

**Comments in Opposition from
North Carolina Home Health, LLC
Regarding a Certificate of Need Application
Submitted by Well Care Home Health of the Piedmont, Inc.
in Response to a Need Determination for
One Home Health Agency
in the Mecklenburg County Service Area
Submitted April 17, 2017 for May 1, 2017 Review Cycle**

I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), North Carolina Home Health, LLC (NCHH) submits the following comments regarding a Certificate of Need Application submitted by Well Care Home Health of the Piedmont, Inc. (Well Care) in response to a need determination for one Home Health Agency in the Mecklenburg County Service Area for the May 1, 2017 CON review cycle.

The following three CON applications were submitted in response to the need determination in the Mecklenburg County Service Area in the *2017 State Medical Facilities Plan (2017 SMFP)*:

- F-11329-17: North Carolina Home Health
- F-11327-17: PruittHealth Home Health, Inc.
- F-11341-17: Well Care Home Health of the Piedmont, Inc.

II. Comparative Analysis

The comments in opposition submitted by NCHH and the comparative analysis included at the end of these comments shows that the CON Application submitted by NCHH is the most effective alternative for the Medicare-certified home health agency in Mecklenburg County. Both applications submitted by Well Care and PruittHealth Home Health, Inc. (Pruitt) included assumptions for projected utilization and financial proformas that are questionable, with both higher than average and lower than average assumptions for a variety of variables which can skew comparative values. NCHH presents an extremely reasonable application based upon conservative projections and reasonable financials. NCHH projected utilization is based upon average historical utilization of home health services in the Mecklenburg County Service Area. NCHH financials are based upon the historical experience of a national home health provider, LHC Group, Inc.

NCHH also is the only applicant committed solely to the development of home health services in Mecklenburg County. Both Well Care and Pruitt propose services areas and projected volumes which include patients from Cabarrus and Union Counties.

NCHH is the most effective alternative for a new home health agency in Mecklenburg County.

III. CON Application of Well Care Home Health of the Piedmont, Inc.

Well Care Home Health of the Piedmont, Inc. (Well Care) proposes to develop a Medicare-certified home health agency in the north-central part of Mecklenburg County in Huntersville in zip code 28078. Well Care is wholly owned by Well Care DME, LLC and proposes to provide comprehensive home health services.

The home office for Well Care is located in Wilmington, on the east coast of North Carolina. On page 6, Well Care references the operating agreement with the home office, included in Exhibit 1. However, the document in Exhibit 1 provides only general information and does not provide any detail regarding the cost associated with the agreement.

Well Care owns three other home health agencies in North Carolina, in New Hanover, Wake, and Davie counties. However, all three of these facilities were acquired. Well Care has never developed a de-novo Medicare-certified home health agency. In addition, Well Care does not have any experience nationally with home health services.

IV. CON Review Criteria

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

G.S. 131E-183 (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative 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 competing Mecklenburg County Home Health Agency CON Applications:

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7) and (18a), Well Care does not demonstrate a need for the proposed project and utilizes unreasonable financial assumptions. As a result, the project:

- will not promote equitable access; and
- will not maximize health care value for resources expended.

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

G.S. 131E-183 (3)

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

Well Care fails to document the need for the proposed project.

A. Unreasonable Projected Utilization

Well Care identifies a home health service area which includes Mecklenburg, Union and Cabarrus counties based upon over stated growth and inflated market share projections. Well Care projects to provide home health services to 449 patients in project year one, calendar year 2018, and 898 patients in project year two, calendar year 2019.

Well Care assumes that:

- Well Care will lease space, hire staff and achieve licensure within two months of receipt of the CON if approved
- Well Care will establish relationships and achieve the necessary marketing outreach to achieve this aggressive volume in one year, half of which they are not certified for Medicare and Medicaid
- **Patient volume will increase 100% from year one to year two.**

To achieve this volume, Well Care assumes that it will capture 70% of the projected home health patient deficit of 561 patients in Mecklenburg County identified on page 318 of the 2017 SMFP for 2018 in year one. This is an extremely aggressive assumption, given that there are 11 existing home health agencies located in Mecklenburg County and 10 other home health agencies in surrounding counties serving the Mecklenburg County population. All of which will be competing for this patient volume.

Based upon the growth experience of Well Care's home health agency in Wake County, Well Care assumes they will increase patient volume by 100% from project year one to project year two. This assumes Well Care will capture 4% of the total home health market share in Mecklenburg County in project year two. Growth is inflated an additional 30% for project year three resulting in 5% of total market share in project year three.

Well Care supports this growth based upon historical growth of its sister agency in Wake County. **This assumption is flawed for two reasons.**

First, Well Care has never developed a de-novo Medicare-certified home health agency. All three of the agencies owned by Well Care were existing licensed entities with an identified patient base acquired by Well Care. Therefore, the circumstances of market share growth are not comparable. The existing agency had a patient base and an existing relationship with local hospitals and other referral providers.

Second, the Mecklenburg County home health agency market is significantly different from the Wake County market. In 2012, when Well Care acquired an existing home health agency and entered the Wake County home health market, there were 12 existing home health agencies located in Wake County and 13 agencies in surrounding counties serving residents of Wake County; a total of 25 agencies. As shown in Attachment 2, not one provider controlled 20% of the Wake County home health market.

As shown in the following Wake County home health agency market share table, Well Care's growth in market share was at the expense of smaller home health agencies. Further, the three largest providers also increased their market share during this time, but still control only 50% of the Wake County Market.

The Mecklenburg County home health agency market is a very different. As shown in the following Mecklenburg County market share table, there were only eight existing providers located in Mecklenburg County and 10 agencies in surrounding counties serving residents of Mecklenburg County: a total of 18 agencies in 2015. This is 28% fewer agencies, serving a larger Mecklenburg County population base than in Wake County. Further, three large existing providers control more than 70% of the home health agency market in Mecklenburg County: one has 35% market share, one has 22% market share and one has 15% market share. Of the remaining five home health agencies, one has 7.5% of the market and the remaining each have less than 4% market share.

Therefore, it is unreasonable for Well Care to assume they can achieve a 4% market share in project year 2.

Wake County Home Health Patient Market Share Analysis

	Provider	2011	2012	2012	2014	2015	% Change
1	Rex	18.7%	18.4%	19.4%	22.0%	20.7%	2.3%
2	Gentiva	10.3%	12.5%	13.2%	17.4%	17.3%	4.8%
3	WakeMed	15.5%	14.8%	14.5%	14.9%	12.3%	-2.5%
	Top 3	44.4%	45.7%	47.1%	54.3%	50.2%	4.5%
4	Well Care		2.5%	4.5%	8.5%	9.6%	7.1%
5	Liberty	12.4%	13.6%	10.7%	7.0%	6.7%	-6.9%
6	Intrepid	6.9%	5.4%	4.7%	5.6%	4.5%	-0.9%
7	Medi Home	4.4%	4.2%	3.6%	0.0%	4.5%	0.3%
8	Bayada	1.6%	2.0%	2.4%	3.2%	3.9%	1.9%
9	North Carolina Home Health				0.1%	0.4%	0.4%
10	Transitions Life Care				1.4%	1.7%	1.7%
11	Heartland	5.1%	3.6%	3.0%	0.0%	0.0%	-3.6%
12	Horizons	1.6%	1.4%	1.1%	0.0%	0.0%	-1.4%
13	Prof Nursing Svs HH	0.2%	0.2%	0.1%	0.0%	0.0%	-0.2%
14	Pediatric HH	0.2%	0.1%	0.2%	0.2%	0.2%	0.0%
15	UniHealth/Pruitt		0.1%	1.8%	0.4%	1.4%	1.2%
16	At Home Quality	3.6%					0.0%
17	Maxim (New 2016)						0.0%
	Out of County	19.6%	21.2%	20.9%	19.2%	16.9%	-4.3%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%

