Comments in Opposition from
HKZ Group, LLC
Regarding a Certificate of Need Application
Submitted by Tar Heel Health Services, LLC
d/b/a Gentiva Health Services
in Response to a Need Determination for
One Home Health Agency in the
Brunswick County Service Area
Submitted April 15, 2013 for May 1, 2013 Review Cycle

I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), HKZ Group, LLC submits the following comments regarding a Certificate of Need Application submitted by Tar Heel Health Services, LLC d/b/a Gentiva Health Services in response to a need determination for one Home Health Agency in the Brunswick County Service Area for the May 1, 2013 review cycle.

The following seven CON applications were submitted in response to a need determination for one home health agency in the Brunswick County Service Area in the *2013 State Medical Facilities Plan* (*2013 SMFP*):

- O-10113-13: United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc.
- O-10117-13: NHRMC Home Care
- O-10118-13: Advanced Home Care, Inc. d/b/a Advanced Home Care
- O-10119-13: HKZ Group, LLC
- O-10120-13: Maxim Healthcare Services, Inc.
- O-10121-13: Tar Heel Health Services, LLC d/b/a Gentiva Health Services
- O-10122-13: Continuum II Home Care and Hospice, Inc. d/b/a Continuum Home Care of Brunswick County.

II. Comparative Analysis

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

III. Gentiva CON Application

According to page 16 of the CON Application, "Gentiva Certified Healthcare Corp. proposes to establish a new Medicare-certified home health agency in Supply." Please note that Gentiva Certified Healthcare Corp. is not identified as a legal applicant, and did not sign a Certification Page. The legal applicant is identified as Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services, which has a parent company identified as Gentiva Health Services, Inc.

Tar Heel Health Care Services, LLC is a wholly-owned subsidiary of Gentiva Health Services Holding Corp., which is a wholly-owned subsidiary of Gentiva Health Services, Inc. Gentiva

Health Services, Inc. is a publicly traded company. Gentiva Health Services, Inc. owns 32 home health agencies in North Carolina; 4 of those agencies fall under the subsidiary Tar Heel Health Care Services, LLC. Gentiva Health Services owns 273 home health agencies and 158 hospice offices in 41 states.

IV. Pro Forma Financial Statements are Incomplete

Section X., Question 4. requires each applicant to "[l]ist all assumptions used in completing Tables X.1. (Cost Information) and X.2. (Charge Information).

Gentiva has not responded to Section X., Question 4. on page 98.

Section X., Question 7. requires each applicant to provide Pro Forma Financial Statements, and to [e]xplain or footnote all assumptions used in the development of Forms A-C." In addition, each applicant is instructed to "[p]rovide all assumptions used in inflating costs from the present day for each line item."

Gentiva has not included Assumption Worksheets in its Proformas, and did not show the method of arriving at the numbers in its Proformas (i.e., volume x cost/visit).

V. CON Review Criteria

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

G.S. 131E-183 (1)

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

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

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7), (13c), and (18a), Gentiva does not demonstrate:

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

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

G.S. 131E-183 (3) and (13c)

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

A. Projected Unduplicated Patients and Projected Patient Origin ≠ Projected Unduplicated Patients by Qualifying Discipline in Table IV.1.

The following tables summarize projected unduplicated patients shown on pages 60 (Exhibit 25 – Gentiva Projected Unduplicated Patients) and 64 (Exhibit 26 – Projected County Patient Origin).

Exhibit 25
Gentiva Projected Unduplicated Patients

	Year 1	Year 2
Gentiva Projected Brunswick Patients	188	313
Inmigration from New Hanover	35	59
Inmigration from Pender	12	20
Total Inmigration	47	78
Gentiva Projected Patients	**236**	**391**

Exhibit 26
Projected County Patient Origin

	Year 1 2014	Year 2 2015	Percent of Total	Cumulative Percentage
Primary Service Area				
Brunswick	188	313	80.0%	80.0%
Secondary Service Area				
New Hanover	35	59	15.0%	95.0%
Pender	12	20	5.0%	100.0%
Subtotal	47	78	20.0%	
Total	**236**	**391**	**100.0%**	

The following table summarizes "the total unduplicated patients that Gentiva's proposed Brunswick County agency proposes to serve in the first two full years of operation" by qualifying discipline.

Table IV.1.: Projected Unduplicated Patients by Qualifying Discipline

Yr 1 - Month	Nurse	PT	ST	OT	MSW	HHA
Jan-14	5	5	0	3	1	1
Feb-14	5	5	0	3	1	1
Mar-14	7	7	0	3	1	1
Apr-14	14	13	0	7	2	2
May-14	16	15	1	8	2	2
Jun-14	16	15	1	8	2	2
Jul-14	18	17	1	9	2	2
Aug-14	19	17	1	9	3	3
Sep-14	19	17	1	9	3	3
Oct-14	20	18	1	10	3	3
Nov-14	20	18	1	10	3	3
Dec-14	20	18	1	10	3	3
Total	**179**	**165**	**8**	**89**	**26**	**26**
Yr 2 - Month	Nurse	PT	ST	OT	MSW	HHA
Jan-15	18	17	1	9	2	2
Feb-15	18	17	1	9	2	2
Mar-15	18	17	1	9	2	2
Apr-15	24	22	1	12	3	3
May-15	24	22	1	12	3	3
Jun-15	24	22	1	12	3	3
Jul-15	27	25	1	12	4	4
Aug-15	27	25	1	13	4	4
Sep-15	27	25	1	13	4	4
Oct-15	30	28	1	15	4	4
Nov-15	30	28	1	15	4	4
Dec-15	33	30	1	16	5	5
Total	**300**	**278**	**12**	**147**	**40**	**40**

When the subtotal in Table IV.1. for each of the six disciplines is added together in each Project Year in the previous table, Gentiva projects a total of **493** unduplicated patients in Project Year 1 and **817** unduplicated patients in Project Year 2.

The following table summarizes the difference between the projected unduplicated patients shown on pages 60 (Exhibit 25 – Gentiva Projected Unduplicated Patients) and 64 (Exhibit 26 – Projected County Patient Origin), and the Unduplicated Patients by Qualifying Discipline (Table IV.1.).

