true charity care. The result is a misleading inflation of its actual indigent care projections.

In addition to low projected charity care, UniHealth's proposal will limit accessibility to those with commercial insurance and private pay patients. UniHealth projects 0.38% and 4.49% of its Year 2 patients will be private pay and commercial insurance patients respectively (p188). This is far below the existing Brunswick County average for these groups at 2.3% and 15.7% (Gentiva application, 52). As such, UniHealth will not serve a significant share of patients in need and is not financially accessible.

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

Cost Effectiveness

UniHealth has a number of staffing inconsistencies that limit the cost effectiveness of this project. UniHealth proposes to use contract staff for all SLP, OT, and PT services. At the stated contract rate of $76.50 per hour, this equates to $159,120/year for 1 full time contractor. This yearly rate is more than double the typical annual salaries of these same positions, based on the salaries provided by other applicants. Over time, as volumes ramp up, this will further limit the cost-effectiveness of the proposed agency.

Quality

UniHealth appears to have staffing and human resource issues that are in the process of being addressed. In the last five years, it has received 30 civil rights and equal access complaints in North Carolina alone. Item (20) describes these issues in more detail.

In addition, UniHealth does not project to provide any Medical Social Work services. Social work is an essential part of quality home health care. Medical Social Workers assess patients' needs from a non-clinical standpoint and connect vulnerable patients to services such as Meals on Wheels, transportation to doctor appointments, and assistance for those who cannot afford medications. All of these services are necessary to patients' overall quality of care and their ultimate outcomes. These functions are essential in reducing hospital readmissions and decreasing the overall cost of patient care.

Access

As detailed in items (1) and (13C), UniHealth's proposed project appears to limit access to indigent/charity care patients, private pay patients, and patients with commercial insurance.

(20) Evidence of Quality Care

As mentioned in item (13b) above, UniHealth has 30 civil rights and equal access complaints currently pending, dismissed, or settled in North Carolina alone (United Home Health application, page 181). The sheer volume and consistency of these claims suggests that UniHealth has staffing and management problems that need to be corrected. These problems also call into question the quality of care offered by UniHealth. One claim unearthed the fact that "...the Supervisor had not properly verified employment eligibility for employees in that department..." (United Home Health application, page 183). In this one department, there were four employees who were employed unlawfully. This failure to verify employment eligibility is

in direct violation of 10A NCAC 13J, which in turn violates Criteria and Standards for Home Health Services, 10A NCAC 14C.2005.

This is a significant concern and should be carefully considered by the Agency given the duration and breadth of such complaints. If employment eligibility is not adequately verified, it can have direct implications for quality of care and patient safety. Management practices were also not in place to ensure adequate verification again raising concerns about management's ability to develop and operate the proposed agency with appropriate oversight thus ensure quality of care. The documented pattern of civil rights and equal access complaints raises significant doubts as to the staff and health manpower resources that UniHealth will be able to bring to this project.

For these reasons, UniHealth should be found non-conforming with Criterion 20.

Section .2000 – Criteria and Standards for Home Health Services

As detailed above, UniHealth has a track record associated with a number of civil rights and equal access complaints by staff in its North Carolina facilities. In one of these complaints, it was discovered that a supervisor had failed to properly verify the employment eligibility for four employees who were in turn employed unlawfully. This failure to verify employment eligibility is in direct violation of 10A NCAC 13J, which in turn violates Criteria and Standards for Home Health Services, 10A NCAC 14C.2005.

UniHealth's application should not be approved because it fails to conform to Criteria (1), (3), (4), (5), (13b), (13c), (18a), and (20). Even if UniHealth was approvable, it would not be comparatively favorable to Gentiva Health Services.

Gentiva's Comments on HealthKeeperz

HKZ Group, LLC d/b/a HealthKeeperz of Brunswick ("HealthKeeperz")

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

HealthKeeperz's project is inconsistent with the basic principles of the State Medical Facilities Plan under Policy GEN-3 as it relates to quality, access, and projected volumes.

Quality

According to the CMS home health compare website, all three existing agencies individually score below the state and national average in a handful of various areas. However, all three agencies score significantly below the state and national average in one very important area: timeliness of start of care. This is discussed in more detail in Item (20) below.

Access

HealthKeeperz's indigent care projections are unreasonably low. It projects to provide 0.28 percent of gross revenues in indigent care for the first two years of operation. Even more telling, it projects that 0.1 percent of patient visits will be indigent non-pay visits (p92) or just under eight patient visits in Year 1 (p70). HealthKeeperz simultaneously projects that 0.7% of its duplicated patients in Year 1 will be indigent non-pay patients (p90). That equates to 7.819 total patients. Therefore, HealthKeeperz is projecting to give just under eight indigent patients one visit each. Clearly, this project will not increase accessibility to indigent patients.

Projected Volumes

As detailed in Item (3) below, HealthKeeperz's projected utilization is based on an arbitrary market share, unreasonable historical comparisons to its existing facilities, and will be located in an area that will limit staff efficiency and increase travel expenses.

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

HealthKeeperz does not meet Criterion 3. Its demonstrated need for the project is vague and unreliable. The utilization projections that result from this need are based on an arbitrary market share that exceeds both of its historical examples. In addition, its proposed locations will make it difficult to serve the populations identified in the application. This is demonstrated in detail in the bullet points below.