Source: Attachment 2

Mecklenburg County Home Health Patient Market Share Analysis

		2011	2012	2013	2014	2015
1	Healthy at Home - CMC (2 Agencies)	27.0%	29.6%	31.3%	29.9%	22.2%
2	Advanced	19.6%	19.4%	19.1%	14.9%	15.1%
3	Gentiva	32.6%	30.3%	29.9%	30.5%	34.9%
	Top 3	79.2%	79.4%	80.2%	75.4%	72.2%
4	Interim	8.7%	8.1%	6.9%	6.3%	7.5%
5	Liberty	2.9%	3.1%	2.6%	2.1%	2.4%
6	Personal Home Care	1.1%	1.6%	3.0%	3.8%	3.5%
7	Innovative/Brookdale	0.3%	2.3%	1.9%	2.4%	0.8%
8	Home Health Prof (Not Operational since 2011)	3.4%				
9	Bayada		1.5%	1.3%	1.7%	3.1%
	Out of County	4.3%	4.0%	4.1%	8.3%	10.5%
	Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Attachment 2

The previous two tables dramatically illustrate the difference between the Wake and Mecklenburg home health markets. It is unreasonable for Well Care to assume that a de-novo home health agency in Mecklenburg County will realize the patient volume projected in the Well Care application. It is unreasonable to assume Well Care will capture 4% of

Mecklenburg County home health patient market share in Project Year 2. The Mecklenburg County market is dominated by three agencies with only one other long-term agency having more than 4% market share. All others are well below this market share. In addition, Well Care has no experience developing a de-novo Medicare-certified home health agency and no existing relationships in Mecklenburg County. Well Care’s previous experience in Wake County was based upon the acquisition of an existing agency with an established patient base and an existing relationship with local hospitals and other referral providers.

Therefore, the projections set forth by Well Care are based upon unreasonable assumptions resulting in overstating projected utilization.

B. Projected Visits by Discipline

Well Care projects a lower percentage of nursing visits and physical therapy visits than expected in Mecklenburg County. As shown in the following table referral patterns in Mecklenburg County, based upon Mecklenburg County physician patient referrals, reflect higher nursing, physical therapy and occupational therapy visits than projected by Well Care.

Projected Visits Compared to Historical in Mecklenburg County

Agency	Nursing	PT	OT	ST	MSW	HHA	Total Visits
Total All HH Visits Mecklenburg County FFY 2015	153,160	122,559	33,561	10,340	2,775	10,561	332,956
Percent	46.0%	36.8%	10.1%	3.1%	0.8%	3.2%	100.0%
NCHH	3,701	2,885	754	236	64	301	7,941
Percent	46.6%	36.3%	9.5%	3.0%	0.8%	3.8%	100.0%
Well Care	8,001	6,391	2,317	459	374	1553	19,095
Percent	41.9%	33.5%	12.1%	2.4%	2.0%	8.1%	100.0%
Pruitt	6,965	5,449	1,875	299	135	629	15,352
Percent	45.4%	35.5%	12.2%	1.9%	0.9%	4.1%	100.0%

Source: Attachment 1 – Projected Visits By Discipline Compared to Historical in Mecklenburg County

Current referral patterns for Mecklenburg County support a higher percentage of nursing, physical therapy and occupational therapy. In FFY 2015, 92.9% of total home health visits provided in Mecklenburg County were in these three disciplines based upon physician referrals for care. Well Care projects only 87.9%, a five percent difference. Therefore, the projected patient visits by discipline are understated and the projections are not based upon reasonable assumptions.

NCHH percentages are consistent with those expected in Mecklenburg County.

For those reasons, Well Care fails to demonstrate conformity with CON Review Criteria (3).

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.

Well Care owns three certified home health agencies in North Carolina; all three were the acquisition of existing agencies. Well Care acquired its New Hanover County agency in 2000. The New Hanover County agency had a 45.8% market share of New Hanover County when it was acquired by Well Care in 2000. Well Care acquired At Home Quality Care in Raleigh in March 2012. At Home Quality Care was a mid-sized agency in Wake County at the time. The remaining Well Care agency in Davie County as was an acquisition in December 2015.

Well Care has no experience developing a new agency from acquiring a certificate of need through the Medicare certification process.

Mecklenburg County is not contiguous to either New Hanover, Davie or Wake Counties. All three locations are one to three hours away from the proposed home health agency in Mecklenburg County. The distance among locations will make it more difficult to utilize combined services or realize any economies of scale.

As discussed in the context of CON Review Criterion (3), projections are not based on reasonable projections. As discussed in the context of CON Review Criterion (5), projections of cost and revenue are not based on reasonable projections and exceed costs and revenue proposed by many of the other applicants.

For those reasons, Well Care 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.

In addition, the Well Care financials are based upon unreasonable assumptions regarding projected utilization, direct costs and excessive net income.

A. Unreasonable Projected Utilization

As discussed above, Well Care's projections are based upon unreasonable assumptions. Therefore, the financial are based upon unreasonable projections and the application in non-conforming to Criterion (5).

B. Lowest Direct Costs for Four Disciplines

NCHH compared costs associated with the direct care of the patient for all three applicants using information included in Form B and total projected visits. The following table shows a comparison of each of the three applicants direct cost to national averages.

Direct Expenses Comparison to National Averages

Skilled Nursing Visit	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	8,001	\$663,449	\$83	\$94.00	88.2%
North Carolina Home Health	3,702	\$267,483	\$72	\$94.00	76.9%
PruittHealth Home Health	6,965	\$713,845	\$102	\$94.00	109.0%
Physical Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	6,391	\$415,166	\$65	\$95.00	68.4%
North Carolina Home Health	2,885	\$223,522	\$77	\$95.00	81.6%
PruittHealth Home Health	5,449	\$463,142	\$85	\$95.00	89.5%
Occupational Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	2,317	\$158,342	\$68	\$98.00	69.7%
North Carolina Home Health	754	\$65,159	\$86	\$98.00	88.2%
PruittHealth Home Health	1,875	\$159,351	\$85	\$98.00	86.7%
Speech Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	459	\$43,908	\$96	\$112.00	85.4%
North Carolina Home Health	236	\$21,765	\$92	\$112.00	82.3%
PruittHealth Home Health	299	\$25,411	\$85	\$112.00	75.9%
Medical Social Worker	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	374	\$29,055	\$78	\$158.00	49.2%
North Carolina Home Health	64	\$19,107	\$299	\$158.00	189.0%
PruittHealth Home Health	135	\$30,432	\$225	\$158.00	142.7%
Home Health Aide	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	1,553	\$32,734	\$21	\$38.00	55.5%
North Carolina Home Health	301	\$12,109	\$40	\$38.00	105.9%
PruittHealth Home Health	629	\$46,890	\$75	\$38.00	196.2%

Source: Attachment 3 - Presentation by Simone P. 6 to NCHCHA Annual Convention

Less than 70% of national average highlighted in Red

Most effective provider highlighted in Yellow

As shown in the previous table, projected direct expenses by discipline for Well Care patients are less than 70% of the national average for four of six disciplines compared. Average direct costs for only nursing care and speech therapy patients exceeds 70% of national averages. NCHH used 70% of the national average as the threshold for

comparison in this analysis as the national average would be weighted by home health services in much larger metro areas with high populations and higher salaries and expenses. Also, it should be noted, as discussed later in Criterion (7) that nursing salaries at Well Care are overstated by 6% or more based upon actual salaries reflected in current CON Applications for projects in Mecklenburg and surrounding counties (analysis included in Attachment 1 - Nursing Salary Comparison to 2017 CON's Submitted in Mecklenburg and Union Counties). If salaries are in fact less than those included in the Well Care proforma income statement, the projected average direct cost per visit in the above table would be an even smaller percentage of the national average.

