



August 29, 2013

Mr. Craig Smith
Certificate of Need Section
Division of Facility Services
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: Written Comments Regarding Project Application # G-10156-13 Maxim Healthcare Services, Inc.

Dear Mr. Smith:

I am writing on behalf of the CON applicant, Well Care Home Health. Please accept the attached written comments that were submitted regarding the above reference CON application.

Please do not hesitate to call me if I can answer any questions.

Sincerely,

A handwritten signature in cursive script that reads 'David J. French'.

David J. French
Consultant

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336.349.6250

Comments Regarding CON Project # G-10156-13 Maxim Healthcare Services, Inc. Submitted by Well Care Home Health

Maxim Healthcare Services, Inc. ("Maxim") proposes to establish a new Medicare-certified home health agency in Forsyth County. The applicant projects service to 439 unduplicated patients in Year 1 and 532 unduplicated patients in Year 2.

The Maxim CON application is nonconforming to the CON Review Criteria as follows:

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

The application is nonconforming to Criterion (3) because Maxim's projected 439 unduplicated patients in Year 1 is overstated and unreasonable in that it exceeds the unmet need of 327 patients as calculated by the 2013 State Medical Facilities Plan. Only four of the existing nine home health agencies in Forsyth County served 439 patients or more during 2012. It is also unreasonable to project that all 439 patients will originate from within Forsyth County. Unlike the applicant's projections, all of the existing home health agencies located in Forsyth County provide home health service to patients located in adjoining counties.

- (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 Maxim application fails to conform to CON Review Criterion (4) because the application is nonconforming to Criteria (3), (5) and 18(a). The application is nonconforming to Criterion (3) because Maxim's projected 439 unduplicated patients in Year 1 are overstated and unreasonable because it exceeds the unmet need of 327 patients as calculated by the 2013 State Medical Facilities Plan. The application is nonconforming to Criterion (5) because the availability of funds in the amount of \$545,000 is insufficient to fund the capital cost of \$75,000 plus the start-up expenses and the working capital. An application that cannot be approved is not an effective alternative. [Reference: 2012 Mecklenburg Home Health Review Findings, CON Project ID # F-10006-12, p. 45]

- (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.*

Availability of Funds – In Section VII.1, Maxim projects the capital cost of its project to be \$75,000. In Section IX.2, Maxim projects start-up expenses to be \$50,000 and initial operating expenses to be \$495,000, for total projected working capital of \$545,000. In Section VIII.3 and Section IX, Maxim states that Maxim will fund its project with accumulated reserves and the Unrestricted Cash of Maxim. Exhibit 16 contains audited financial statements for Maxim for FY 2012, which document that Maxim had \$6,620,000 in cash and cash equivalents as of December 31, 2012. Exhibit 15 contains a July 10, 2013 letter from the Chief Financial Officer of Maxim, which states:

“The total capital and working capital cost of the project is estimated at approximately \$545,000. Maxim will fund the proposed project through accumulated reserves.”

However, the letter in Exhibit 15 from the Chief Financial Officer only commits the working capital (\$545,000) and does not commit funds for the \$75,000 in capital costs. Therefore, Maxim does not adequately demonstrate the availability of funds for the capital cost of its project. Maxim does not adequately demonstrate the availability of sufficient funds for its project’s capital cost and working capital cost needs which total \$620,000. Therefore, the Maxim application does not adequately demonstrate the availability of funds and is, therefore, nonconforming to Criterion (5). [Reference: 2010 Charlotte Area Single Specialty OR Demonstration Project Findings, CON Project ID # F-8545-10, p. 55] See also *Retirement Villages, Inc. v North Carolina Dept. of Human Resources* 124 N.C. App. 495, 477 S.E. 2nd 697 (1996).