The Total Need for the Project is Vague and the Utilization Projections are Arbitrary and Unreasonable

- HealthKeeperz uses the North Carolina Home Health Use Rate by Age Group to calculate the need for year one. This calculation results in the need for an additional home health agency by way of a 536.53 patient deficit in Brunswick County (p55).

- The applicant does not calculate a need for future years of operation. It simply applies a 3.75 percent annual growth rate to the Year 1 and resulting Year 2 projections to project the unduplicated patients for years 2 and 3. Therefore, these future projections are not compared to a projected need to demonstrate reasonableness.
- HealthKeeperz uses its Year 1 projected unduplicated patient count for Brunswick County (4,138) to project its utilization for Year 1 by applying an arbitrary 13 percent market share to this patient count. This calculation results in a projected utilization of 537 Brunswick County patients for Year 1 (before a 75 percent ramp up factor is applied), which, not ironically, is equal to the exact need it projects.
- The applicant tried to demonstrate that the 13 percent market share application has a historical basis. However, this basis is illogical for a number of reasons. HealthKeeperz uses its Robeson and Cumberland County agencies for comparison. The Robeson County agency received a CON in 2000 and achieved 6.5 percent market share in its first year of operation. The Cumberland agency was an existing agency that was acquired by HealthKeeperz in 2007 and achieved a 12.2 percent market share in its first year of operation. Neither of these two agencies achieved a 13 percent market share in the first year of operation and together averaged a 9.35 percent market share in their first year. Most likely, the closest comparison is the Robeson agency since it was not an existing agency. Of the two, it had the lesser market share of 6.5 percent in the first year of operation. While the Cumberland agency had an extremely low market share at the time it was purchased by HealthKeeperz, it was already certified by Medicare and did not have to clear that hurdle in the first year of operation, making ramp up much easier. Therefore, the Cumberland agency is not necessarily an apples to apples comparison, especially since the applicant expects the proposed facility to exceed the market share achieved by the Cumberland County agency in its first year of operation.
- At the end of the day, the 13 percent Brunswick County market share projections prove to be an arbitrary number chosen to land the utilization projections near the applicant's projected need.
- The New Hanover projections are simply as arbitrary. They use a 13.4 percent market share resulting in 25 additional unduplicated patients for each of the first three years of operation.
- All resulting distributions and projections are questionable since the initial unduplicated patient projections lack credibility.

<u>Proposed Locations make it Difficult to Serve the Target Population</u>

- According to Section I of the application, the primary site is located in Sunset Beach and a secondary site is located in Shallotte which is about 11 miles northeast of the primary site.
- Both of these sites are in far southeast Brunswick County. According to Google Maps, the primary site is less than eight miles from the South Carolina border.

- Given that the proposed agency intends to serve all of Brunswick County and New Hanover County which borders Brunswick to the northeast, the proposed sites do not provide easy access to staff serving the northern half of Brunswick County and all of New Hanover County. Given that clinical staff members typically visit the office one to three times a week for supplies, paperwork, and/or training purposes, both of the proposed sites (particularly the primary site) appear to add additional drive time, staffing constraints, and potential costs to this project since they are a good distance from many of the patients the applicant intends to serve.
- It should be noted that Section XI lists the Sunset Beach site as the secondary site and the Shallotte site as the primary site.

(5) Immediate and Long-term Financial Feasibility

HealthKeeperz's immediate and long-term financial feasibility is based on unreasonable assumptions for its utilization projections. The projections are not based on documented support and are not based on historical ramp-up. In fact, the applicant alludes to the difficulty in getting documented support a number of times throughout the application. Therefore, HealthKeeperz's proposed project cannot be found conforming to this criterion.

The applicant's estimated capital costs for this project appear to be understated. Of the $62,400 estimated, $42,500 is allocated to consultant fees, leaving only $19,900 for other project costs. This $19,900 is split between furnishings and moveable equipment. The lease proposals included with the application in Exhibit 16 do not include an upfit allowance, so any office modifications would be incurred by the applicant. At a minimum, one would assume that there would be some costs associated with wiring and telecom. Therefore, HealthKeeperz has likely not fully documented the cost of the project.

On page 104, HealthKeeperz identifies that it will need $137,057 in working capital. Of this, $123,326 is start up expenses that will be incurred from May 1, 2014 – September 30, 2014 before the agency begins seeing patients in October 2014 [see Start Up Worksheet on page 134]. Therefore, only $13,731 in initial operating expenses is projected to be needed during the first six months of operation. This appears very low and would likely not cover any shortfall from operations during the initial ramp up period.

In addition, in its Form B Pro Forma projection, HealthKeeperz does not take into consideration that it is unlikely to receive Medicare certification for the new agency for several months after opening the new office. HealthKeeperz projects Medicare revenue to be captured beginning in the first month of operation, and as a result, only projects a net loss in month one of operation, which is unrealistic. More specifically, it has projected to capture $183,175 of Medicare revenue in the first three months of operation. HealthKeeperz has documented that it will finance the

start-up of this project with a 250,000 line of credit. Of this $250,000, it has already accounted for using $199,457 in capital costs, start up expenses, and initial operating expenses. Only $50,000 remains available for unforeseen expenses. This is far less than the $183,175 in Medicare revenue that it projects to receive in its first three months of operation. If this revenue is not available, the applicant may not have the financing to continue operation during these months of resulting net losses.