C. Net Income Analysis: Largest Gain, Largest Gain per Duplicated Patient, Largest Gain per Patient Visit, and Largest Gain as a Percentage of Revenue in Project Year 1

The following table shows a net income analysis of the three applicants based on each applicant’s gain (loss), gain (loss) per duplicated patient, gain (loss) per patient visit, and gain (loss) as a percentage of revenue in Project Year 2.

Gain (loss) was calculated by subtracting total cost from net revenue in Form B. Gain (loss) per duplicated patient was calculated by dividing gain (loss) by the projected number of duplicated patients from Section IV.2. of each application. Gain (loss) per patient visit was calculated by dividing gain (loss) by the number of patient visits from Section IV.2. of each Application. Gain (loss) as a percentage of revenue was calculated by gain (loss) by net revenue, as shown in the following table.

**Mecklenburg County Home Health Applicants
Net Income Analysis
Gain (Loss), Gain (Loss) per Patient, Gain (Loss) per Visit,
and Gain (Loss) as a Percentage of Revenue – PY 2**

Metric	NC Home Health	Well Care HH	Pruitt HH
Gain (Loss)	\$126,655.00	\$945,896.00	\$30,650.00
Gain (Loss) Per Patient	\$332.43	\$1,053.34	\$51.25
Gain (Loss) Per Visit	\$15.95	\$49.54	\$2.00
Gain (Loss) % Net revenue	10.8%	30.8%	1.4%
Ratio Net Revenue Per Visit to Total Cost Per Visit	1.12%	1.44%	1.01%
What is a reasonable return for a Home Health Agency??	Reasonable margin	Too high	Too Low

Source: Attachment 1 – Financial Proforma Analysis

This analysis is important in determining overall financial stability of an agency; as well as reasonable and affordable cost to patients and third-party payors. As shown in the previous table, Well Care projects the highest net income, highest gain per patient, second

highest gain per visit, and second highest gain as a percentage of revenue in Project Year 1. An overall 44% profit margin is exceeding high. This may be the result of understated direct costs discussed above.

For these reasons, the Well Care does not demonstrate the immediate and long term financial feasibility of the proposal are based upon reasonable projections of the costs of and charges for providing health services.

Therefore, the application is non-conforming to CON Review Criterion (5).

G.S. 131E-183 (6)

The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

As discussed in the context of CON Review Criteria (3), (4), and (5) Well Care has not justified the need for the proposed project nor determined the projects financial feasibility. As discussed in Criterion 3 the projected market share can be attained only by negatively impacting existing providers.

Therefore, the application is non-conforming to CON Review Criterion (6).

G.S. 131E-183 (7)

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

A. Unreasonable Nursing Salaries

As referenced above, a comparison of proposed nursing salaries for the three applicants shows that nursing salaries projected for Well Care registered nurses are 14% higher than expected in the market. Both Novant Health and Carolinas Healthcare submitted CON Applications for projects on May 15, 2017. These projects included projected salaries for nursing personnel in the Mecklenburg and Union County market including: RNs, LPNs and CNAs. NCHH compared the projected salaries used by existing providers in the market to those proposed by Well Care (Analysis included in Attachment 1 – Nursing Salary Comparison to 2017 CON's Submitted in Mecklenburg and Union Counties).

Well Cares projected salaries were 13% greater for RNs, to 6% greater for LPNs and 16 percent greater for CNAs. The overstated assumptions questions the reasonableness of the financial proformas and further decreases the percent of average for direct care as discussed in Criterion (5).

B. Insufficient Staffing

In Section VII of the CON Application, the applicant is asked to project the expected number of visits per FTE per day by discipline. The following table shows this information for all three applicants.

Visits per Day per Discipline

Position	NCHH	Well Care	Pruitt
Registered Nurse	5.0	5.03	5.4
LPN	5.9	6.51	5.4
Physical Therapy	5.4	5.5	6.0
LPTA	0	6.51	0.0
Occupational Therapy	5.3	5.5	7.0
COTA	0	6.51	0.0
Speech Therapy	5.4	4.5	5.0
Medical Social Worker	3.5	4.5	1.3
Home Health Aide	5.2	6.51	2.9

Source: Attachment 1 – Visits per Day per Discipline

Most effective provider highlighted in **Yellow**

NCHH expected Patient Visits per day per discipline based upon information from the National Association for Home Care and Hospice

A lower number of visits per day equates to longer patient care times per visit for the patient. As previously discussed, most visits provided by home health agencies in Mecklenburg County are nursing care, PT and OT. In those three categories, Well Care provides the shortest patient visits of all three providers as shown in the previous table.

In addition, the number of visits per day, also takes into consideration travel time per patient and administrative time per patients. Well Care proposes to provide home health services in three counties, Mecklenburg, Union and Cabarrus. Mecklenburg County has not only the largest population in North Carolina; it has the densest population in North Carolina. As shown in the following table considerably more people live in a square mile in Mecklenburg County than both Cabarrus and Union Counties.

County Density – 2015

County	Square Miles	Population per Square Mile
Cabarrus	361.74	541.83
Mecklenburg	523.40	1972.90
Union	631.61	349.18

Source: NC OSBM

This means that travel time for home health visits in Mecklenburg County would be less than travel time for visits in Cabarrus and Union counties. Therefore, taking into

consideration the increased travel time expected per visit for Well Care and Pruitt patients, **actual patient treatment time per visit by NHCC care givers is even greater.**

To accurately compare staffing projections for all three applicants, NCHH analyzed staffing for Well Care and Pruitt using a comparable patient care time per visit.

NCHH compared projected staffing for Well Care to NCHH using the higher NCHH standards for time per visit (this analysis is included in Attachment 1 – Staffing Analysis). This assumes that Well Care and Pruitt provide the same time per patient as NCHH.

Staffing Analysis

	NC Home Health	Well Care HH	Pruitt HH
Registered Nurse FTE's	3.00	3.10	4.47
Licensed Practical Nurse FTE's	0.00	2.40	0.50
Home Health Aide FTE's	0.40	0.95	0.84
Physical Therapist FTE's	2.00	2.25	0.40
Registered Nurse Visits	3,675	3,797.50	5,475.75
Licensed Practical Nurse Visits	0	3,469.20	722.75
Home Health Aide Visits	509.60	1,210.30	1,070.16
Physical Therapist Visits	2,646	2,976.75	529.20
Registered Nurse Visits PRN Contract	33	0	471.60
Licensed Practical Nurse Visits	0	0	281.38
Home Health Aide Visits	0	0	0.00
PRN Contract / LPTA	239	2,513.70	5,448.73
RN Nursing Visits (Staff + PRN Contract)	3,702	8,001	6,268.50
LPN Nursing Visits (Staff + PRN Contract)	0		696.50
HHA Nursing Visits	301	1,553	629
PT Visits (Staff + PRN Contract)	2,885	6,391	5,449
Over / Short RN	6.00	-4,203.50	-321.15
Over / Short LPN	0.00	3,469.20	307.63
Over / Short HHA	208.60	-342.70	441.16
Over / Short PT Uses LPTA	0.00	-900.55	528.93
		Not enough staff	Not enough staff
		Less Qualified Staff	Less Qualified Staff

Based upon this comparison Well Care projects insufficient RN, HHA, and PT staff, and uses less qualified staff for services provided as reflected in the previous table.

- Well Care is short 4203.5 RN visits. If WCHH uses LPNs to cover 3469.2 RN visits, Well Care is still short 734.3 visits which understates projected FTEs and projected salaries.
- Well Care is short 342.7 Home Health Aide's visits which understates projected FTEs and projected salaries.
- Well Care is short 900.55 Physical Therapy visits which understates projected FTEs and projected salaries.
- Well Care uses LPTA to cover 2513.7 PT visits providing care with lesser qualified personnel.
- The potential impact of the above understated FTEs could exceed \$150,000 in direct patient care expenses which are not included in Well Care's financial Proformas.