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

The Maxim application fails to adequately document that the proposed agency will make arrangements for the provision of DME and pharmacy services to patients. Page 43 of the application states that when patients need these services, Maxim refers them to providers who bill directly to the patients. However, no DME and pharmacy providers are named in the application. Furthermore, no documentation is provided in the Maxim application that existing DME and pharmacy providers are willing to provide coordinated care with the proposed home health agency. Therefore, the Maxim application is nonconforming to Criterion (8).

The reality is that DME companies and pharmacies in North Carolina should be very reluctant to do business with Maxim based on the company’s history. In November 2011, eight former Maxim employees pled guilty to and were sentenced on felony charges arising out of the submission of fraudulent billings to government health care programs, the creation of fraudulent documentation associated with government program billings and false statements to government health care program officials regarding Maxim’s activities. Gregory Munzel, regional account manager of Maxim’s Charleston, South Carolina office, acknowledged fabricating documentation to make it appear that caregivers were properly credentialed when, in fact, they were not. In response to sales pressure from superiors to generate more revenue, Maxim employees fabricated time sheets and submitted bills for services delivered by unlicensed offices.

- (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.*

The Maxim application fails to conform to Criterion (18a) because Maxim failed to demonstrate the availability of funds for the total project cost. Therefore, Maxim does not adequately demonstrate that the expected effects of its proposal on competition include a

positive impact on cost effectiveness. See Criterion (5) for discussion regarding cost projections.

Comparative Analysis

In addition to the comments regarding the CON review criteria and administrative rule, Well Care provides the comparative analysis as seen on the following pages.

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 Forsyth County in this review. Because each applicant proposes to develop a new Medicare-certified home health agency in Forsyth County, all four 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 must be conducted. For the reasons set forth below and in the remainder of these comments, the application submitted by Well Care should be approved and all other applications should be disapproved.

Patient Population / Scope of Home Health Services

Well Care, Liberty and Maxim propose to provide home health services to adults and pediatric patients. In contrast, UniHealth chooses not to serve pediatric patients and is the least effective proposal for this factor. [Reference: 2012 HSA IV Inpatient Rehabilitation Beds Findings, finding WakeMed (Project ID # J-100018-12) the most effective alternative with regard to providing a broader scope of rehabilitation services (p. 137); approving WakeMed based in part on its proposal to offer a “greater scope of ... services than the other applicants propose” (p.146); and approving Duke Raleigh (Project ID # J-10021-12) in part on its proposal to offer a scope of services that addresses a growing patient population]

Use of Electronic Health Records and Lap Top Computers

Well Care, UniHealth and Maxim propose to utilize electronic health records and lap top computers. The Liberty application fails to document the use of these technologies and is the least effective proposal for this factor. [Reference: 2012 Autumn Care of Statesville Findings, Project ID # F-8757-11, noting electronic health records system as an innovative approach]

Use of Telemonitoring Systems

Well Care, UniHealth and Liberty propose to utilize telemonitoring systems. The Maxim application fails to document the use of telemonitoring and is the least effective proposal for this factor.

Demonstration of Need

Liberty did not demonstrate that its proposed utilization is based upon reasonable and supported assumptions. See Criterion (3) for discussion. [Reference: 2012 HSA IV Inpatient Rehabilitation Beds, Project ID # J-10022-12]

Conformity with Review Criteria

The application submitted by Well Care is conforming to all applicable statutory and regulatory criteria and standards for home health agency reviews. However, the applications submitted by Liberty, Maxim and UHS are not conforming to all applicable statutory and regulatory criteria and standards for home health agency reviews. See discussion above.

Applicant Reputability

The choice of comparative factors is left to the discretion of the Agency. North Carolina law makes it clear that the Comparative Analysis performed by the Agency is a matter within its discretion. There is no statute or rule which requires the Agency to utilize certain comparative factors. In its Comparative Analysis, the Agency may include other “findings and conclusions upon which it based its decision.” See N.C. GEN. STAT. § 131E–186(b). Those additional findings and conclusions give the Agency the opportunity to explain why it finds one applicant preferable to another on a comparative basis.