(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, the applicant projects just one Administrator and one secretary/clerk to provide onsite administrative support for the proposed agency. In addition, no clinical supervisory staff positions are included in the staffing schedule on page 97. There is no explanation for staffing to provide clinical oversight, training, and quality control in the absence of a clinical supervisor. In addition, the number of clinical staff does not appear adequate to meet the utilization projections provided by the applicant. Therefore, HealthKeeperz should be found non-conforming with Criterion (7)

(13) Accessibility to Medically Underserved Groups

(13a) Historical Service to Underserved Populations

While HealthKeeperz did not provide its existing agencies' historical payor mix in this application, it did include this information in its 2012 application to establish a home health agency in Mecklenburg County. The table on page 77 of that application showed that HealthKeeperz did not provide any care to patients identified as either self pay or charity. For the Brunswick application, it should also be noted that in all of the sections regarding increased access to the financially underserved, HealthKeeperz continuously refers back to its provision of care to Medicare and Medicaid populations and opts not to discuss indigent or charity care patients at all.

(13c) Projected Service to Underserved

HealthKeeperz projects to provide 0.28 percent of gross revenues in indigent care for the first two years of operation. Page 90 of the application shows that HealthKeeperz projects that 0.7 percent of its duplicated patients will be "indigent non-pay" patients. Given the projection of 421 unduplicated patients in Year 1, this is equivalent to 2.947 patients. However on page 92, it projects that 0.1 percent of patient visits in Year 1 will be indigent non-pay visits. This equates to less than eight total patient visits in year one (p70). Clearly these two figures do not reconcile, so it is difficult to assess the level of

indigent care HealthKeeperz really intends to provide. As a result, it should be found non-conforming with Criteria (13).

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

As demonstrated in numerous items throughout this discussion, HealthKeeperz proposed project does not promote a positive competitive impact in terms of cost effectiveness, quality, or access. See discussion of quality under Criterion 20. Cost effectiveness cannot be fully evaluated due to the insufficient project costs and staffing costs considered in the application.

(20) Evidence of Quality Care

CMS operates a website, www.medicare.gov/homehealthcompare which allows consumers to evaluate quality indicators of existing home health agencies. By comparing HealthKeeperz existing three agencies in Lumberton, Laurinburg, and Fayetteville, which are operated by the same entity that will operate the proposed Brunswick agency, there is a glaring trend. All three existing agencies received significantly lower than average ratings on the timeliness of the start of care for home health services. Specifically, the average North Carolina and national averages for "How often the home health team began their patients' care in a timely manner," were 91 percent and 92 percent, respectively. The three HealthKeeperz agencies received scores of 77 percent, 74 percent, and 74 percent, respectively. As discussed in a number of the other applications for this project, start of care is of utmost importance in determining quality outcomes and reducing hospital re-admissions. With these metrics, HealthKeeperz does not demonstrate that this is a priority. In addition, each of the three agencies has at least several other areas that are below the state and/or national average by more than 5 percent. A copy of the Home Health Compare metrics for the existing agencies is included in Attachment 1.

HealthKeeperz' application should not be approved because it fails to conform to Criteria (1), (3), (5), (7), (13a), (13c), (18a), and (20). Even if HealthKeeperz was approvable, it would not be comparatively favorable to Gentiva Health Services.

Gentiva's Comments on Advanced

Advanced Home Care

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

Advanced Home Care submits an application which appears to be generally consistent with the State Medical Facilities Plan including Policy GEN-3. However, the referral assumptions resulting in the required projected utilization are likely overstated. These projections are focused on hospital discharges and don't adequately demonstrate that Advanced will serve patients from other referral sources. This is discussed in more detail in Item (3) below. Given, the lack of support for Advanced's utilization projections and narrow referral based, which may limit access, Advanced is not consistent with Policy GEN-3.

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

The applicant identifies the population to be served as Brunswick, Pender, and New Hanover Counties. However within this service area, Advanced does not further break down the specific groups that most need the services proposed or how it specifically plans to increase access to underserved groups. This is discussed further in Item (13) below.

Referral Base is Insufficient to Support Projected Utilization

Advanced Home Care's application states, "Advanced Home Care's ability to successfully provide home health agency services to residents of Brunswick, New Hanover, and Pender counties is justified by its existing home medical equipment referral patterns. Furthermore, these 1,059 patient referrals were generated from 16 hospitals, 9 nursing homes, 210 physicians and advanced practice providers, as well as other sources (p51)." There are two major problems with this justification.

First, the provision of home health services is drastically different than DME sales. A successful provider of durable medical equipment is not necessarily a successful provider of skilled medical care. Referring physicians and providers are well aware of this and will not necessarily associate their referral patterns to DME with their referral preferences of home health providers. Advanced does not adequately document its experience in providing skilled home care services, which is the critical factor in developing referrals.

More importantly, though, Advanced does not have tangible support to back these claims up. Only twenty total letters of support were submitted with the application. Of these letters, only eight were from physicians. For a provider that already has ties to the market and an existing relationship with "16 hospitals, 9 nursing homes, and 210 physician and advanced practitioners," it is questionable that they would have such little support for their proposed new agency.

What goes unsaid, but is most likely, is that Advanced is counting on its ownership base of affiliated hospitals to generate their referrals. According to its application, Advanced is a not-for-profit, hospital-affiliated company that is owned by thirteen hospitals and health systems (p12). Novant Health, Inc. is one of the thirteen and has an ownership interest in Advanced in excess of 5 percent. Its reliance on its ownership base is most clearly demonstrated by the three letters of support from representatives of Novant Brunswick Medical Center, which make up 75 percent of the support letters submitted on behalf of a hospital for this project. With less than twenty additional letters of support, four of which are from existing patients, it is difficult to understand how Advanced will generate the volumes they project in their application, except to rely on their ownership and a strong referral base from Novant Brunwick Medical Center. If this is indeed their intent and focus, it should cause concern that the underserved populations that need a new provider in the area will remain underserved if this project is approved. In addition, other acute care providers in the area which need another home health provider will be less likely to refer to a provider with a hospital affiliation as it may reroute future hospitalizations back to its own facilities.