For those reasons, the Well Care CON Application does not conform to CON Review Criterion (7).

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

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

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

V. North Carolina Criteria and Standards for Home Health Services

Projections are based on flawed and undocumented assumptions. Please see discussion in the context of CON Review Criterion (3) and Criterion (5).

VI. Conclusion

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

Well Care included assumptions for projected utilization and financial proformas that are questionable, with both higher than average and lower than average assumptions for a variety of variables which can skew comparative values. NCHH presents an extremely reasonable application based upon conservative projections and reasonable financials. NCHH projected utilization is based upon average historical utilization of home health

services in the Mecklenburg County Service Area. NCHH financials are based upon the historical experience of a national home health provider, LHC Group, Inc.

NCHH also is the only applicant committed solely to the development of home health services in Mecklenburg County. Both Well Care and Pruitt propose services areas and projected volumes which include patients from Cabarrus and Union Counties.

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

**North Carolina Home Health, LLC
Mecklenburg County Medicare-certified Home
Health Agency CON Review**

COMPARATIVE ANALYSIS

Pursuant to N.C.G.S. 131E-183(a)(1) and the *2017 State Medical Facilities Plan (2017 SMFP)*, only one new home health agency may be approved for Mecklenburg County in this review. Because each applicant proposes to develop a new home health agency in Mecklenburg County, all three applicants cannot be approved.

In the most recent competitive CON reviews for a Medicare-certified Home Health Agency in Mecklenburg County, in 2012 the CON Section utilized the following 11 comparative factors. NCHH believes several of these factors should be re-evaluated as applicable for this review and includes a discussion after the comparative factor. However, both Well Care and Pruitt were non-conforming to several review criteria, as discussed in the NCHH comments in opposition submitted on these two applications.

The following table summarizes the comparative analysis of the three proposals. Discussion following the table documents the reasons that NCHH should be approved for a new home health agency in Mecklenburg County. **Based upon the proposed comparative factors, NCHH is the most effective alternative.**

	Well Care Home Health of the Piedmont	North Carolina Home Health	PruittHealth Home Health
1. Projected Access by Medicare Recipients	1	2	3
2. Projected Access by Medicaid Recipients	1	2	3
3. Average Number of Visits per Unduplicated Patient	2	2	1
4. Average Net Patient Revenue per Visit	3	2	1
5. Average Net Patient Revenue per Unduplicated Patient	3	1	2
6. Average Total Operating Cost per Visit	1	2	3
7. Average Direct Care Cost per Visit	1	2	3
8. Average Administrative Cost per Visit	1	3	2
9. Ratio of Net Revenue per Visit to Average Total Operating Cost per	3	2	1
10. Average Direct Care Operating Costs per Visit as a Percentage of Average Total Operating Cost per Visit	2	3	1
11. Staffing (not comparable per discussion)	0	0	0
12. Projected Utilization and Market Share Comparison	3	1	2
13. Net Income Analysis	2	1	2
14. Duplicated to Unduplicated Patient Ratio	1	1	2
15. Gross Profit Margin	2	1	3
16. Medical Supply Cost	2	1	3
Total	28	26	32

As shown in this table, the project proposed by NCHH is the most effective alternative.

2012 Mecklenburg County Comparative Review Factors

1. Projected Access by Medicare Recipients:

The following table compares the Total Number of Duplicated Medicare Patients by each applicant provided in the second year of operation as reflected in Section VI.12. of the Application.

Total Medicare Patients – PY 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 Home Health of the Piedmont	3,008	2,015	67.0%
2	North Carolina Home Health	1,320	1,068	80.9%
3	Pruitt Home Health	854	735	86.1%

Source: NCHH p.58; Well Care p.107; Pruitt p. 179

As reflected in the previous table, Well Care projects the highest number of Medicare patients, which based upon the CON Section's previous analysis would make them the most effective alternative. However, as discussed in the previous comments in opposition submitted by NCHH, Well Care projects unreasonably high market share and growth rates. As a result, Well Care is non-conforming to Criterion 3 as well as other review criteria.

Removing Well Care from the analysis results in NCHH being the most effective alternative.

2. Projected Access by Medicaid Recipients:

The following table compares the Total Number of Duplicated Medicaid Patients by each applicant provided in the second year of operation as reflected in Section VI.12. of the Application.

Total Medicaid Patients – PY 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 Home Health of the Piedmont	3,008	451	15.0%
2	North Carolina Home Health	1,320	119	9.0%
3	Pruitt Home Health	854	41	4.8%

Source: NCHH p.58; Well Care p.107; Pruitt p. 179

Note: NCHH CON application has cut and paste error on p 47 regarding Duplicated Patient Visit Payor Mix, correct information is on p. 58 in Section VI and on pgs. 87, 88 in Proformas

As reflected in the previous table, Well Care projects the highest number of Medicaid patients, which based upon the CON Section’s previous analysis would make them the most effective alternative. However, as discussed in the previous comments in opposition submitted by NCHH, Well Care projects unreasonably high market share and growth rates. As a result, Well Care is non-conforming to Criterion 3 as well as other review criteria.

Removing Well Care from the analysis results in NCHH being the most effective alternative.

3. Average Number of Visits per Unduplicated Patient:

The following table shows the average number of visits per unduplicated patient projected by each applicant in the second year of operation of the proposed home health agency.

Average Number of Visits per Unduplicated Patient – PY 2

Rank	Applicant	Total Number of Unduplicated Patients	Projected Number of Visits	Average Visits per Unduplicated Patient
1	Pruitt Home Health	598	15,352	25.7
2	Well Care Home Health of the Piedmont	898	19,095	21.3
3	North Carolina Home Health	381	7,943	20.8

Projected visits per patient were compared to historical Mecklenburg County utilization reflected in the NCHH CON Application in Exhibit 4, Table 15 on page 134. The visits per unduplicated patient projected by Pruitt are unreasonable and exceed the historical range of visits per unduplicated patient provided by Mecklenburg County certified agencies in FY 2015 as discussed in the comments in opposition submitted by NCHH on that project. Pruitt’s overstated visits per unduplicated patient impact several of the comparative factors as discussed herein. In FY 2015, that range was from 13.1 visits per unduplicated patient to 24.4 visits per unduplicated patients, as reflected in the 2015 Annual Licensure Renewal Applications submitted by Mecklenburg County home health providers¹.

Removing Pruitt from the analysis results in NCHH and Well Care being comparable with only 0.5 visits per patient differential between the two. Based upon the historical analysis of visits per unduplicated patient included in NCHH Exhibit 4, Table 15 both Well Care and NCHH are well within the existing range for visits per patients.

As discussed in the comments in opposition submitted by NCHH, Well Care projects unreasonably high market share and growth rates resulting in unreasonable projected utilization. As a result, Well Care is non-conforming to Criterion 3 as well as other review criteria.

¹ Note that one provider in Mecklenburg County associated with a continuing care retirement community exceeded this range dramatically and was not included in the calculation of average or range for this variable. See Table 15 in Exhibit 4 in the NCHH CON application.

Well Care and NCHH are comparable on this variable.

Removing Well Care from the analysis results in NCHH being the most effective alternative.

4. Average Net Patient Revenue per Visit

Net revenue per visit in the second year of operation was calculated by dividing projected net revenue from Form B by the projected number of visits from Section IV. of the Application, as shown in the following table.

Net Revenue per Visit – PY 2

Rank	Applicant	Total Visits Patients	Net Patient Revenue	Net Revenue per Visit
1	Pruitt Home Health	15,352	\$2,130,688	\$138.79
2	North Carolina Home Health	7,943	\$1,170,139	\$147.32
3	Well Care Home Health of the Piedmont	19,095	\$3,072,264	\$160.89

The CON applications submitted by Well Care and Pruitt are non-conforming with multiple CON Review Criteria. In addition, as discussed in the comments in opposition for both applications, nursing salaries are considerably overstated in both financials. Decreasing nursing salaries to a level consistent with the market would increase the net revenue per visit reflected above. Therefore, this analysis is flawed for both Pruitt and Well Care and it is not reasonable to include in the comparative analysis.