In the circumstances of this review, Maxim is a less preferable applicant on the basis of the following:

In its CON application, Maxim relies on statements which characterize Maxim as “one of the largest and fastest growing healthcare companies in North America” and indicates that Maxim “has earned a reputation for dedication to customer service and for the quality of [its] healthcare professionals.” (p. 6). Although such statements appear to be intended as general support for Maxim’s projections regarding referrals and future utilization of its proposed Forsyth County project, the reliability and reasonableness of these assertions is questionable based on other information publicly available or included in the Maxim application.

While Maxim describes the reforms and remedial actions it has taken to improve its operations, the facts nonetheless indicate that Maxim was charged in a criminal complaint with conspiracy to commit health care fraud relating to a nationwide scheme to defraud the Medicaid program and the Veterans Affairs program of more than \$61 million based on billings for home health services that were not actually delivered. In September 2011, Maxim entered into a Deferred Prosecution Agreement with the United States Department of Justice, allowing the corporation to avoid a health care fraud conviction.

In November 2011, eight former Maxim employees pled guilty to and were sentenced on felony charges arising out of the submission of fraudulent billings to government health care programs, the creation of fraudulent documentation associated with government program billings and false statements to government health care program officials regarding Maxim’s activities. Gregory Munzel, regional account manager of Maxim’s Charleston, South Carolina office, acknowledged fabricating documentation to make it appear that caregivers were properly credentialed when, in fact, they were not. In response to sales pressure from superiors to generate more revenue, Maxim employees fabricated time sheets and submitted bills for services delivered by unlicensed offices.

Based on the above, the Maxim CON application for Forsyth County is premised upon statements regarding the Company's forecasted growth and reputation which are called into question by facts regarding its recent history of fraud allegations and the felony convictions of its personnel. As a result, Maxim is a less preferable applicant as compared to other applicants in this review.

Moreover, the Maxim CON application for Forsyth County is likewise premised on what Maxim describes as its "sufficient financial resources." (p. 122). Maxim indicates its intent to rely on the "Unrestricted Cash of Maxim" for its project. See Criterion (5) for discussion. Maxim includes audited financial statements indicating approximately \$6.6 million in cash and cash equivalents as of December 31, 2012.

Yet, in North Carolina alone, Maxim identifies three CON projects (two approved and one pending) that will involve capital expenditure commitments and working capital needs. (p. 121). In addition, Maxim indicates that it owns and operates 246 home health offices in states other than North Carolina. (p. 5)

Maxim's Consolidated Financial Statements, included in its CON application in this review, indicate that Maxim experienced a company-wide Net Loss from operations of \$13.6 million in 2011 and \$21.8 million in 2012. At December 31, 2012 and 2011, respectively, Maxim recorded liability of \$71.2 million and \$71.5 million, within Other Accrued Expenses associated with the settlement of the fraud investigation. Of this liability, \$70.9 million and \$71.2 million are classified as long-term. Future interest costs associated with the settlement are estimated to be \$5.2 million. Maxim's cash and cash equivalents decreased from \$10 million in 2011 to \$6.6 million in 2012. Maxim's total asset value declined from \$310 million to \$254 million between 2011 and 2012. Stockholders' equity in common stock was valued at \$4,000 as of 2012. Effective December 31, 2012, the Maxim Board of Directors approved a revaluation of all authorized shares of common stock, resulting in a 70% decrease in the per share price of Maxim stock.

Based on the marked downward trend depicted in Maxim's financial statements and the potentially significant long-term financial implications of recent fraud allegations and felony convictions involving Maxim and its employees, Maxim is a less preferable applicant as compared to the other applicants in this review.

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 patients in Project Year 2; and c) duplicated Medicare patients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicare patients is the more effective alternative with regard to this comparative factor. The applications are listed in the table below 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 Patients	Duplicated Medicare Patients as a Percentage of Total Duplicated Patients
1	Well Care	1241	844	68.0%
2	UniHealth	808	579	71.7%
3	Liberty	786	515	65.5%
4	Maxim	587	388	66.1%

As shown in the table above, Well Care projects to serve the highest number of duplicated Medicare patients in Project Year 2. UniHealth projects the second highest. However, the UniHealth projections of total patients and visits are unreliable due to the erroneous projections for home health aides and home health visits. See Criterion 3 for discussion. Liberty projects the third highest. The application submitted by Well Care is the most effective alternative with regard to projected access by Medicare recipients.