Comparison of
Gentiva Projected Unduplicated Patients (Exhibits 25 and 26) and
Unduplicated Patients by Qualifying Discipline (Table IV.1.)

	Year 1	Year 2
Exhibit 25: Gentiva Projected Patients	236	391
Exhibit 26: Projected County Patient Origin	236	391
Table IV.I: Unduplicated Patients by Qualifying Discipline	493	817
Difference	**257**	**426**

Projections in Exhibits 25 and 26 should equal unduplicated patients in Table IV.1. Gentiva's projections are unreliable due to the significant difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., which are more than twice as large.

B. Projected Unduplicated Patients in All Six Home Health Disciplines – not by Qualifying Discipline

Each applicant is instructed to project unduplicated patients by qualifying discipline in Table IV.1.

The following table summarizes "the total unduplicated patients that Gentiva's proposed Brunswick County agency proposes to serve in the first two full years of operation."

Table IV.1.: Projected Unduplicated Patients by Qualifying Discipline

Yr 1 - Month	Nurse	PT	ST	OT	MSW	HHA
Jan-14	5	5	0	3	1	1
Feb-14	5	5	0	3	1	1
Mar-14	7	7	0	3	1	1
Apr-14	14	13	0	7	2	2
May-14	16	15	1	8	2	2
Jun-14	16	15	1	8	2	2
Jul-14	18	17	1	9	2	2
Aug-14	19	17	1	9	3	3
Sep-14	19	17	1	9	3	3
Oct-14	20	18	1	10	3	3
Nov-14	20	18	1	10	3	3
Dec-14	20	18	1	10	3	3
Total	179	165	8	89	26	26
Yr 2 - Month	**Nurse**	**PT**	**ST**	**OT**	**MSW**	**HHA**
Jan-15	18	17	1	9	2	2
Feb-15	18	17	1	9	2	2
Mar-15	18	17	1	9	2	2
Apr-15	24	22	1	12	3	3
May-15	24	22	1	12	3	3
Jun-15	24	22	1	12	3	3
Jul-15	27	25	1	12	4	4
Aug-15	27	25	1	13	4	4
Sep-15	27	25	1	13	4	4
Oct-15	30	28	1	15	4	4
Nov-15	30	28	1	15	4	4
Dec-15	33	30	1	16	5	5
Total	300	278	12	147	40	40

When the subtotal in Table IV.1. for each of the six disciplines is added together in each Project Year in the previous table, Gentiva projects a total of **493** unduplicated patients in Project Year 1 and **817** unduplicated patients in Project Year 2.

To qualify for Medicare home health services, a patient must be in need of skilled nursing care on an intermittent basis or physical therapy or speech therapy or continuing occupational

therapy. Effective January 1, 2012, the Centers for Medicare and Medicaid Services (CMS) clarified that the first occupational therapy service is a dependent service, and is covered only when following by an intermittent skilled nursing care service, physical therapy service or speech therapy service as required by law. Once that requirement for covered occupational therapy has been met, all subsequent occupational therapy services that continue to meet the reasonable and necessary statutory requirements are considered qualifying services in current and subsequent certification period.[1]

Skilled nursing, physical therapy, and speech therapy are qualifying disciplines. The first OT service, MSW, and HHA are not qualifying disciplines.

When unduplicated patients assigned to non-qualifying disciplines are removed in each Project Year, highlighted in yellow in the previous table, Gentiva projects a total of **352** unduplicated patients in Project Year 1 and **590** unduplicated patients in Project Year 2.

The following table summarizes the difference between the projected unduplicated patients shown on pages 60 (Exhibit 25 – Gentiva Projected Unduplicated Patients) and 64 (Exhibit 26 – Projected County Patient Origin), and the Unduplicated Patients by Qualifying Discipline (Table IV.1.).

Comparison of
Gentiva Projected Unduplicated Patients (Exhibits 25 and 26) and
Unduplicated Patients by Qualifying Discipline (Table IV.1.)

	Year 1	Year 2
Exhibit 25: Gentiva Projected Patients	236	391
Exhibit 26: Projected County Patient Origin	236	391
Table IV.I: Unduplicated Patients by Qualifying Discipline	352	590
Difference	**116**	**199**

Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, when unduplicated patients by qualifying disciplines only are included.

C. Unreliable Unduplicated Patient Count Infects All Other Metrics of Comparison

As discussed in Sections A. and B., Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, when unduplicated patients by qualifying disciplines only are included.

Gentiva's unreliable unduplicated patient count infects each of the following metrics of comparison discussed in the Comparative Analysis (Attachment 1):

- Projected Access by Medicare Recipients
- Projected Access of Medicaid Recipients
- Average Number of Visits per Unduplicated Patient
- Average Net Patient Revenue per Visit
- Average Net Patient Revenue per Unduplicated Patient
- Average Total Operating Cost per Visit
- Average Direct Care Operating Cost per Visit
- Average Administrative Operating Cost per Visit
- Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit
- Average Direct Care Operating Cost per Visit as a Percentage of Average Total Operating Cost per Visit.

As discussed in Section C., duplicated patient count relies upon Gentiva's unduplicated patient count. Duplicated patient visit projections rely upon Gentiva's duplicated patient count. All of the metrics that use unduplicated patient count are infected by the unreliability of Gentiva's unduplicated patient count.

Similarly, all of the metrics that use duplicated patient count and that use duplicated patient visits are infected by the unreliability of Gentiva's unduplicated patient count.

The entirety of Gentiva's staffing and financial projections are rendered unreliable by the unreliability of its unduplicated patient count.

D. Ratio of Duplicated: Unduplicated Patients Cannot be Determined Accurately

As discussed in Sections A. and B., Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, when unduplicated patients by qualifying disciplines only are included.

The following table shows a comparison of some of the possible duplicated: unduplicated patient ratio in PYs 1 and 2.

Gentiva
Comparison of Duplicated: Unduplicated Patient Ratio: PYs 1 & 2

	Year 1	Year 2
Duplicated: Unduplicated Patient Ratio based on Exhibit 25: Gentiva Projected Patients	515:236 = 2.2	1,059: 391 = 2.7
Duplicated: Unduplicated Patient Ratio based on Exhibit 26: Projected County Patient Origin	515:236 = 2.2	1,059: 391 = 2.7
Duplicated: Unduplicated Patient Ratio based on Table IV.I: Unduplicated Patients by Qualifying Discipline	515:352 = 1.5	1,059: 590 = 1.8

Please note that the comparison in the previous table assumes that the duplicated patient count in PYs 1 and 2, respectively, in Table IV.2. on page 68 of the Gentiva CON Application are accurate. There is, however, no independent means to verify the accuracy of Gentiva's duplicated patient count.