Utilization Projections Are Not Supported by Valid Assumptions and Are Flawed

Advanced does not provide a reasonable basis for its projected utilization other than aligning its second year utilization to be slightly below the patient need identified in the 2013 SMFP in year 2 and slightly above these levels in year 3. Advanced suggests that 14 percent of hospital discharges have the potential to need home health services. This data is not supported by any analytical data. The percent needing home health will vary widely by the types of discharges and services offered by each hospital, yet in Step 1 of its methodology, Advanced applies the same percent to very small rural Dosher Memorial hospital and the large tertiary New Hanover Regional Medical Center. Advanced also does not provide any analytical basis for the expected percent of referrals by hospital in Step 2. Advanced further fails to provide analytic evidence for its assumption that 30% of patients will be community based as opposed to hospital based. Further, Advanced does not provide sufficient support to show they will get patients from nursing homes and other non-hospital referrals sources.

Advanced has failed to document how it identifies the patients to be served because there is no linkage between its projected utilization in Steps 1 through 6 and the percent patient origin by county presented in Step 7. The need methodology appears to be engineered to result in approximately the need calculation by county from the SMFP. This result is contrived and inconsistent with the data that provides the starting point for the analysis.

Because the starting point for the projection is hospital patients regardless of area of residence, it is impossible to trace these same patients to the percentage of patient origin in Step 7. Using

hospital discharges regardless of where these patients reside is not a valid basis because New Hanover Regional for example is a large tertiary medical center serving far more than just the proposed three county service area, yet the total hospital discharges were the starting point for the projected utilization. Thus, by default, Advanced has incorporated patients from outside the service area into the need calculations without any recognition. Factoring in the counties of origin for the hospitals' patients results would result in a dramatically different projected utilization for Advanced. This is demonstrated in the tables below.

Patient Origin for Hospitals Used in Advanced's Utilization Projections

	NHRMC	Brunswick Novant	Doscher Memorial	Pender Memorial	Total	Percent
Brunswick	6,665	2,962	1,112	2	10,741	23.9%
New Hanover	20,061	17	4	7	20,089	44.8%
Pender	4,651	8	1	492	5,152	11.5%
Other	8,397	239	94	175	8,905	19.8%
Total	**39,774**	**3,226**	**1,211**	**676**	**44,887**	**100.0%**

**Source: 2012 License Renewal Applications*

As shown in the table above, almost twenty percent of the patients served by these hospitals originate from counties outside of Brunswick, New Hanover, and Pender. However, Advanced lumps these 8,905 patients into the pool for its projections.

Taking it a step further, Advanced applies a general 14 percent use rate for home health to all of the patients included in the chart above, including the 8,905 patients originating from outside the service area. As demonstrated in the exhibit below, the inclusion of the hospital patients outside of the service area results in the overstatement of 1,247 potential home health patients.

Application of 14 Percent Home Health Use Rate to Determine Number of Potential Home Health Patients

	NHRMC	Brunswick Novant	Doscher Memorial	Pender Memorial	Total	Percent
Brunswick	933	415	156	0	1,504	23.9%
New Hanover	2,809	2	1	1	2,812	44.8%
Pender	651	1	0	69	721	11.5%
Other	1,176	33	13	25	1,247	19.8%
Total	**5,568**	**452**	**170**	**95**	**6,284**	**100.0%**

By applying Advanced's hospital specific capture rates to the Brunswick, New Hanover, and Pender patients projected above, the results show that Advanced has drastically overprojected its utilization. This is demonstrated in the table below.

Application of Advanced's Hospital Specific Capture Rates to Potential Brunswick, New Hanover, and Pender Home Health Patients

	NHRMC	Brunswick Novant	Doscher Memorial	Pender Memorial	Total	Patient Origin
Percent Capture:	3.0%	40.0%	30.0%	40.0%		
Brunswick	28	166	47	0	241	64.3%
New Hanover	84	1	0	0	86	22.9%
Pender	20	0	0	28	48	12.7%
Total	**132**	**168**	**47**	**28**	**374**	**100.0%**

The resulting 374 patients from the three service area counties is considerably less than the 414 hospital based patients presented by Advanced in its application. Advanced goes on to arbitrarily assume that the hospital patients will be 70 percent of their total referrals and calculates their "community referrals" based on this percentage. This methodology completely ignores any special knowledge or needs of the community in order to project utilization and referral relationships.

Payor Mix is Inconsistent with Historical Experience

In terms of identifying the population to be served, Advanced's payor mix is not reflective of the current Brunswick County patient trends. On page 80, the applicant presumably provides the existing payor mix for its existing offices. While this table is not labeled to reflect whether it reflects the payor mix of one or all of the existing offices, it is assumed that it reflects all of the existing offices since page 84 includes a table of all staff for its existing agencies and Forms A and C are completed for the company in its entirety. Regardless, the payor mix on page 80 for the existing agency/agencies is drastically different that the payor mix for the proposed Brunswick agency. The chart for the existing agency shows that only 7.9 percent of their duplicated patients had Medicaid as a payor source last year. However, Advanced projects that almost 15.6 percent of the patients they serve in Brunswick in Year 2 will be Medicaid patients. Last year, 40.4 percent of their duplicated patients had commercial insurance. They project only 4.1 percent of their duplicated patients in Brunswick will have commercial insurance. These projections make no sense based on the historical figures and Advanced provides no explanation for the significant projected change in its payor mix.