5. Average Net Patient Revenue per Unduplicated Patient

Net revenue per unduplicated patient in the second year of operation was calculated by dividing projected net revenue from Form B by the projected number of unduplicated visits from Section IV. of the Application, as shown in the following table.

NCHH believes that analyzing net revenue per unduplicated patient is a more reasonable comparative. Visits per patient vary based upon the type of patient, the patient payor and the acuity of the patient. Net revenue per patient provides a better overall comparative of the patient revenue generated by proposed agency and the actual cost to the patient. The following table provides net revenue per unduplicated patient in the second year of operation utilizing projected net revenue from Form B and the projected number of unduplicated patients from Section IV. of the Application, as shown in the following table.

Net Patient Revenue per Unduplicated Patient – PY 2

Rank	Applicant	Total Unduplicated Patients	Net Patient Revenue	Net Revenue per Patient
1	North Carolina Home Health	381	\$1,170,139	\$3,071.23
2	Pruitt Home Health	598	\$2,130,688	\$3,563.02
3	Well Care Home Health of the Piedmont	898	\$3,072,264	\$3,421.23

NCHH projected the lowest net revenue per patient. NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues.

The CON applications submitted by Well Care and Pruitt are non-conforming with multiple CON Review Criteria. As discussed in the comments in opposition for both applications, nursing salaries are considerably overstated in both financials. However, due to the higher number of patient visits projected for Pruitt, this would not decrease net patient revenue such that it would be less than NCHH.

Therefore, the CON application submitted by NCHH is the most effective alternative.

6. Average Total Operating Cost per Visit

The average total operating cost per visit in the second operating year was calculated by dividing projected operating costs from Form B by the total number of home health visits from Section IV. of the Application, as shown in the following table.

Average Total Operating Cost per Visit – PY 2

Rank	Applicant	Total Patient Visits	Total Operating Costs	Average Total Operating Cost per Visit
1	Well Care Home Health of the Piedmont	19,095	\$2,126,368	\$111.36
2	North Carolina Home Health	7,943	\$1,043,484	\$131.37
3	Pruitt Home Health	15,352	\$2,100,038	\$136.79

The CON applications submitted by Pruitt and Well Care are non-conforming with multiple CON Review Criteria. Please see NCHH’s Comments in Opposition to those CON applications.

NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by NCHH is the most effective alternative with regard to average operating cost per visit.

NCHH believes that analyzing total average cost per unduplicated patient is a more reasonable comparative. Visits per patient vary based upon the type of patient, the patient payor and the acuity of the patient. Total cost per patient provides a better overall

comparative of patient costs associated with care and better reflects actual cost to the patient. The following table provides total cost per unduplicated patient in the second year of operation utilizing projected total costs from Form B and the projected number of unduplicated patients from Section IV. of the Application, as shown in the following table

Average Total Operating Cost per Unduplicated Patient – PY 2

Rank	Applicant	Total Unduplicated Patients	Total Operating Costs	Average Total Operating Cost per Patient
1	Well Care Home Health of the Piedmont	898	\$2,126,368	\$2,367.89
2	North Carolina Home Health	381	\$1,043,484	\$2,738.80
3	Pruitt Home Health	598	\$2,100,038	\$3,511.77

As reflected in the previous two tables, while the cost per visit by Pruitt appears to be close to that proposed by NCHH, the total cost per patient is considerably more expensive. The cost per patient and cost per visit projected by Well Care is slightly less than that projected by NCHH, however, Well Care projects significantly greater patients and visits based upon unreasonable assumptions as discussed in the Well Care comments in opposition submitted by NCHH.

Removing Well Care from the analysis due to non-conformity with Criterion (3) results in NCHH being the most effective alternative.

7. Average Direct Care Cost per Visit

The average direct care cost per visit in the second operating year was calculated by dividing projected direct care expenses from Form B by the total number of home health visits from Section IV. of the Application, as shown in the following table.

Average Direct Care Cost per Visit – PY 2

Rank	Applicant	Total Patient Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
1	Well Care Home Health of the Piedmont	19,095	\$1,398,816	\$73.26
2	North Carolina Home Health	7,943	\$643,451	\$81.01
3	Pruitt Home Health	15,352	\$1,466,451*	\$95.52*

Source: Attachment 1 – Financial Proforma Analysis

*Note that Pruitt administrative costs have been adjusted – 2% fee per discipline moved from direct to indirect cost in Attachment 1– Financial Proforma Analysis: and Pruitt HH Adjusted Direct and Indirect Costs

The CON applications submitted by Pruitt and Well Care are non-conforming with multiple CON Review Criteria. Please see NCHH’s Comments in Opposition to those CON applications.

NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON

application submitted by NCHH is the most effective alternative with regard to average direct care cost per visit.

NCHH believes that analyzing total average direct cost per unduplicated patient is a more reasonable comparative. Visits per patient vary based upon the type of patient, the patient payor and the acuity of the patient. Total cost per patient provides a better overall comparative of the patient costs associated with care provided as a whole to the patient as proposed by the applicants and better reflects actual cost to the patient. The following table provides total cost per unduplicated patient in the second year of operation utilizing projected total costs from Form B and the projected number of unduplicated patients from Section IV. of the Application, as shown in the following table

Average Total Direct Operating Cost per Unduplicated Patient – PY 2

Rank	Applicant	Total Unduplicated Patients	Total Direct Operating Costs	Average Total Operating Cost per Patient
1	Well Care Home Health of the Piedmont	898	\$1,398,816	\$1,557.70
2	North Carolina Home Health	381	\$643,451	\$1,688.85
3	Pruitt Home Health	598	\$1,676,993	\$2,452.26*

Source: Attachment 1 – Financial Proforma Analysis

*Note that Pruitt direct costs have been adjusted – 2% fee per discipline moved from direct to indirect cost in Attachment 1– Financial Proforma Analysis: and Pruitt HH Adjusted Direct and Indirect Costs

The total cost per patient and per visit projected by Well Care is slightly less than that projected by NCHH, however, Well Care projects significantly greater patients and visits based upon unreasonable assumptions as discussed in the Well Care comments in opposition submitted by NCHH.

Removing Well Care from the analysis due to non-conformity with Criterion (3) results in NCHH being the most effective alternative.

8. Average Administrative Cost per Visit

The average administrative cost per visit in the second operating year was calculated by dividing projected administrative expenses from Form B by the total number of home health visits from Section IV.1. of the Application, as shown in the following table.

Average Administrative Cost per Visit – PY 2

CON Application	Applicant	Total Patient Visits	Total Administrative Costs	Average Administrative Cost per Visit
1	Well Care Home Health of the Piedmont	19,095	\$727,552	\$38.10
2	Pruitt Home Health	15,352	\$633,587*	\$41.27*
3	North Carolina Home Health	7,943	\$400,033	\$50.36

Source: Attachment 1 – Financial Proforma Analysis

*Note that Pruitt administrative costs have been adjusted – 2% fee per discipline moved from direct to indirect cost in Attachment 1– Financial Proforma Analysis; and Pruitt HH Adjusted Direct and Indirect Costs

The CON applications submitted by Pruitt and Well Care are non-conforming with multiple CON Review Criteria. Please see NCHH’s Comments in Opposition to those CON applications.

NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by NCHH is the most effective alternative with regard to average direct care cost per visit.

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

The ratio in the following table is calculated by dividing the net revenue per visit by the average total operating cost per visit.