E. Projected Access by Medicare Recipients

For each applicant in this review, the following table compares: (a) the total number of duplicated patients in PY 2; (b) the number of duplicated Medicare recipients in PY 2; and (c) duplicated Medicare recipients as a percentage of total duplicated patients. The applications are listed in the table below in decreasing order of effectiveness based on the number of Medicare patients projected to be served.

Brunswick County Home Health Agency CON Applications
Projected Access by Medicare Recipients: PY 2

PY 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicare Recipients	Duplicated Medicare Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	1,848	71.20%
2	HKZ	1,543	1,055	68.40%
3	Continuum	1,264	897	70.94%
4	**Gentiva**	**1,059**	**728**	**68.70%**
5	UniHealth	679	520	76.65%
6	Advanced	533	394	73.90%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Gentiva proposes the third lowest number of duplicated Medicare recipients in PY 2.

Because Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, when unduplicated patients by qualifying disciplines only are included, Gentiva's number of duplicated Medicare recipients in PY 2 actually may be lower.

F. Projected Access by Medicaid Recipients

For each applicant in this review, the following table compares: (a) the total number of duplicated patients in PY 2; (b) the number of duplicated Medicaid recipients in PY 2; and (c) duplicated Medicaid recipients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicaid recipients is the more effective alternative with regard to this comparative factor. The applications are listed in the previous table in decreasing order of effectiveness based on the number of Medicaid recipients projected to be served.

Brunswick County Home Health Agency CON Applications
Projected Access by Medicaid Recipients: PY 2

PY 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicaid Recipients	Duplicated Medicaid Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	452	17.40%
2	Continuum	1,264	229	18.09%
3	HKZ	1,543	276	17.90%
4	**Gentiva**	**1,059**	**270**	**25.50%**
5	UniHealth	679	120	17.73%
6	Advanced	533	83	15.60%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Gentiva proposes the fourth lowest number of duplicated Medicaid recipients in PY 2.

Because Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, when unduplicated patients by qualifying disciplines only are included, Gentiva's number of duplicated Medicaid recipients in PY 2 actually may be lower.

G. June 2011 Settlement Agreement to Settle Claims of Fraudulent Billing of Medicare for Costs related to Company Sales Efforts

In June 2011, Atlanta-based Gentiva Health Services, one of the country's largest providers of home health services, agreed to pay $12.5 million to settle claims that it fraudulently billed Medicare for costs related to company sales efforts.[2] A press release from the U.S. Attorney's office in New York indicated Medicare covers certain advertising costs but not the cost of advertising to the general public. Gentiva denied the government's allegations. Please see Attachment 2 for additional details.

As reflected in Attachment 2, an investigation by the U.S. Attorney's office and the Office of the Inspector General for the Department of Health and Human Services found **Gentiva improperly billed Medicare between 1998 and 2000 for salaries and other costs of employees performing sales functions designed to increase patient use, which resulted in limiting access to necessary Medicare-certified home health services to Medicare patients.**

For the reasons set forth above, the Gentiva CON Application does not conform to CON Review Criteria (3) and (13c).

G.S. 131E-183 (4)

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

The following table shows the project cost, working capital, and total capital expenditure proposed by each of seven applicants.

Brunswick County Home Health Agency CON Applications
Project Cost + Working Capital = Total Capital Expenditure

Project ID	Applicant	Project Cost	Working Capital	Grand Total
O-10113-13	UniHealth and Brunswick County Healthcare Properties	$318,967	$580,437	$899,404
O-10117-13	NHRMC	$80,190	$50,764	$130,954
O-10118-13	Advanced	$70,000	$3,000	$73,000
O-10119-13	HKZ	$62,400	$123,326	$185,726
O-10120-13	Maxim	$90,000	$525,000	$615,000
O-10121-13	**Gentiva**	**$107,500**	**$497,884**	**$605,384**

Gentiva's project cost is **172% higher** than the lowest project cost proposed by **HKZ.** Gentiva's working capital is **166% higher** than the lowest working capital proposed by Advanced.

For those reasons, Gentiva fails to demonstrate that it is the least costly or most effective alternative proposed, which demonstrates non-conformity with CON Review Criteria (4).

G.S. 131E-183 (5)

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

As discussed in the context of CON Review Criterion (3), Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected on pages 60 and 64 and in Table IV.1., respectively, which renders unreliable the entirety of Gentiva's staffing and financial projections. **HKZ** does not reasonably believe any of the Gentiva's financial metrics can be used as a basis for comparison with the six other applicants.

For purposes of the analysis of financial projections and comparative financial metrics, **HKZ** presents metrics as they are presented in Gentiva's CON Application.

A. Analysis of Financial Projections

Gentiva's financial projections do not reflect true expenses necessary for the development of the proposed Brunswick County Medicare-certified home health agency, as shown in the following table.

Financial Projection/Cost	Page Reference	Comment
Gentiva does not project to service any patients who require extra services and fall in the episodes with outlier rates	Page 100	• Will Gentiva not provide needed services to their patients?
Gentiva will pays staff $0.41 per mile, which is lower Federal allowed rate	Page 101	• Cost per mile may be understated (IRS 2013 rate is $0.565/mile)
Data Processing Cost is $0 per year for software and computer cost	Form B, page 108	• Data Processing Cost is understated
Insurance cost is $0 per year for Liability and Property insurance	Form B, page 108	• Liability and Property Insurance is understated
Gentiva "does not allocate central office overhead expense or any management fees to its individual offices."	Page 101	• It is unreasonable to expect that "the proposed new agency office is not expected to result in any new incremental overhead or management costs at the corporate level that would need to be allocated."

On page 108 (Form B), Gentiva projects a Net Loss from operations in PY 1 of $193,076. If Gentiva included all of the expenses set forth in the previous table, Gentiva's Net Loss would be greater.