Another measure of accessibility in addition to payor mix is referral base. Advanced is closely tied to Brunswick Novant Medical Center. Advanced submitted four letters of support from hospital providers and three of those letters were from providers associated with Brunswick Novant Medical Center This affiliation will make it more difficult to receive patient referrals from other hospital systems serving the service area and from non-hospital providers. This limited base of referrals is underscored by Advanced's need analysis and utilization projections, which are heavily focused on serving post-hospital discharge patients and other referral sources thrown in as an afterthought at the end with no back-up for assumptions.

For these reasons, Advanced has failed to accurately identify the population to be served and has not provided a reasonable basis for projected utilization.

(4) Least Costly or Most Effective Alternative

Least Costly Alternative

This application demonstrates the least costly alternative to an extreme. With only $70,000 budgeted in capital costs for this project, the applicant clearly does not account for all capital costs that are associated with opening a new home health agency. In addition, the application does not account for start-up time or any initial operating expenses. Only $3,000 is allocated toward estimated start-up expenses. Clearly, the applicant has not thought through all of the reasonable costs associated with the start-up of a new agency, least of all adequate salaries and training during the start-up period.

Most Effective Alternative

As described under Criterion (3) Advanced's projected payor mix for Brunswick County differs significantly from its historical experience for existing agencies calling into question whether Advanced will really meet its projections in terms of payor mix and accessibility and therefore, whether Advanced is the most effective alternative.

Advanced letters of support are not reflective of their claims for significant support from their existing referral sources. This contradictory information calls into question the reliability of its utilization projections as discussed under Criterion (3).

(5) Immediate and Long-term Financial Feasibility

The financial feasibility of this project cannot be accurately assessed for a number of reasons. First, as explained above, Advanced has not accurately budgeted start-up costs for the new agency. This in itself limits the integrity of any short term financial statements. From a long-term perspective, the accuracy of any proforma budgets is limited by over-confident utilization

projections. As described in detail in Item (3) above, Advanced overstates and over relies on "existing" referral sources for its utilization projections, while it fails to demonstrate that it has the support of these referral sources in the application.

(7) Availability of Resources Including Health Manpower

While Advanced claims that staffing should not be a challenge, it provides two potential locations for the project that are in Leland (the primary location) and Supply (the secondary location). According to Google Maps, these two locations are approximately 24 miles apart. For a service area this size, these two locations represent two significantly different locations that are a considerable distance apart. Advance does not explain why Leland is preferable, if this location provides accessibility to and for staffing, or if there are other reasons for choosing the Leland site over the alternative site in Supply.

Advanced may also find staffing to be challenging, since their benefits percentage is only 18.5 percent (Advanced application, Form B), by far the lowest of any applicant. In addition, Advanced does not project to increase its number of administrative staff from Year 1 to Year 2, even though it projects its unduplicated patients to increase from 316 to 533. As a result, Advanced will be significantly understaffed from an administrative perspective which could ultimately result in compromised quality and timeliness of care.

(13) Accessibility to Medically Underserved Groups

(13c) Projected Service to Underserved

As described previously, the payor mix projected for the Brunswick agency is significantly different than Advanced historical experience calling into question whether projected levels of Medicaid and Medicare services as well as charity care. Advanced's historical services focus heavily on commercially insured patients by contrast to the projections for Brunswick.

Further, Section VI, Item 3 of the application requests that the applicant describe the availability of the existing services and the proposed home health services to a number of specific, traditionally underserved groups. Advanced does not address any of the groups specifically. Rather, the applicant simply states that it "provides medically necessary services to those who are in need, including the special populations listed above... Advanced Home Care facilities do not discriminate when accepting patients in need of home health services." The applicant fails to distinguish the difference between non-discrimination in their patient acceptance practices and the purposeful increase of

availability of home health services to underserved populations. This is demonstrated multiple times throughout the application.

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

On page 73 of its application, Advanced claims that its project will foster competition by promoting cost effectiveness, quality, and access, but provides little to no information to back this claim up. Advanced's financial accessibility is questionable given the contrast between historical and projected payor mix. Advanced's cost effectiveness is also unclear given the minimal project costs and apparent lack of appropriate start up costs included in the application. As discussed above, Advanced is closely aligned with Novant Hospital – Brunswick, which will likely limit its referrals of patients served by other hospital systems and may limit its ability to draw patients from other non-hospital referral sources. Thus, Advanced will not have a positive impact on access. Advanced's application should be found non-conforming with Criterion 18a.

Advanced's application should not be approved because it fails to conform to Criteria (1), (3), (4), (5), (7), (13c), and (18a). Even if Advanced was approvable, it would not be comparatively favorable to Gentiva Health Services.

Gentiva's Comments on NHRMC

New Hanover Regional Medical Center Home Care

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

Policy GEN-3, which outlines the basic principles of the 2013 SHMP identifies that:

> *"A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services* ***while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.*** *"*

Access

As explained in detail in Item (13) below, NHRMC Home Care fails to meet these principals, particularly the promotion of equitable access and promoting access to those with limited resources. NHRMC fails to address how its project will increase accessibility and simply relies on its patient rights and responsibilities policy to demonstrate a lack of discrimination in its patient acceptance practices. Its payor mix and financial projections further clarify that increased access to those with limited resources is not a priority for this applicant.