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 patients in Project Year 2; and c) duplicated Medicaid patients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicaid patients is the more effective alternative with regard to this comparative factor.

The applications are listed in the table below in decreasing order of effectiveness based on the number of Medicaid patients projected to be served.

Project Year 2

Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicaid Patients	Duplicated Medicaid Patients as a Percentage of Total Duplicated Patients
1	Well Care	1241	332	26.75%
2	UniHealth	808	119	14.73%
3	Maxim	786	106	13.49%
4	Liberty	587	45	7.67%

As shown in the table above, Well Care projects to serve the highest number of duplicated Medicaid recipients and the highest percentage of duplicated Medicaid patients as a percentage of total duplicated patients in Project Year 2. UniHealth projects the second highest number of Medicaid patients. Maxim projects the third highest percentage. The application submitted by Well Care is the most effective alternative in this review with regard to access by Medicaid recipients.

Well Care projects to serve the highest Medicaid access patient percentage (26.75%) and the highest Medicare access visit percentage (21.59%). UniHealth projects the second highest Medicaid access patient percentage (14.73%) and the second highest Medicare access visit percentage (15.86%). However, the UniHealth projections of total patients and visits are unreliable due to the erroneous projections for home health aides and home health visits as discussed in the Criterion 3 comments. Liberty projects the lowest Medicaid access patient percentage (7.67%) and the lowest Medicaid access visit percentage (3.6%). Maxim projects the second lowest Medicaid access patient percentage (13.49%) and the second lowest Medicare access visit percentage (11.33%). Based on an access comparative analysis, the Well Care application is the superior proposal. The UniHealth application is the least effective proposal because its projections are not based on reasonable assumptions and calculations regarding the projected numbers of patients and visits.

Projected Numbers of Unduplicated Patients (Year 2)

Well Care projects the highest numbers of unduplicated patients based on reasonable assumptions. Maxim projects the second highest unduplicated patients. Liberty projects the lowest number of unduplicated patients. The UniHealth application has inconsistent information regarding the number of unduplicated patients in Year 2 based on the 581, 582 and 583 projections as discussed in the Criterion 3 comments related to this proposal. The Well Care application is most effective and is comparatively superior to the other applications; the UniHealth application is the least effective.

Average Number of Visits per Unduplicated Patient

The majority of home health 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 table below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Number of Unduplicated Patients	Projected Number of Visits	Average Number of Visits per Unduplicated Patient
1	UniHealth	583	13,307	22.83
2	Well Care	591	13,183	22.30
3	Maxim	542	12,046	22.23
4	Liberty	330	5,606	16.99

As shown in the table above, Well Care projects the second highest visits per patient (22.3) and second highest total visits (13,183) based on reasonable assumptions. UniHealth projects the highest visits per patient (22.83) and second highest total visits (13,307). However, the UniHealth projections of total patients and visits are unreliable due to the erroneous projections for home health aides and home health visits as discussed in the Criterion 3 comments. Maxim projects the second lowest visits per patient (22.23) and second lowest total visits (12,046). Liberty projects the lowest visits per patient (16.99) and lowest total visits (5,606). The Well Care application is most effective and comparatively superior to the other applications and the UniHealth application is the least effective due to erroneous projections of visits.