Ratio of Net Revenue per Visit: Average Total Operating Cost per Visit – PY 2

Rank	Applicant	Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Net Revenue to Average Total Operating Cost per Visit
1	Pruitt Home Health	\$138.79	\$136.79	1.02
2	North Carolina Home Health	\$147.32	\$131.37	1.12
3	Well Care Home Health of the Piedmont	\$160.89	\$111.36	1.44

The CON applications submitted by Pruitt and Well Care are non-conforming with multiple CON Review Criteria. Please see NCHH’s Comments in Opposition to those CON applications.

NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by NCHH is the most effective alternative regarding average direct care cost per visit.

Therefore, the application submitted by NCHH is the most effective alternative.

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

The percentages in the following table are calculated by dividing the net revenue per visit by the average total operating cost per visit.

**Average Direct Care Operating Costs per Visit as a Percentage of
Average Total Operating Cost per Visit – PY 2**

Rank	Applicant	Average Total Operating Cost per Visit	Average Direct Care Cost per Visit	Percent Direct of Total per Visit
1	Pruitt Home Health	\$136.79	\$95.52*	69.8%
2	Well Care Home Health of the Piedmont	\$111.36	\$73.26	65.8%
3	North Carolina Home Health	\$131.37	\$81.01	61.7%

Source: Attachment 1 – Financial Proforma Analysis

*Note that Pruitt directs costs have been adjusted – 2% fee per discipline moved from direct to indirect cost in Attachment 1– Financial Proforma Analysis: and Pruitt HH Adjusted Direct and Indirect Costs

The CON applications submitted by Pruitt and Well Care are non-conforming with multiple CON Review Criteria. Please see NCHH’s Comments in Opposition to those CON applications.

NCHH adequately demonstrated that the financial feasibility of its proposal is based on reasonable and supported projections of operating costs and revenues. Therefore, the CON application submitted by NCHH is the most effective alternative with regard to average direct care cost per visit.

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

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

However, the following staffing tables reflect nursing salaries considerably greater than the market when compared to current information from Novant Health and Carolinas Healthcare System.

Annual Salary for Registered Nurse – PY 2

Rank	Applicant	Annual Salary
1	Pruitt Home Health	\$89,388
2	Well Care Home Health of the Piedmont	\$83,602
3	North Carolina Home Health	\$54,546

Annual Salary for Licensed Practice Nurse – PY 2

Rank	Applicant	Annual Salary
1	Pruitt Home Health	\$59,105
2	Well Care Home Health of the Piedmont	\$52,958
3	North Carolina Home Health	\$46,854

Annual Salary for Home Health Aide – PY 2

Rank	Applicant	Annual Salary
1	Pruitt Home Health	\$41,616
2	Well Care Home Health of the Piedmont	\$34,456
3	North Carolina Home Health	\$30,372

All of the above tables show NCHH as the lowest projected salary. However, NCHH based its salaries on the experience of its parent, LHC Group, Inc. one of the largest home health providers nationally, and input from Careerbuilders.com², a national corporate salary database and recruiter.

As discussed below, salaries projected by both Pruitt and Well Care are significantly overstated when compared to existing Mecklenburg County healthcare providers. Both Novant Health and Carolinas Healthcare submitted CON Applications for projects on May 15, 2017. Both projects included projected salaries for nursing personnel including: RNs, LPNs and CNAs. NCHH compared the projected salaries used by existing providers in the market to those proposed by Well Care (Analysis included in Attachment 1 – Nursing Salary Comparison to 2017 CON's Submitted in Mecklenburg and Union Counties).

Well Care’s projected salaries were 13% greater for RNs, to 6% greater for LPNs and 16 percent greater for CNAs. Pruitt’s projected salaries were 21% greater for RNs, to 18% greater for LPNs and 44 percent greater for CNAs. **Therefore, salary assumptions utilized by Well Care and Pruitt are unreasonable.**

In addition, NCHH compared costs associated with the direct care of the patient for all three applicants using information included in Form B and total projected visits. The following table shows a comparison each of the three applicants direct cost to national averages.

²Careerbuilders.com is an online employment website present in the United States, Canada, Europe and Asia. It is the largest online employment website in the United States. CareerBuilder.com provides labor market intelligence, talent management software, and other recruitment solutions, including online career search services for more than 1,900 partners as of March 2008, including 140 newspapers and portals such as AOL and MSN

Direct Expenses Comparison to National Averages

Skilled Nursing Visit	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	8,001	\$663,449	\$83	\$94.00	88.2%
North Carolina Home Health	3,702	\$267,483	\$72	\$94.00	76.9%
PruittHealth Home Health	6,965	\$713,845	\$102	\$94.00	109.0%
Physical Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	6,391	\$415,166	\$65	\$95.00	68.4%
North Carolina Home Health	2,885	\$223,522	\$77	\$95.00	81.6%
PruittHealth Home Health	5,449	\$463,142	\$85	\$95.00	89.5%
Occupational Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	2,317	\$158,342	\$68	\$98.00	69.7%
North Carolina Home Health	754	\$65,159	\$86	\$98.00	88.2%
PruittHealth Home Health	1,875	\$159,351	\$85	\$98.00	86.7%
Speech Therapy	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	459	\$43,908	\$96	\$112.00	85.4%
North Carolina Home Health	236	\$21,765	\$92	\$112.00	82.3%
PruittHealth Home Health	299	\$25,411	\$85	\$112.00	75.9%
Medical Social Worker	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	374	\$29,055	\$78	\$158.00	49.2%
North Carolina Home Health	64	\$19,107	\$299	\$158.00	189.0%
PruittHealth Home Health	135	\$30,432	\$225	\$158.00	142.7%
Home Health Aide	Visits	Direct Patient Expenses	Average per Visit	National Average	Percent of National Average
Well Care Home Health	1,553	\$32,734	\$21	\$38.00	55.5%
North Carolina Home Health	301	\$12,109	\$40	\$38.00	105.9%
PruittHealth Home Health	629	\$46,890	\$75	\$38.00	196.2%

Source: Attachment 3 - Presentation by Simone P. 6 to NCHHA Annual Convention

Less than 70% of national average highlighted in **Red**

Most effective provider highlighted in **Yellow**

As shown in the previous table, projected direct expenses by discipline for Well Care patients are less than 70% of the national average for four of six disciplines compared. Average direct costs for only nursing care and speech therapy patients exceeds 70% of national averages. NCHH used a 70% threshold for comparison as the national average would be weighted by home health services in much larger metro areas with high populations and higher salary expenses. Also, it should be noted, as discussed later in Criterion (7) that nursing salaries are overstated by 6% or more based upon actual salaries reflected in current CON Applications for projects in Mecklenburg and surrounding counties (analysis included in Attachment 1 - Nursing Salary Comparison to 2017 CON's Submitted in Mecklenburg and Union Counties).

NCHH was well within 70% of the national average for all disciplines and provided the highest level of direct care for OT, ST and MSW comparatively.

Because of the wide range of assumptions associated with salaries documented for Well Care and Pruitt, NCHH believes that this variable cannot be utilized as a comparative factor.

Additional Recommended Comparative Factors

NCHH recommends that the CON Section consider the following as comparative factors in this review.

12. Projected Utilization and Market Share Comparison

Both Pruitt and Well Care projected aggressive growth in patients during the first two year of operation using unreasonable assumptions, as discussed in the comments in opposition in Criterion 3. As shown in the following table, NCHH projects the most reasonable growth based upon reasonable assumptions.

Projected Unduplicated Patients and Market Share

	2018	2019	2020	2021
Total Projected Patients	19,345	20,194	21,081	22,007
NCHH				
Projected Patients		281	381	489
Growth Rate			35.6%	28.3%
Market Share Analysis		1.4%	1.8%	2.2%
Pruitt				
Projected Patients		238	598	PY 3 – No Projections
Growth Rate			151.3%	
Market Share Analysis		1.2%	2.8%	
Well Care				
Projected Patients	449	898	1,163	
Growth Rate		100%	30%	
Market Share Analysis	2.3%	4.4%	5.5%	

Source: Total Projected Patients, NCHH CON application, Exhibit 4, Table 4, page 129; NCHH page 129; Pruitt page 135; Well Care page 58

As shown in the previous table NCHH reflects the most conservative growth rates and assumes the most conservative market share. As discussed in the comments in opposition, both Well Care and Pruitt projections are unreasonable.