On page 108 (Form B), Gentiva projects a Net Income from operations in PY 2 of $42,578. If Gentiva included all of the expenses set forth in the previous table, Gentiva's Net Income would be a Net Loss.

The items set forth in the previous table demonstrate that Gentiva's financial projections are incomplete and not based upon reasonable projections of the costs for providing Medicare-certified home health services.

B. Proposed Staffing does not Support Projected Visits

The following table shows that Gentiva has not projected sufficient staff to perform all of the visits projected in PY 1.

Gentiva
Proposed Staffing for Projected Visits: PY 1

	Visits Per Day	Visits Per FTE	Yr 2 FTEs (Visits per day x Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
RN	4.6	1,104	1.6	1,766.4	1,845	-78.6	-4.3%	$38.00	$2,986.80
HHA	4.6	1,104	0.2	220.8	239	-18.2	-7.6%	$38.00	$691.60
PT	4.6	1,104	1.6	1,766.4	1,851	-84.6	-4.6%	$75.00	$6,345.00
OT	4.6	1,104	0.3	331.2	295	36.2	Covered		
ST	4.6	1,104	0.2	220.8	373	-152.2	-40.8%	$75.00	$11,415.00
MSW	4.6	1,104	0	0	35	-35	-100.0%	$75.00	$2,625.00
Total				4,305.6					$24,163.40

Source: CON Application O-10121-13, pages 68, 88, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total possible visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days per year. Total possible visits by staff should be greater than projected visits. As shown it the previous table, Gentiva's total visits by staff are lower than projected visits for registered nurses, licensed practical nurses, home health aides, speech therapists, and medical social workers in PY 1. Therefore, projected staffing is insufficient to provide the projected number of visits for these disciplines.

When there is a staff shortfall for projected visits, contract staff can provide needed coverage. However, Gentiva states on page 90 that they will not use contract staff (Table VII. All Applicants using Contractors is marked "NOT APPLICABLE").

The previous table shows that Gentiva's staffing shortfall for projected visits in PY 1 results in an understatement of direct care costs of $24,163.40 had it proposed to use contract staff. Please note that the understated direct care costs in PY 1 would be higher had Gentiva projected salaried staff sufficient to provide all projected visits. The following table shows that Gentiva has not projected sufficient staff to perform all of the visits projected in PY 2.

Gentiva
Proposed Staffing for Projected Visits: PY 2

	Visits Per Day	Visits Per FTE	Yr 2 FTEs (Visits per day X Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
RN	4.6	1,104	2.5	2,760	3,066	-306	-10.0%	$38.00	$11,628.00
HHA	4.6	1,104	0.3	331.2	397	-65.8	-16.6%	$38.00	$2,500.40
PT	4.6	1,104	2.5	2,760	3,076	-316	-10.3%	$75.00	$23,700.00
OT	4.6	1,104	0.5	552	490	62	Covered		
ST	4.6	1,104	0.4	441.6	619	-177.4	-28.7%	$75.00	$13,305.00
MSW	4.6	1,104	0	0	58	-58	-100.0%	$38.00	$2,204.00
Total					6,844.8				$53,337.40

Source: CON Application O-10121-13, pages 68, 89, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total possible visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days. Total visits by staff should be greater than projected visits. As shown it the previous table, Gentiva's total visits by staff are lower than projected visits for registered nurses, licensed practical nurses, home health aides, speech therapists, and medical social workers in PY 2. Therefore, projected staffing is insufficient to provide the projected number of visits for these disciplines.

When there is a staff shortfall for projected visits, contract staff can provide needed coverage. However, Gentiva states on page 90 that they will not use contract staff (Table VII. All Applicants using Contractors is marked "NOT APPLICABLE").

The previous table shows that Gentiva's staffing shortfall for projected visits in PY 2 results in an understatement of direct care costs of $53,337.40 had it proposed to use contract staff. Please note that the understated direct care costs in PY 2 would be higher had Gentiva projected salaried staff sufficient to provide all projected visits.

C. Second Highest Average Total Operating Cost per Visit

The average total operating cost per visit in PY 2 was calculated by dividing projected operating costs from Form B by the total number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average total operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Brunswick County Home Health Agency CON Applications
Average Total Operating Cost per Visit: PY 2

PY 2				
Rank	Applicant	Total Number of Visits	Total Operating Cost	Average Total Operating Cost per Visit
1	NHRMC	23,022	$2,041,650	$89
2	Advanced	11,123	$1,306,201	$117
3	UniHealth	11,756	$1,410,200	$120
4	Continuum	11,162	$1,455,998	$130
5	HKZ	10,935	$1,445,606	$132
6	**Gentiva**	**7,706**	**$1,057,821**	**$137**
7	Maxim	9,405	$1,305,747	$139

As shown in the previous table, Gentiva projects the second highest average total operating cost per visit in PY 2, which makes its proposal the second least effective alternative with regard to that comparative factor.

D. Highest Average Total Administrative Operating Cost per Visit

The average total operating cost per visit in PY 2 was calculated by dividing projected administrative expenses from Form B by the total number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average administrative

operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Brunswick County Home Health Agency CON Applications
Average Total Administrative Operating Cost per Visit: PY 2

PY 2				
Rank	Applicant	Total Number of Visits	Total Administrative Operating Cost	Average Total Administrative Operating Cost per Visit
1	NHRMC	23,022	$568,428	$25
2	Continuum	11,162	$360,009	$32
3	UniHealth	11,756	$394,629	$34
4	Advanced	11,123	$422,560	$38
5	HKZ	10,935	$470,098	$43
6	Maxim	9,405	$494,488	$53
7	**Gentiva**	**7,706**	**$463,305**	**$60**

As shown in the previous table, Gentiva projects the highest average total administrative operating cost per visit in PY 2, which makes its proposal the least effective alternative with regard to that comparative factor.