Average Net Patient Revenue per Visit

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 table below. 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 table below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Total Number of Visits	Net Patient Revenue	Average Net Patient Revenue per Visit
1	Well Care	13,183	\$1,593,202	\$ 120.85
2	UniHealth	13,307	\$1,678,022	\$ 126.10
3	Maxim	12,042	\$1,682,838	\$ 136.75
4	Liberty	5,606	\$833,837	\$ 148.74

As shown in the table above, the Well Care application projects the lowest average net revenue per visit (\$120.85). The UniHealth application projects the second lowest average net revenue per visit (\$126.10) but its visit projections are unreliable. The Liberty application projects the highest average net revenue per visit (\$148.74). The Maxim proposal contains the second highest average net revenue per visit (\$139.75). The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application is the least effective due to erroneous visits projections.

Average Net 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 Section IV, as shown in the table below. 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 table below 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	Liberty	330	\$833,833	\$ 2,526.78
2	Well Care	591	\$1,593,202	\$ 2,695.02
3	Maxim	587	\$1,682,838	\$ 2,866.84
4	UniHealth	582	\$1,678,022	\$ 2,878.25

As shown in the table above, the Well Care application provides the second lowest net revenue per unduplicated patient. The UniHealth application provides the highest net revenue per unduplicated patient. Also, the UniHealth application contains inconsistent information regarding the number of unduplicated patients in Year 2. The Liberty application projects the lowest net revenue per unduplicated patients. The Maxim application provides the second highest net revenue per unduplicated patient. The Liberty application is the most effective proposal and the Well Care application is the second most effective proposal. The UniHealth application is the least effective due to having the highest net revenue and inconsistent projections regarding unduplicated patients.

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 table below. 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 table below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
1	Well Care	13,183	\$1,478,323	\$ 112.14
2	Maxim	12,042	\$1,637,427	\$ 122.16
3	UniHealth	13,307	\$784,018	\$ 123.05
4	Liberty	5,606	\$1,471,014	\$ 139.85

As shown in the table above, Well Care projects the lowest average total operating cost per visit in Project Year 2. The application submitted by Well Care is the most effective alternative with regard to average total operating cost per visit.

The UniHealth application provides the second highest cost per visit (\$123.05) but its visit projections are unreliable. The Liberty application projects the highest average total cost per visit (\$139.85) and its costs are inaccurate and understated due to discrepancies regarding staffing levels and salaries. The Maxim application projects the second lowest average total cost per visit (\$122.16). The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application and the Liberty application are the least effective due to erroneous projections.

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 home health visits from Section IV, as shown in the table below. 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 table below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Total Number of Visits	Total Direct Care Costs	Average Direct Care Operating Cost per Visit
1	Liberty	5,606	\$421,683	\$ 75.22
2	Well Care	13,183	\$1,071,382	\$ 81.27
3	Maxim	12,042	\$1,053,675	\$ 87.50
4	UniHealth	13,307	\$1,226,506	\$ 92.17

As shown in the table above, the Well Care application projects the second lowest average direct operating cost per visit (\$81.27). The UniHealth application projects the highest average direct operating cost per visit (\$92.17) but the UniHealth visit projections are unreliable. The Liberty application projects the lowest direct operating cost per visit (\$75.22); however, its costs are inaccurate and understated due to discrepancies regarding staffing levels and salaries. The Maxim application projects the second highest average direct operating cost per visit (\$87.50). The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application and the Liberty application are the least effective due to erroneous projections.

Average Administrative Operating Cost per Visit

The average administrative operating cost per visit in Project Year 2 was calculated by dividing projected administrative operating costs from Form B by the total number of visits from Section IV.1, as shown in the table below. 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 below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Total # of Visits	Administrative Costs	Average Administrative Operating Cost per Visit
1	Well Care	13,183	\$406,954	\$ 30.87
2	UniHealth	13,307	\$410,852	\$ 30.87
3	Maxim	12,042	\$417,399	\$ 34.66
4	Liberty	5,606	\$362,319	\$ 64.93

As shown in the table above, Well Care and UniHealth project the lowest average administrative operating cost per visit in Project Year 2. Maxim projects the next lowest. Although the UniHealth application provides the same administrative cost per visit (\$30.87) as Well Care, the UniHealth visit projections are unreliable. The Liberty application projects the highest administrative cost per visit (\$64.93). The Maxim application projects the second lowest administrative total cost per visit (\$34.66). The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application is the least effective due to erroneous projections of visits.