NCHH is the most reasonable alternative.

13. Net Income Analysis

A more effective way to analyze financial viability is analyze net income. The following table summarized net income and profitability for the entire facility as well as per patient and per visit.

**Mecklenburg County Home Health Applicants
Net Income Analysis
Gain (Loss), Gain (Loss) per Patient, Gain (Loss) per Visit,
and Gain (Loss) as a Percentage of Revenue – PY 2**

Metric	NC Home Health	Well Care HH	Pruitt HH
Gain (Loss)	\$126,655.00	\$945,896.00	\$30,650.00
Gain (Loss) Per Patient	\$332.43	\$1,053.34	\$51.25
Gain (Loss) Per Visit	\$15.95	\$49.54	\$2.00
Gain (Loss) % Net revenue	10.8%	30.8%	1.4%
Ratio Net Revenue Per Visit to Total Cost Per Visit	1.12%	1.44%	1.01%
What is a reasonable return for a Home Health Agency??	Reasonable margin	Too high	Too Low

Source: Attachment 1 – Financial Proforma Analysis

This analysis is important in determining overall financial stability of an agency; as well as reasonable and affordable cost to patients and third party payors.

The NCHH return is reasonable and can continue to be a financial successful business. In addition, NCHH is affordable to the patients and 3rd party payors. NCHH is the most effective alternative.

Pruitt’s return is very low and brings into question the financial success of the business. A 1% margin allows very little chances for error. If projections are off even slightly the financial success could be in doubt.

Well care’s return is very high. It is possible that having the highest average patient charge will drive patients to look for more reasonable charges and to not use Well Care as projected. An overall 44% profit margin is exceeding high. This may be the result of understated direct costs discussed above.

Therefore, the application submitted by NCHH is the most effective alternative.

14. Duplicated to Unduplicated Patient Ratio

NCHH analyzed the three applicants to determine the reasonableness of projected costs and services by patient and visit. One key variable which impacts many of the above comparative factors and overall project assumptions is the duplicated to unduplicated patient ratio.

The following table compares the three applicants.

Metric	NC Home Health	Well Care HH	Pruitt HH
Duplicated Patients	1,320	3,008	854
Unduplicated Patients	381	898	598
Dup/Undup Patient Ratio	3.5	3.3	1.4

Source: Attachment 1 – Financial Proforma Analysis

Projected ratios were compared to historical Mecklenburg County utilization. As shown in the table included in the NCHH CON Application, Exhibit 4, Table 14 on page 133, the overall ratio for the county was 3.5:1 duplicated patients to unduplicated patients. Both NCHH and Well Care are sufficiently close to the average. However, Pruitt projects an only 1.4:1 unduplicated patient ratio which is not reasonable when compared to historical utilization.

Well Care and NCHH are comparable on this variable.

15. Gross Profit Margin

An analysis of gross profit margin is where any financial analysis of home health agency feasibility should begin, according to Simione Financial Monitor³, a national benchmarking group. NCHH utilized information from a presentation done by Simione at the North Carolina Home Care Annual Convention to review gross profit margin compared to national benchmarks. Gross profit margin is direct patient revenue less direct patient expenses. The following table compares the three applicants in this review.

Gross Profit Margin

	NC Home Health	Well Care HH	Pruitt HH
Total Patient Revenue	\$1,170,139.00	\$3,072,264.00	\$2,130,688.00
Net Revenue Per Patient	\$3,071.23	\$3,421.23	\$3,563.02
Direct Cost	\$643,451.00	\$1,398,816.00	\$1,676,993.00
Gross Profit Margin Nat. Ave. 39.92%	45.0%	54.5%	21.3%

Source: Attachment 1 – Financial Proforma Analysis

³ Simione Financial Monitor is an essential analytic and decision-making tool for today's reimbursement age. Simione has been in business since 2009.

Well Care has higher total patient revenue and net revenue per patient resulting in a higher gross profit margin. However, this is influenced by Well Care’s aggressive utilization projections of patients and visits maybe understating the true cost of each.

Pruitt’s gross profit margin is considerably less than the national benchmark of 39.92%, which, reflects a questionable financial success as discussed previously in the net income analysis included in comparative factor #9.

NCHH is in the middle by a large margin over Pruitt. NCHH has used more conservative projections for patients and visits. NCHH is a more effective alternative. In addition, the NCHH gross profit margin is closer the National Home Health Gross Profit Margin of 39.92% ((Net Pat. Revenue less Direct Cost) divided by net Pat. Revenue). Gross Margin is where one needs to start any financial analysis.

Therefore, NCHH is the most effective alternative for this factor.

16. Medical Supply Cost

NCHH compared costs associated with the direct care of the patient for all three applicants. The following table shows a comparison of medical supplies for the three applicants based on each applicant’s Proforma statements, compared to national averages.

Medical Supplies Comparison to National Averages

Medical Supplies	Visits	Direct Patient Medical Supply Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	19,095	\$56,162	\$2.94	\$3.35	87.8%
North Carolina Home Health	7,943	\$24,418	\$3.07	\$3.35	91.8%
PruittHealth Home Health	15,352	\$24,483	\$1.59	\$3.35	47.6%

Source: Attachment 3 - Presentation by Simone P. 6 to NCHCHA Annual Convention

Less than 70% of national average highlighted in Red

Most effective provider highlighted in Yellow

NCHH is the most comparable to the national benchmark in this analysis.

Therefore, NCHH is the most effective alternative for this factor.

Financial Proforma Comparison Project Year 2

The tables in Attachment 1 compare the three applications on basic financial measures. Values highlighted in yellow represent the projects at the high end of each comparative metric and values highlighted in blue represent the two projects at the low end of each comparative metric. As reflected in Attachment 1, NCHH is based upon reasonable assumptions in the middle of the range for each metric.

Well Care and Pruitt included assumptions for projected utilization and financial proformas that are questionable, with both higher than average and lower than average assumptions for a variety of variables which skew the above comparative values. NCHH presents an extremely reasonable application based upon conservative projections and reasonable financials. NCHH projected utilization is based upon average historical utilization of home health services in the Mecklenburg County Service Area. NCHH financials are based upon the historical experience of a national home health provider, LHC Group, Inc.

Conclusion

As discussed in these comments in opposition and comparative analysis, both the Well Care and Pruitt applications contain issues related to high and low values. This is illustrated by the net income analysis provided in #9 in the Comparative Analysis.

NCHH also is the only applicant committed solely to the development of home health services in Mecklenburg County. Both Well Care and Pruitt propose services areas and projected volumes which include patients from Cabarrus and Union Counties.

NCHH projections and financials are based upon solid, conservative projections targeted to the residents of Mecklenburg County; beginning slowly, targeting a large Medicare and Medicaid population, with 90% of total patients and 95% of total visits. Median values for many of the comparative factors reflect the consistency of both the utilization and financial projections.

NCHH clearly is the most effective alternative with steady growth and reasonable financial projections based upon a solid national foundation of experience of LHC Group, Inc.