E. Lowest Operating Cost as a Percentage of Average Total Cost per Visit

The percentages in the following table were calculated by dividing the average direct care cost per visit in PY 2 by the average total operating cost per visit in PY 2. Generally, the application proposing the highest percentage is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Brunswick County Home Health Agency CON Applications
Operating Cost as a Percentage of Average Total Cost per Visit: PY 2

Project Year 2				
Rank	Applicant	Average Total Operating Cost per Visit	Average Direct Care Operating Cost per Visit	Operating Cost as a Percentage of Average Total Cost per Visit
1	Continuum	$130	$98	75%
2	UniHealth	$120	$86	72%
3	NHRMC	$89	$64	72%
4	Advanced	$117	$79	68%
5	HKZ	$132	$89	67%
6	Maxim	$139	$86	62%
7	**Gentiva**	**$137**	**$77**	**56%**

As shown in the previous table, Gentiva projects the lowest operating cost as a percentage of average total administrative cost per visit in PY 2, which makes its proposal the least effective alternative with regard to that comparative factor.

Brunswick County Home Health Agency CON Applications
HHA Annual Salary – PY 2

CON Application	Applicant	RN Annual Salary
O-10113-13	UniHealth	$35,037
O-10122-13	Continuum	$31,552
O-10119-13	HKZ	$30,810
O-10120-13	Maxim	$30,320
O-10118-13	Advanced	$30,160
O-10117-13	NHRMC	$26,237
O-10121-13	**Gentiva**	**$22,168**

As shown in the previous table, Gentiva's projected home health aide salary is the lowest of all applicants.

C. Second Lowest Physical Therapist Annual Salary

The following table compares the projected annual salary for a PT in Project Year 2 of the applicants that include a PT in its staffing plan.

Brunswick County Home Health Agency CON Applications
PT Annual Salary – PY 2

CON Application	Applicant	PT Annual Salary
O-10122-13	Continuum	$81,600
O-10120-13	Maxim	$78,279
O-10117-13	NHRMC	$75,447
O-10121-13	**Gentiva**	**$75,370**
O-10118-13	Advanced	$75,000

As shown in the previous table, Gentiva's projected PT salary is substantially lower than the salary proposed by Continuum.

For those reasons, Gentiva does not demonstrate conformity with CON Review Criterion (7).

G.S. 131E-183 (13c)

The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services

Gentiva does not include provide any assumptions regarding how the payor mix for the Brunswick County Home Health Agency was determined. Therefore, the application is non-conforming to this Criterion.

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

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

As discussed above, Gentiva fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5), (6), (7), and (13c). Consequently, Gentiva fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

VI. North Carolina Criteria and Standards for Home Health Services

For the reasons set forth above, Gentiva does not demonstrate conformity with North Carolina Criteria and Standards for Home Health Services.

10A NCAC 14C .2002(a)(3), (4), (5), (7), and (10)

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

10A NCAC 14C .2003

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

Gentiva does not project an annual unduplicated patient caseload for Project Year 3, as required by 10A NCAC 14C .2003.

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

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

VII. Conclusion

The Gentiva CON Application has not demonstrated conformity with multiple CON Review Criteria and should be denied.

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[1] http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/HomeHlthProspaymt.pdf
[2] http://www.healthcarefinancenews.com/news/gentiva-pay-125m-settle-medicare-fraud-claims

May 2013 Brunswick County Home Health Comparative Review

Pursuant to G.S. 131E-183(a)(1) and the *2013 SMFP*, no more than one new Medicare-certified home health agency or office may be approved for Brunswick County in the May 2013 review. Because each applicant proposes to develop a new Medicare-certified home health agency in Brunswick County, all seven applicants cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, a comparative analysis of the proposals has been conducted.

Projected Access by Medicare Recipients

For each applicant in this review, the following table compares: (a) the total number of duplicated patients in Project Year 2; (b) the number of duplicated Medicare recipients in Project Year 2; and (c) duplicated Medicare recipients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicare recipients is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness based on the number of Medicare patients projected to be served.

Project Year 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicare Recipients	Duplicated Medicare Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	1,848	71.20%
2	HKZ	1,543	1,055	68.40%
3	Continuum	1,264	897	70.94%
4	Gentiva	1,059	728	68.70%
5	UniHealth	679	520	76.65%
6	Advanced	533	394	73.90%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Maxim proposes the highest number of Medicare recipients in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to projected Medicare access because it relies on overstated projections.

As shown in the previous table, HKZ proposes the second highest number of duplicated Medicare recipients in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

May 2013 Brunswick County Home Health Comparative Review

Projected Access by Medicaid Recipients

For each applicant in this review, the following table compares: (a) the total number of duplicated patients in Project Year 2; (b) the number of duplicated Medicaid recipients in Project Year 2; and (c) duplicated Medicaid recipients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicaid recipients is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness based on the number of Medicaid recipients projected to be served.

Project Year 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicaid Recipients	Duplicated Medicaid Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	452	17.40%
2	HKZ	1,543	276	17.90%
3	Gentiva	1,059	270	25.50%
4	Continuum	1,264	229	18.09%
5	UniHealth	679	120	17.73%
6	Advanced	533	83	15.60%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Maxim proposes the highest number of Medicaid recipients in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to projected Medicaid access because it relies on overstated projections.

As shown in the previous table, HKZ proposes the second highest number of duplicated Medicaid recipients in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

Average Number of Visits per Unduplicated Patient

The majority of home health care services are covered by Medicare, which does not reimburse on a per visit basis. Rather, Medicare reimburses on a per episode basis. Thus, there is a financial disincentive to providing more visits per Medicare episode. The following table shows the average number of visits per unduplicated patient projected by each applicant in Project Year 2. Generally, the application proposing the highest number of visits per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

May 2013 Brunswick County Home Health Comparative Review

Project Year 2				
Rank	Applicant	Number of Unduplicated Patients	Projected Number of Visits	Average Number of Visits per Unduplicated Patient
1	Continuum	474	11,162	23.5
2	UniHealth	508	11,576	22.8
3	Advanced	533	11,123	20.9
4	Gentiva	391	7,706	19.7
5	HKZ	582	10,935	18.8
6	Maxim	503	9,405	18.7
7	NHRMC	1,328	23,022	17.3

As shown in the previous table, Continuum proposes the highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the number of visits per unduplicated patient projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the second highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the number of visits per unduplicated patient projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the third highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the unreasonably high number of visits per unduplicated patient projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva proposes the fourth highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the number of visits per unduplicated patient projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth highest number of visits per unduplicated patient in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Net Patient Revenue per Visit