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

Well Care projects a ratio of total revenue to total expense of 1.08 based on reasonable operational and financial projections. UniHealth projects a ratio of total revenue to total expense of 1.03. However, the UniHealth projections of total patients and visits are unreliable due to the erroneous projections for home health aides and home health visits as discussed in the Criterion 3 comments. Consequently the UniHealth financial projections are inaccurate. Liberty projects a ratio of total revenue to total expense of 1.06. However, the Liberty costs are inaccurate and understated due to discrepancies regarding staffing levels and salaries. Maxim projects the highest ratio of total revenue to total expense of 1.14. The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application and the Liberty application are the least effective due to erroneous projections.

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

The percentages in the table below 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 table below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Average Total Operating Cost per Visit (A)	Average Direct Care Operating Cost per Visit (B)	Average Direct Care Operating Cost as a % of Average Total Cost per Visit (B / A)
1	UniHealth	\$123.05	\$92.17	74.90%
2	Well Care	\$112.14	\$81.27	72.47%
3	Maxim	\$122.16	\$87.50	71.62%
4	Liberty	\$139.85	\$75.22	53.79%

As shown in the table above, the Well Care application projects the second highest direct cost per visit as a percent of total operating cost per visit (72.47%). The UniHealth application projects the highest direct cost per visit as a percent of total operating cost per visit (74.90%). However, the UniHealth projections of total patients and visits are unreliable due to the erroneous projections for home health aides and home health visits as discussed in the Criterion 3 comments. The Liberty application projects the lowest direct cost per visit as a percent of total operating cost per visit (53.79%) and Liberty's costs are inaccurate and understated due to discrepancies regarding staffing levels and salaries. The Maxim application projects the second lowest direct cost per visit as a percent of total operating cost per visit (71.62%). The Well Care application is the most effective and is comparatively superior to the other applications; the UniHealth application and the Liberty application are the least effective due to erroneous cost projections.

Nursing and Home Health Aide Salaries in Project Year 2

All applicants propose to provide nursing and home health aide services with staff that are employees of the proposed home health agency. The tables below compare the proposed annual salary for registered nurses, licensed practical nurses and home health aides in Project Year 2. Generally, the application proposing the highest annual salary is the more effective alternative with regard to this comparative factor. The applications are listed below in decreasing order of effectiveness.

Project Year 2

Rank	Applicant	Registered Nurse
1	UniHealth	\$ 78,056.00
2	Well Care	\$ 77,662.00
3	Maxim	\$ 77,080.00
4	Liberty	\$ 66,010.00

As shown in the table above, the Well Care application projects the second highest RN salary (\$77,662). The UniHealth application projects the highest RN salary (\$78,056). Liberty projects the lowest RN salary (\$66,010). Maxim projects the second lowest RN salary (\$77,080). The UniHealth application projects the highest RN salary and Well Care projects the second highest.

Project Year 2

Rank	Applicant	Licensed Practical Nurse
1	Well Care	\$ 49,600.00
2	UniHealth	\$ 49,216.00
3	Maxim	NA
4	Liberty	NA

As shown in the table above, the Well Care application projects the highest LPN salary (\$49,600). The UniHealth application projects the second highest LPN salary (\$49,216). Liberty and Maxim both proposed to have no LPN staff.

Project Year 2

Rank	Applicant	Home Health Aide
1	Well Care	\$ 37,029.00
2	UniHealth	\$ 36,159.00
3	Maxim	\$ 33,245.00
4	Liberty	\$ 26,329.00

As shown in the table above, the Well Care application projects the highest HHA salary (\$37,029). The UniHealth application projects the second highest HHA salary (\$36,159). Liberty projects the lowest HHA salary (\$26,329) while Maxim projects the second lowest HHA salary (\$33,245). The Well Care application projects the highest HHA salary and UniHealth projects the second highest. The Liberty application is the least effective proposal.