Need for all Residents of the Proposed Service Area

As discussed in Item (3) below, NHRMC Home Care fails to prove the need for a new office in Brunswick County. On page 54, it admits that its motivation for expanding into Brunswick County because it is "measuring its success on the outcome of its market share on the community." According to its application, it cannot serve Brunswick County patients from its Pender County agency. However, NHRMC Home Care does not discuss why it cannot serve the proposed service area from its existing Pender County office. Brunswick County is in the applicant's "accountable geography" or "those counties where NHRMC Home Care is willing to be accountable for all (or most) of the health and health care of its residents." Clearly from its language, this project is driven from a motivation to increase its own market share instead of increase access to the residents of this service area. Clearly, they are already serving the bulk of this area since they intend to hire no new staff to implement this project. On page 93, NHRMC Home Care specifically states that it intends to use the staff from its Pender County agency to staff this agency. However, they provide no further explanation of how or why that will work.

(3) Populations to be Served and Need for the Project

Populations to be Served

NHRMC Home Care identifies the proposed service area as Columbus, Brunswick, and Bladen Counties. However, it is currently serving Bladen and Brunswick Counties from its Pender County agency. It does not explain why an additional agency is needed in Brunswick County to improve access. Simply put, this project will not increase access to home health services since the most of the proposed service area is already being served by this provider. While NHRMC Home Care states on page 54 of its application that "The establishment of a home health agency will allow NHRMC Home Care to serve the patients from Brunswick and Columbus Counties that it currently cannot serve," NHRMC Home Care can and does serve patients from Brunswick County. However, NHRMC Home Care does not discuss why it cannot serve the proposed service area from its existing Pender County office. According to page 1of its application, NHRMC Home Care served 380 Brunswick County residents in 2012, a 19 percent increase over the Brunswick County residents it served in 2011. Columbus County, which only has a projected patient need of 58.74 patients according to the 2013 SMFP is the only County in the proposed services area that is not currently being served by NHRMC Home Care's Pender County agency.

Need – 2013 SMFP

NHRMC fails to document the need for the project entirely. While it uses the need documented by the 2013 SMFP as a basis for filing the application, NHRMC Home Care's projected utilization for the first two years of operation far exceeds the need determined in the SMFP for all three of its service area counties. This is demonstrated below:

County	**2014 Need per SMFP**	**NHRMC Year 2 Unduplicated Patients**	**Percent of SMFP Need**
Brunswick	325	1,108	341%
Bladen	26.8	45	168%
Columbus	58.74	175	300%

It is unclear how much of this projection is expected to be incremental growth associated with the new office in Brunswick County, or the number of patients they would serve in the status quo scenario. Thus, its projections cannot be evaluated in terms of meeting the SMFP need. If NHRMC Home Care served 380 patients in Brunswick County in FY 2012 and project to serve 1,108 patients in 2014, this would require NHRMC Home Care to almost triple its volume in just two years. This level of projected growth is unrealistic at best.

Moreover, the 728 incremental growth between 2012 Brunswick County patients and the projected 1,108 patients in 2014 is more than double the need identified in the SMFP. The applicant never gives any reason for the gap in its projections from the SMFP need except that it believes it can capture a certain level of market share based on its existing presence. Should this happen, it would undoubtedly adversely affect existing providers. However, achieving this level of utilization in the first two years of operation is unrealistic and would be detrimental to existing providers.

NHRMC Home Care provides a list of eleven anticipated referral sources and their associated number of projected referrals on page 59 of its application. These numbers are irrelevant and do not justify the applicant's utilization projections for several reasons:

- The first three referral sources on the list, the only three that provided anticipated referrals, are New Hanover Regional Medical Center affiliated entities. These three entities, which are under the ownership of the applicant, project 1,200 annualized referrals which appear to tie directly to the applicant's utilization projections, as these referrals are within 10 percent of the applicant's utilization projections. However, these three entities are likely referring patients now to NHRMC Home Care's Pender County agency. Because the Brunswick County agency proposes to serve the same population being served by the Pender County agency, there are not identifiable patients currently unable to be served by the Pender County agency. These projected patients are already being referred to NHRMC Home Health's Pender County agency. As a result, a new agency would simply shift some of the existing referrals and thereby decrease utilization at Pender County and result in a fraction of these expected referrals for Brunswick County.

- The remaining eight providers did not provide NHRMC Home Care with referral estimates for their proposed Brunswick County office. They provided the applicant with their estimated 2012 total home health referrals to all providers. These numbers were not even specific to referrals provided to NHRMC Home Care's existing agency. If NHRMC Home Care expects to use these numbers to justify their utilization projections, they are admitting that they expect to take significant market share from existing providers to meet their utilization projections.

- Of the eighteen letters of support for this project, eight were from physicians and only one of these indicated a number of potential referrals to the proposed agency. Therefore, these numbers were not provided to indicate a specific referral estimate for the proposed agency.

Need for a Second Agency

NHRMC Home Care fails to document why a second agency serving Brunswick County is needed. The existing Pender County agency currently serves much of the same service area that NHRMC

Home Care projects to serve from Brunswick County. Considering it intends to transfer existing Pender County staff to staff the Brunswick office, the Pender County agency clearly has capacity to serve more patients. NHRMC Home Care fails to mention travel times, staff morale, or any other issue that would merit the need for a second office to serve the existing patient base it serves from Pender County. The proposed Brunswick County agency is clearly a duplication of NHRMC Home Care's existing services and an inefficient use of healthcare resources.