May 2013 Brunswick County Home Health Comparative Review

Average net revenue per visit in Project Year 2 was calculated by dividing projected net revenue from Form B by the projected number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average net revenue per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total Number of Visits	Net Patient Revenue	Average Net Patient Revenue per Visit
1	UniHealth	11,756	$1,430,501	$122
2	Advanced	11,123	$1,541,982	$139
3	Gentiva	7,706	$1,099,399	$143
4	HKZ	10,935	$1,595,709	$146
5	Continuum	11,162	$1,636,041	$147
6	NHRMC	23,022	$3,564,820	$155
7	Maxim	9,405	$1,518,518	$161

As shown in the previous table, UniHealth proposes the lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average net patient revenue per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the second lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average net patient revenue per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva projects the third lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the average net patient revenue per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fourth lowest average net patient revenue per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Net Patient Revenue per Unduplicated Patient

Average net revenue per unduplicated patient in Project Year 2 was calculated by dividing projected net revenue from Form B by the projected number of unduplicated patients from

May 2013 Brunswick County Home Health Comparative Review

Section IV., as shown in the following table. Generally, the application proposing the lowest average net revenue per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Number of Unduplicated Patients	Net Patient Revenue	Average Net Patient Revenue per Unduplicated Patient
1	NHRMC	1,328	$3,564,820	$2,684
2	HKZ	582	$1,595,709	$2,742
3	Gentiva	391	$1,099,399	$2,812
4	UniHealth	508	$1,430,501	$2,816
5	Advanced	533	$1,541,982	$2,893
6	Maxim	503	$1,518,518	$3,019
7	Continuum	474	$1,636,041	$3,452

As shown in the previous table, NHRMC has the lowest average net patient revenue per unduplicated patient in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average net patient revenue per unduplicated patient projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the second lowest average net patient revenue per unduplicated patient in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

Average Total Operating Cost per Visit

The average total operating cost per visit in Project Year 2 was calculated by dividing projected operating costs from Form B by the total number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average total operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total Number of Visits	Total Operating Cost	Average Total Operating Cost per Visit
1	NHRMC	23,022	$2,041,650	$89
2	Advanced	11,123	$1,306,201	$117
3	UniHealth	11,756	$1,410,200	$120
4	Continuum	11,162	$1,455,998	$130
5	HKZ	10,935	$1,445,606	$132
6	Gentiva	7,706	$1,057,821	$137
7	Maxim	9,405	$1,305,747	$139

May 2013 Brunswick County Home Health Comparative Review

As shown in the previous table, NHRMC has the lowest average total operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.
As shown in the previous table, Advanced proposes the second lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average net patient revenue per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the third lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average net patient revenue per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Continuum proposes the fourth lowest average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, average total operating cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth highest number of visits per unduplicated patient in Project Year, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Direct Care Operating Cost per Visit

The average direct care operating cost per visit in Project Year 2 was calculated by dividing projected direct care expenses from Form B by the total number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average direct care operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total Number of Visits	Total Direct Care Operating Cost	Average Total Direct Care Operating Cost per Visit
1	NHRMC	23,022	$1,473,222	$64
2	Gentiva	7,706	$594,516	$77
3	Advanced	11,123	$883,641	$79
4	Maxim	9,405	$811,259	$86
5	UniHealth	11,756	$1,015,671	$86
6	HKZ	10,935	$975,508.07	$89
7	Continuum	11,162	$1,095,989	$98

May 2013 Brunswick County Home Health Comparative Review

As shown in the previous table, NHRMC proposes the lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total direct care operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.
As shown in the previous table, Gentiva proposes the second lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the average total direct care operating cost per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the third lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average total direct care operating cost per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Maxim proposes the fourth lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to that comparative factor because Maxim relies on overstated projections.

As shown in the previous table, UniHealth proposes the fourth average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average total direct care operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the six lowest average total direct care operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Administrative Operating Cost per Visit

The average total operating cost per visit in Project Year 2 was calculated by dividing projected administrative expenses from Form B by the total number of visits from Section IV., as shown in the following table. Generally, the application proposing the lowest average administrative operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

May 2013 Brunswick County Home Health Comparative Review

Project Year 2				
Rank	Applicant	Total Number of Visits	Total Administrative Operating Cost	Average Total Administrative Operating Cost per Visit
1	NHRMC	23,022	$568,428	$25
2	Continuum	11,162	$360,009	$32
3	UniHealth	11,756	$394,629	$34
4	Advanced	11,123	$422,560	$38
5	HKZ	10,935	$470,098	$43
6	Maxim	9,405	$494,488	$53
7	Gentiva	7,706	$463,305	$60

As shown in the previous table, NHRMC has the lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total administrative operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Continuum proposes the second lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, average total administrative operating cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the third lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average total administrative operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the fourth lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the lowest average total administrative operating cost per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth lowest average total administrative operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

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

The ratios in the following table were calculated by dividing the average net revenue per visit in Project Year 2 by the average total operating cost per visit in Project Year 2. Generally, the application proposing the lowest ratio is the more effective alternative with regard to this

comparative factor. The ratio must equal one or greater in order for a proposal to be financially feasible. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Average Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Average Net Revenue to Average Total Operating Cost per Visit
1	UniHealth	$122	$120	1.01
2	Gentiva	$143	$137	1.04
3	HKZ	$146	$132	1.10
4	Continuum	$147	$130	1.12
5	Maxim	$161	$139	1.16
6	Advanced	$139	$117	1.18
7	NHRMC*	$155	$89	1.75

*As documented in HKZ Comments in Opposition, NHRMC significantly overstates its unduplicated patients, which results in overstated duplicated patients and visits.