Salaries are a significant contributing factor in recruitment and retention of staff. As shown above,

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

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

SUMMARY

The following is a summary of the reasons the proposal submitted by Well Care is determined to be the most effective alternative in this review:

- Well Care projects to serve the highest number of duplicated Medicare patients in Project Year 2.
- Well Care projects to serve the highest Medicaid access patient percentage and the highest Medicare access visit percentage in Project Year 2.
- Well Care projects to serve the highest number of unduplicated patients in Project Year 2.
- Well Care projects the second highest visits per patient and second highest total visits in Project Year 2.
- Well Care projects the lowest average net revenue per visit in Project Year 2.

- Well Care projects the second lowest net revenue per unduplicated patient in Project Year 2.
- Well Care projects the lowest average total operating cost per visit in Project Year 2.
- Well Care projects the second lowest average direct operating cost per visit in Project Year 2.
- Well Care, along with UniHealth, projects the lowest average administrative operating cost per visit in Project Year 2.
- Well Care projects the second highest direct cost per visit as a percent of total operating cost per visit in Project Year 2.
- Well Care projects the second highest Registered Nurse salary in Project Year 2.
- Well Care projects the highest Licensed Practical Nurse salary in Project Year 2.
- Well Care projects the highest Home Health Aide salary in Project Year 2.
- Well Care proposes to provide home health services to adults and pediatric patients.
- Well Care proposes to utilize telemonitoring systems, electronic health records and lap top computers.

Comparative Factors

The following table provides comparative factors for Year 2 of operations of the four CON project applications.

Summary of Comparative Factors	Well Care	UniHealth	Liberty	Maxim
	YR 2	YR 2	YR 2	YR 2
Proposed services for pediatric patients	Yes	No	Yes	Yes
Use of electronic health records and laptop computers	Yes	Yes	No	Yes
Use of telemonitoring system	Yes	Yes	Yes	No
Medicare Access % Duplicated Patients	68.00%	71.66%	65.50%	65.10%
Medicare Access % Visits	82.31%	79.99%	71.50%	79.00%
Medicaid Access % Patients	26.75%	14.73%	7.67%	13.49%
Medicaid Access % Visits	21.59%	15.86%	3.60%	11.32%
Number of Unduplicated Patients	591	581 or 582 or 583 ???	330	542
Average Number of Visits per Patient	22.3	22.83	16.99	22.23
Total Visits	13,183	13,307	5,606	12,046
Average Net Revenue per Visit	\$120.85	\$126.10	\$148.74	\$139.75
Average Net Revenue per Unduplicated Patient	\$2,695.02	\$2,878.25	\$2,526.78	\$2,866.84
Average Total Cost per Visit	\$112.14	\$123.05	\$139.85	\$122.16
Average Admin Cost per Visit	\$30.87	\$30.87	\$64.63	\$34.66
Average Direct Operating Cost per Visit	\$81.27	\$92.17	\$75.22	\$87.50
Direct Cost per Visit as Percent of Totals Operating Cost per Visit	72.47%	74.90%	53.79%	71.62%
RN Salaries	\$77,662	\$78,056	\$66,010	\$77,080
LPN Salaries	\$49,600	\$49,217	NA	NA
HHA Salaries	\$37,029	\$36,159	\$26,329	\$33,245
Total Revenue	\$1,593,209	\$1,678,022	\$833,837	\$1,682,838
Total Expense	\$1,478,323	\$1,637,427	\$784,018	\$1,471,014
Ratio	1.08	1.03	1.06	1.14

CONCLUSION

Pursuant to G.S. 131E-183(a)(1), the need determination in the SMFP is the determinative limit on the number of Medicare-certified home health agencies that can be approved by the Certificate of Need Section.

For all of the reasons summarized in these comments, the application of Well Care is the most effective alternative proposed in this review for the development of a new Medicare-certified home health agency and should be approved.