(4) Least Costly or Most Effective Alternative

NHRMC Home Care's proposed project is neither efficient nor cost-effective. The applicant currently serves the majority of its proposed service area for the Brunswick County agency from its existing Pender County agency. It provides no reason why its Pender agency cannot effectively serve this area. This project is simply an expensive attempt to gain market share from existing providers. The least costly and most effective alternative would be to utilize the existing Pender agency to serve the proposed service area.

(5) Immediate and Long-term Financial Feasibility

NHRMC Home Care's financial feasibility assessment is questionable and unrealistic for the reasons described below:

- NHRMC Home Care has overstated its utilization, and thus its revenue. It does this in a number of ways.
- First, it projects the same number of patients for nursing, OT, PT, and home health aide (page 62 and 63). This is unrealistic in and of itself. It apparently assumes that the same pool of 1,037 patients, which accounts for almost 80 percent of their projected unduplicated patients, will need all four types of care.
- Next, the projected visits of 16,115 in year one and 23,022 in year two is far too high, is not realistic, and is not supported by any analysis or actual new referral sources. To put this in context, NHRMC Home Care's projected patient visits more than double the number of visits than any other applicant. The resulting projected profit in years one of $1,106,893 and two of $1,523,171 on net patient revenues of $2,688,356 and $3,564,820 are unrealistic due to overstated utilization and revenue (p121). To further put this in context, the profit of the new agency is projected to be far above profit for existing NHRMC Home Care agency. In FY 2012, the profit for the existing NHRMC Home Care's Pender County agency was $215,239 on $6,742,121 in net patient revenue (Bates page 000502)
- In addition, project costs have been understated as specific costs appear to have been omitted. For example, there is no equipment costs included for patient care (p98). NHRMC Home Care does not state that they will use existing equipment for patient care

if that is actually the intent. Given the huge utilization numbers, it is assumed that additional equipment would be required to serve the large number of patients resulting from the Brunswick County agency. These understated project costs also lead to understated depreciation expense

- Start-up costs and initial operating expenses are also understated.
    - $8,624 in start-up costs, too low even for an existing provider from a proximate county. NHRCM Home Care excluded expenses such as :
        - Advertising and promotion;
        - Deposit for local utilities;
        - Legal and professional fees;
        - Business licenses and permits; and
        - All other start-up related expenses
    - Initial operating expenses of $42,140, too low even for an existing provider from a proximate county. NHRCM Home Care's overstated utilization and revenue artificially deflates the Initial Operating Expenses. The new agency will not break even as early as projected as projected, just three months. (p. 102)

(8) Necessary Ancillary and Support Services

As stated above, 10A NCAC 14C .2005(b) on page 42 of the application requires that the applicant provide letters of interest for each service that will be contracted. NHRMC Home Care simply states that these services will be provided by NHRMC Home Care employees. It does not show that it is capable of offering ancillary services such as DME, pharmacy, and dietary. No letters were included and there is no discussion in the text regarding the availability of these services. Simply stating that these services will be provided by NHRMC Home Care employees is not sufficient to satisfy this requirement.

(13) Accessibility to Medically Underserved Groups

(13a) Historical Service to Medically Underserved Groups

NHRMC Home Care has poor a history with medically underserved groups. In FY 2012, its Pender County office provided just 0.61 percent of gross patient charges in charity care.

(13c) Projected Service to Underserved

In no way does NHRMC Home Care's application document how the projected volumes promote equitable access or serve those with limited financial resources. The entirety of Section VI of NHRMC's application highlights the proposed agency's lack of access to the financially underserved. On page 82 of its application, NHRMC Home Care does not specifically address how it will provide access or increase availability to any of the traditionally underserved groups

outlined in items (a) – (g). It only references the patient rights and responsibilities policy. On page 84, NHRMC Home Care projects that charity care will account for just 0.2 percent of gross patient revenue for years one and two of operation. NHRMC Home Care goes on to list 100 percent of its total unduplicated patients as Medicare patients, accounting for 11.6 percent of patient visits (Item VI.12, p87). It does not account for any other payor sources outside of Medicare. In addition, NHRMC Home Care does not list its payor mix for other patients in Section VI as is required by question 12. According to Bates Page 000123 of its application, 1,275 of NHRMC Home Care's patients will be Medicare Patients, 96 percent of the total. Clearly, much of this information is conflicting, but it all suggests a lack of accessibility to anyone without Medicare as a payor source. Based on the information provided, NHRMC projects a complete lack of access to its services by Medicaid patients. This level of accessibility is not acceptable and this project should be found non-conforming to the criteria based on this alone.

Other areas of its application highlight the lack of access further. Page 71 shows that charity care, commercial, and other patients are projected to receive only 75% of full episode visits. Clearly it does not intend to offer the same level of care to charity care patients.

However, it should be noted that as a percentage of gross patient charges, NHRMC Home Care intends to provide substantially less indigent care from its proposed Brunswick County agency (0.2%) than it did in 2012 from its Pender County agency (0.61%).