As shown in the previous table, UniHealth proposes the lowest net revenue to average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the net revenue to average total operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva projects the second lowest net revenue to average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the net revenue to average total operating cost per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

HKZ proposes the third lowest ratio of average net revenue to average total operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Direct Care Operating Cost per Visit as a Percentage of Average Total Operating Cost per Visit

The percentages in the following table were calculated by dividing the average direct care cost per visit in Project Year 2 by the average total operating cost per visit in Project Year 2. Generally, the application proposing the highest percentage is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

May 2013 Brunswick County Home Health Comparative Review

Project Year 2				
Rank	Applicant	Average Total Operating Cost per Visit	Average Direct Care Operating Cost per Visit	Operating Cost as a Percentage of Average Total Cost per Visit
1	Continuum	$130	$98	75%
2	UniHealth	$120	$86	72%
3	NHRMC	$89	$64	72%
4	Advanced	$117	$79	68%
5	HKZ	$132	$89	67%
6	Maxim	$139	$86	62%
7	Gentiva	$137	$77	56%

As shown in the previous table, Continuum projects the highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, operating cost as a percentage of average total cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the second highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the operating cost as a percentage of average total cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, NHRMC has the third highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the operating cost as a percentage of average total cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the fourth highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the operating cost as a percentage of average total cost per visit in Project Year 2 projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth lowest average total administrative operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

May 2013 Brunswick County Home Health Comparative Review

Nursing and Home Health Aide Salaries in Project Year 2

All seven applicants propose to provide nursing and home health aide services with staff who are employees of the proposed home health agency. Only five applicants propose to provide licensed practical nursing services with staff who are employees of the proposed home health agency. The following three tables compare the proposed annual salary for registered nurses, licensed practical nurses, and home health aides in Project Year 2. Generally, the applicant that proposes the highest annual salaries is the more effective alternative with regard to those comparative factors. The applications are listed in the following tables in decreasing order of effectiveness.

Project Year 2		
Rank	Applicant	Registered Nurse
1	UniHealth	$76,500
2	NHRMC	$73,329
3	HKZ	$70,627
4	Maxim	$69,215
5	Advance	$67,600
6	Continuum	$67,172
7	Gentiva	$50,247

Project Year 2		
Rank	Applicant	Home Health Aide
1	UniHealth	$35,037
2	Continuum	$31,552
3	HKZ	$30,810
4	Maxim	$30,320
5	Advanced	$30,160
6	NHRMC	$26,237
7	Gentiva	$22,168

Project Year 2		
Rank	Applicant	Licensed Practical Nurse
1	HKZ	$48,269
2	NHRMC	$47,386
3	Advanced	$46,800
4	UniHealth	$46,155
5	Continuum	$43,497

Salaries are a significant contributing factor in recruitment and retention of staff. As shown in the previous three tables:

- UniHealth projects the highest annual salary for a registered nurse in Project Year 2.
- UniHealth projects the highest annual salary for a home health aide in Project Year 2.
- HKZ projects the highest annual salary for a licensed practical nurse in Project Year 2.

May 2013 Brunswick County Home Health Comparative Review

Thus, the application submitted by UniHealth is the more effective alternative with regard to annual salary for registered nurses, the application submitted by UniHealth is the more effective alternative with regard to annual salary for home health aides, and the application submitted by HKZ is the more effective alternative with regard to annual salary for licensed practical nurses.

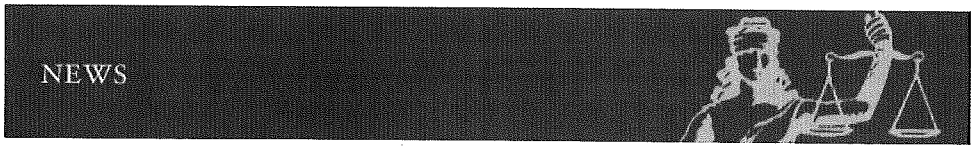
May 2013 Brunswick County Home Health Comparative Review

Summary

The following is a summary of the reasons that the proposal submitted by HKZ is determined to be the more effective alternative in this review. HKZ's projection ranks first by process of elimination with regard to a comparative factor for which HKZ did not rank first when it was determined by HKZ that there non-conformity in an application with a higher ranking. HKZ proposes:

- Second highest number of Medicare recipients in Project Year 2
- Second highest number of Medicaid recipients in Project Year 2
- Fifth highest average number of visits per unduplicated patient in Project Year 2
- Fourth lowest average net patient revenue per visit in Project Year 2
- Fifth lowest average total operating cost per visit in Project Year 2
- Six lowest average total direct care operating cost per visit in Project Year 2
- Fifth lowest average total administrative operating cost per visit in Project Year 2
- Third lowest ratio of net revenue to average total operating cost per visit in Project Year 2
- Fifth highest operating cost as a percentage of average total cost per visit in Project Year 2
- Third highest annual salary for a registered nurse in Project Year 2
- Third highest annual salary for a home health aide in Project Year 2
- Highest annual salary for a licensed practical nurse in Project Year 2.

ATTACHMENT 2



Health Care Company Agrees To Settle Civil Fraud Charges For $12.5 Million

FOR IMMEDIATE RELEASE

June 01, 2011

Loretta E. Lynch, United States Attorney for the Eastern District of New York, and Special Agent-in-Charge Tom O'Donnell of the Office of the Inspector General for the Department of Health and Human Services (HHS), Region II, announced that Gentiva Health Services, Inc., of Atlanta, Georgia, and formerly of Melville, New York, has paid $12.5 million to settle allegations that it fraudulently billed Medicare for costs not covered by the program.

Gentiva is one of the largest providers of home health care services in the world, with over 200 home health agencies in the United States. Through these agencies, Gentiva provides skilled nursing and home health aide services to patients, many of whom are Medicare beneficiaries.

A home health care provider may only bill Medicare for reasonable costs that are related to patient care. Although Medicare does cover certain advertising costs, it does not pay for the cost of advertising to the general public which seeks to increase patient utilization. An investigation established that, through its annual submission of cost reports to Medicare for the years 1998 through 2000, Gentiva improperly billed Medicare for salaries and other costs of employees performing sales functions that were designed to increase patient utilization. Gentiva has denied the government's allegations.

"Home health agencies that improperly bill Medicare for costs that cannot be lawfully reimbursed will be held accountable for their fraud," stated United States Attorney Lynch. "This settlement reflects the ongoing commitment of this Office to root out fraud on the Medicare Program."

"Investigating health care fraud is a priority of this office," stated HHS Special Agent-in-Charge O'Donnell. "Those who attempt to do so will pay the price."

The government's case was litigated by Assistant United States Attorney Richard K. Hayes with audit assistance from Emily J. Rosenthal, Affirmative Civil Enforcement Auditor, and investigated with the assistance of the Office of the Inspector General of the Department of Health and Human Services.