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

Cost Effectiveness

As discussed in Items (3) and (4), NHRMC Home Care fails to demonstrate that this project will be cost-effective. In fact, it is an extraordinarily expensive attempt to gain market share and a direct duplication of existing services it currently offers. The proposed project will duplicate NHRMC Home Care existing services. NHRMC Home Care already serves much of the service area and has not discussed why it cannot serve the rest of the area from its existing office in Pender County. Therefore, NHRMC Home Care project is not a cost-effective alternative to increasing access in Brunswick County and the surrounding areas.

Access

As discussed in items (1), (13a) and (13c), information regarding increased access to home health services as a result of this project is incomplete or omitted. The information that is provided seems to be contradictory to the intent of providing increased access with this project.
Section .2000 – Criteria and Standards for Home Health Services

10A NCAC 14C .2005(b) on page 42 of the application requires that the applicant provide letters of interest for each service that will be contracted. NHRMC Home Care simply states that these services will be provided by NHRMC Home Care employees. It does not show that it is capable of offering ancillary services such as DME, pharmacy, and dietary. No letters were included and there is no discussion in the text regarding the availability of these services. Simply stating that these services will be provided by NHRMC Home Care employees is not sufficient to satisfy this requirement.

Attachment 1

Medicare.gov
The Official U.S. Government Site for Medicare

Home Health Compare

About Home Health Compare | About the Data | Resources | Help | PRINT ALL TABS

Home Health Agencies that serve North Carolina

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General Information | Quality of Patient Care | Patient Survey Results

Managing Daily Activities

What is this and why is it important?
Current Data Collection Periods

	HEALTHKEEPERZ (910) 860-4764	HEALTHKEEPERZ (910) 277-2484	HEALTHKEEPERZ (910) 522-0010	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often patients got better at walking or moving around.	46%	57%	49%	58%	59%
How often patients got better at getting in and out of bed.	44%	53%	49%	56%	55%
How often patients got better at bathing.	54%	60%	58%	62%	66%

Managing Pain and Treating Symptoms

What is this and why is it important?
Current Data Collection Periods

	HEALTHKEEPERZ (910) 860-4764	HEALTHKEEPERZ (910) 277-2484	HEALTHKEEPERZ (910) 522-0010	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often the home health team checked patients for pain.	99%	99%	100%	98%	99%
How often the home health team treated their patients' pain.	99%	97%	99%	97%	98%
How often patients had less pain when moving around	55%	73%	78%	65%	67%
How often the home health team treated heart failure (weakening of the heart) patients' symptoms.	95%			97%	98%
How often patients' breathing improved.	67%	67%	69%	66%	64%

Treating Wounds and Preventing Pressure Sores (Bed Sores)

What is this and why is it important?
Current Data Collection Periods

	HEALTHKEEPERZ (910) 860-4764 Add to my favorites	HEALTHKEEPERZ (910) 277-2484 Add to my favorites	HEALTHKEEPERZ (910) 522-0010 Add to my favorites	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often patients' wounds improved or healed after an operation.	89%	91%	95%	88%	89%

	HEALTHKEEPERZ (910) 860-4764 Add to my favorites	HEALTHKEEPERZ (910) 277-2484 Add to my favorites	HEALTHKEEPERZ (910) 522-0010 Add to my favorites	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often the home health team checked patients for the risk of developing pressure sores (bed sores).	99%	99%	99%	99%	98%
How often the home health team included treatments to prevent pressure sores (bed sores) in the plan of care.	99%	97%	94%	95%	96%
How often the home health team took doctor-ordered action to prevent pressure sores (bed sores).	97%	91%	97%	94%	95%

Preventing Harm

What is this and why is it important?
Current Data Collection Periods

	HEALTHKEEPERZ (910) 860-4764 Add to my favorites	HEALTHKEEPERZ (910) 277-2484 Add to my favorites	HEALTHKEEPERZ (910) 522-0010 Add to my favorites	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often the home health team began their patients' care in a timely manner.	77%	74%	74%	91%	92%
How often the home health team taught patients (or their family caregivers) about their drugs.	87%	91%	98%	89%	92%
How often patients got better at taking their drugs correctly by mouth.	45%	52%	41%	46%	49%
How often the home health team checked patients' risk of falling.	97%	98%	98%	91%	94%
How often the home health team checked patients for depression.	95%	99%	98%	97%	97%
How often the home health team determined whether patients received a flu shot for the current flu season.	64%	49%	62%	71%	69%
How often the home health team determined whether their patients received a pneumococcal vaccine (pneumonia shot).	68%	51%	74%	70%	68%
For patients with diabetes, how often the home health team got doctor's orders, gave foot care, and taught patients about foot care.	97%	95%	98%	92%	93%

Preventing Unplanned Hospital Care

What is this and why is it important?
Current Data Collection Periods

	HEALTHKEEPERZ (910) 860-4764 Add to my favorites	HEALTHKEEPERZ (910) 277-2484 Add to my favorites	HEALTHKEEPERZ (910) 522-0010 Add to my favorites	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often patients receiving home health care needed any urgent, unplanned care in the hospital emergency room – without being admitted to the hospital.	9%	13%	9%	12%	11%

	HEALTHKEEPERZ (910) 860-4764 Add to my favorites	HEALTHKEEPERZ (910) 277-2484 Add to my favorites	HEALTHKEEPERZ (910) 522-0010 Add to my favorites	NORTH CAROLINA AVERAGE	NATIONAL AVERAGE
How often home health patients had to be admitted to the hospital	15%	20%	21%	17%	17%

[4]Not Available – The number of patient episodes for this measure is too small to report.

Medicare.gov