Healthcare Finance News Staff,

Gentiva to pay $12.5M to settle Medicare fraud claims

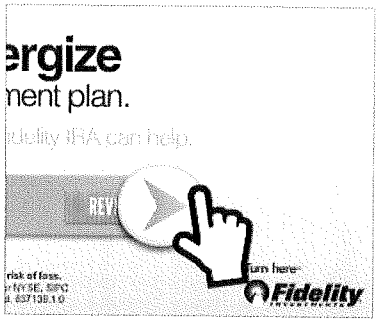
BROOKLYN, NY | June 7, 2011

Atlanta-based Gentiva Health Services, one of the country's largest providers of home health services, has agreed to pay $12.5 million to settle claims that it fraudulently billed Medicare for costs related to company sales efforts.

An investigation by the U.S. Attorney's office and the Office of the Inspector General for the Department of Health and Human Services found Gentiva improperly billed Medicare between 1998 and 2000 for salaries and other costs of employees performing sales functions designed to increase patient use. A press release from the U.S. Attorney's office in New York indicated Medicare covers certain advertising costs but not the cost of advertising to the general public.

Gentiva, formerly based in Melville, N.Y., has denied the government's allegations. Gentiva provides home health and hospice services in more than 450 communities across the country.

[See also: Gentiva Health Services to acquire Odyssey HealthCare in $1B hospice deal.**]**



News Concepts Technology

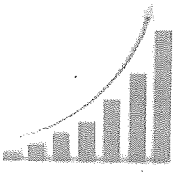
Physician turnover rate hits all-time high

Nurse practitioners hemmed in by scope of practice laws and payment policies

Hospitals increasingly look to hire nurses with higher degrees

Nurse practitioners may save costs in the ER

High female mortality rates suggest need for financing population health strategies



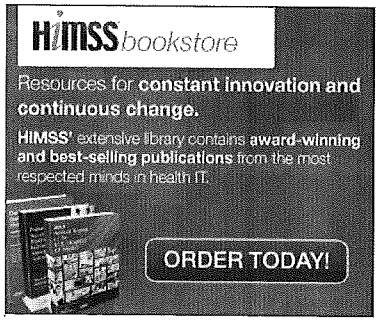
Financial Patient Engagement: Best Practices to Increase Collections

Healthcare providers spend so much time clinically engaging patients in hopes of qualifying for the federal government's Meaningful Use incentives that it is easy for them to forget that financially engaging patients can also be meaningful. To accomplish these goals, however, providers must find the right strategy and the best tools. The strategy is straightforward but sometimes overlooked, and includes thoughtful patient education and communication at every point in the revenue cycle – pre-service, point-of-service and post-service.

Four reasons why ICD-10 matters

May 22, 2013 | Carl Natale

Just in case you forget why we're doing all this, Robert Tagalicod, Director, Office of E-Health Standards and Services, summarizes how important ICD-10 is to the Centers for Medicare & Medicaid Services. MORE



Hospital Chargemasters and Open Data from CMS -- The conversation continues

May 21, 2013 | David Harlow

When CMS recently released hospital chargemaster and payment data for the 100 hospital codes most frequently billed to Medicare, there was much written and said about the significance of the data release. MORE

Wanted: Entrepreneurial business models for doctors

May 17, 2013 | David Williams

My perception is that doctors in previous generations were more likely to devote their entire lives (professional and "personal" time) to the practice of medicine. MORE

Improving Economy Drives Medical Staff Turnover

May 15, 2013 | Lori Schutte

The Dow Jones crossed the 15,000 mark for the first time ever, and the housing market recovery is gaining force as home prices rebound. This is good news, especially for hundreds of thousands of physicians who delayed retirement and relocation plans while their portfolios and home values were in... MORE

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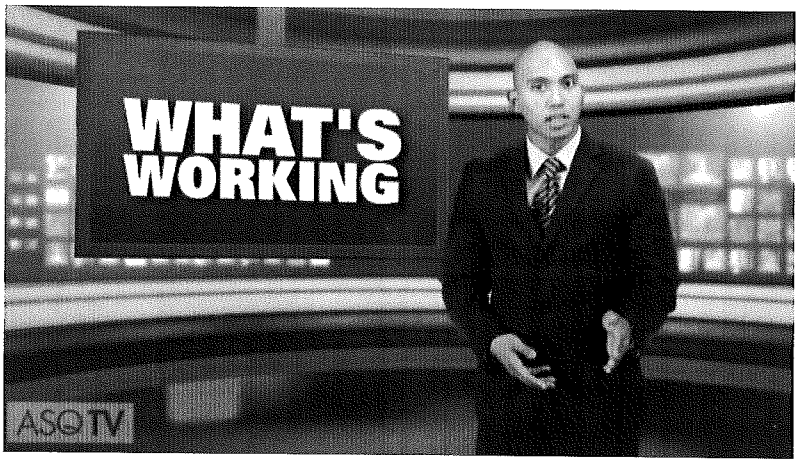
Video ▶



Monroe Clinic improves operational efficiency,...

This video provided by ASQ highlights the Monroe Clinic, a not-for-profit health system working to improve its culture of quality by increasing operational efficiency and boosting patient satisfaction.

WATCH: Full ASQ TV Episode 2: Culture of Quality

The World Congress 2nd Annual Leadership Summit On Mergers & Acquisitions in Health Care

National Healthcare CFO Summit

10th Annual Observation Management Summit

Pharma and Medical Device: Bulletproof Your Third Party Due Diligence Program

May 8 HIMSS Virtual Career Fair

June 3rd @ 2PM ET -- Closed-Loop Clinical Documentation - An Alternative Approach to Achieving Meaningful Use of EHRs

Financial Patient Engagement: Best Practices to Increase Collections

Increase Collections and Improve Patient Experience

The Value of Unique Device Identification Across Healthcare

Supercharged Clinical Document Improvement: NLP, intelligent workflow and CAC revolutionize CDI program at UPMC

HIMSSwire

AHA Responds to Senators' Call for Halting Meaningful Use

Q&A with Level 3 Communications' Executive

Consortium Releases Guidance on Managing Cybersecurity

Computer Scientist Shows How to Make Good Use of EHR Data

New community site spotlights innovative care models