Financial Proforma Project Yr. 2										
Row	Calculation	Metric	NC Home Health	Well Care HH	Pruitt HH	Analysis	Data Source			
							NC Home Health	Well Care HH	Pruitt HH	
1		# Duplicated Patients	1,320	3,008	854			P. 47 Step 8	P. 75	P. 131
2		Unduplicated Patients	381	898	598			P. 47 Step 8	P. 76	P. 135
3		Total Patient Visits	7,943	19,095	15,352			P. 47 Step 8	P. 75	P. 160
						Well Care projected patients are unreasonable and unsupported therefore, projected financials are unreasonable and unsupported; see discussion in CIO				
4	R1 / R2	Dup/Undup Ratio	3.5	3.3	1.4	Pruitt Inconsistent with historical Mecklenburg County Utilization resulting in overstated projected volumes; see discussion in CIO				
5	R3 / R2	Visits per Patient	20.8	21.3	25.7	Pruitt inconsistent with historical Mecklenburg County utilization resulting in overstated projected volumes; see discussion in CIO				
		**NCMM and WCHH are very close to the same average. PHH is higher than most and out of expected range for Mecklenburg County								
6		% Duplicated Medicare Patients	80.9%	67.0%	86.1%	Highest		P. 50 Step 10	P. 107	P. 179
7		% Duplicated Medicaid Patients	9.0%	15.0%	4.8%	Highest		P. 50 Step 10	P. 107	P. 179
8	R2 + R3	% Dup. Medicare/Medicaid	89.9%	82.0%	90.9%	Highest				
9		% Duplicated Medicare Visits	88.2%	79.8%	88.5%	Highest		P. 50 Step 10	P. 107	P. 179
10		% Duplicated Medicaid Visits	6.6%	7.8%	3.1%	Highest		P. 50 Step 10	P. 107	P. 179
11	R5 + R6	% Dup. Medicare/Medicaid	94.8%	87.6%	91.6%	Highest				
12		Projected New Patients SMFP	561	586	611			NCHH Exhibit 4 p 129		
13	R8 / R11	Share of Projected New Patients	67.9%	153.2%	97.9%			NCHH Exhibit 4 p 129		
14		Net Patient Revenue	\$ 1,170,139.00	\$ 3,072,264.00	\$ 2,130,688.00			Form B	Form B	Form B
15		Net Revenue Per Patient	\$ 3,071.23	\$ 3,421.23	\$ 3,563.02	Lowest		Form C	Form C	Form C
16		Net Revenue Per Visit	\$ 147.32	\$ 160.89	\$ 138.79	Lowest		Form C	Form C	Form C
		** NCHH has the lowest net revenue per unduplicated patient which save the patient and 3rd party payor money. Most effective from payors side. Both WCHH and PHH have much higher net revenue (cost to payor.)								
		** PHH has the lowest net revenue per visit but significantly more visits per patient negating any savings to patients or payors.								
17		Direct Cost	\$ 643,451.00	\$ 1,398,816.00	\$ 1,676,993.00			Form B	Form B	Form B
18	R17 / R2	Direct Cost Per Patient	\$ 1,688.85	\$ 1,557.70	\$ 2,804.34	Lowest		Form C	Form C	Form C
19		Adjusted Direct Cost Per Patient - See Pruitt CIO			\$ 2,452.26			Pruitt included clinical service fees in direct costs. These costs are not direct to patient care but are management fees of 2% per discipline resulting in overstated direct costs and understated indirect costs; see discussion in CIO		
20	R17 / R3	Direct Cost Per Visit	\$ 81.01	\$ 73.26	\$ 109.24	Lowest		Form C	Form C	Form C
21		Adjusted Direct Cost Per Visit - See Pruitt CIO			\$ 95.52			Pruitt included clinical service fees in direct costs. These costs are not direct to patient care but are management fees of 2% per discipline resulting in overstated direct costs and understated indirect costs; see discussion in CIO		
22	(R15 - R17) / R14	Gross Profit Margin Nat. Ave. 39.92%	45.0%	54.5%	21.3%	Most Reasonable	Presentation by Simone P. 6 to NCHCA Annual Convention			
		**WCHH has a lower direct cost per patient and per visit, NCHH is slightly higher. With WCHH less conservative estimates on patients and visits maybe understating the true cost of each.								
		**NCHH is in second place by a large margin over PHH in direct cost per patient and per visit. NCHH has used a more conservative estimates on patients and visit. NCHH is a more effective alternative.								
		** NCHH is closer the National Home Health Gross Profit Margin 39.92% ((Net Pat. Revenue less Direct Cost) divided by net Pat. Revenue). Gross Margin is where one needs to start any financial analysis.) NCHH's Gross Profit Margin is 45% and is the most effective alternative.								

23		Indirect Cost	\$ 400,033.00	\$ 727,552.00	\$ 423,045.00		Form B	Form B	Form B
24	R23 / R2	Indirect Cost Per Patient	\$ 1,049.96	\$ 810.19	\$ 707.43	Lowest (Adj)	Form C	Form C	Form C
25		Adjusted Indirect Cost Per Patient - See Pruitt CIO			\$ 1,059.51	Pruitt included clinical service fees in direct costs. These costs are not direct to patient care but are management fees of 2% per discipline resulting in overstated direct costs and understated indirect costs; see discussion in CIO			
26	R23 / R3	Indirect Cost Per Visit	\$ 50.36	\$ 38.10	\$ 27.56	Lowest (Adj)	Form C	Form C	Form C
27		Adjusted Indirect Cost Per Visit - See Pruitt CIO			\$ 41.27	Pruitt included clinical service fees in direct costs. These costs are not direct to patient care but are management fees of 2% per discipline resulting in overstated direct costs and understated indirect costs; see discussion in CIO			
28	R24 / R28	Indirect Cost % Total Cost	38.3%	34.2%	20.1%		Form C	Form C	Form C
29	R26 / R28	Adjusted Indirect Cost % Total Cost			30.2%	Lowest	Form C	Form C	Form C
30		Total Cost	\$ 1,043,484.00	\$ 2,126,368.00	\$ 2,100,038.00		Form B	Form B	Form B
31	R30 / R2	Total Cost Per Patient	\$ 2,738.80	\$ 2,367.89	\$ 3,511.77	Lowest	Form C	Form C	Form C
32	R30 / R3	Total Cost Per Visit	\$ 131.37	\$ 111.36	\$ 136.79	Lowest	Form C	Form C	Form C
33	R30 / R14	Total Cost % Net Revenue	89.2%	69.2%	98.6%		Form C	Form C	Form C
**WCHH has a lower total cost per patient and per visit, NCHH is slightly higher. With WCHH less conservative estimates on patients and visits maybe understating the true cost of each.									
**NCHH is in second place by a large margin over PHH in total cost per patient. NCHH has used a more conservative estimates on patients and visit. NCHH is a more effective alternative.									
34	R14 - R30	Gain (Loss)	\$ 126,655.00	\$ 945,896.00	\$ 30,650.00		Form B	Form B	Form B
35	R34 / R2	Gain (Loss) Per Patient	\$ 332.43	\$ 1,053.34	\$ 51.25		Form C	Form C	Form C
36	R34 / R3	Gain (Loss) Per Visit	\$ 15.95	\$ 49.54	\$ 2.00	Most Effective	Form C	Form C	Form C
37	R34 / R14	Gain (Loss) % Net revenue	10.8%	30.8%	1.4%		Form C	Form C	Form C
38	R16 / R32	Ratio Net Revenue Per Visit to Total Cost Per Visit	1.12%	1.44%	1.01%		Form C	Form C	Form C
		**What is a reasonable return for a Home Health Agency??	Nice margin	Too high	Too Low	Most Reasonable			
** NCHH return is reasonable and can continue to be a financial successful business and affordable to the patients and 3rd party payors. NCHH is a more effective alternative.									
** PHH return is very low an brings into question if it can be a financial sucessful business. One too low, One way too high, Nice margin									
** WCHH return is very high and with the highest patient charge will patients look for more reasonable charges and not use WCHH.									

Staffing Analysis

			NC Home Health	Well Care HH	Pruitt HH	NCHH CON Application p64	NC Home Health	Well Care HH	Pruitt HH
39						245 Days per Year			
40		Registered Nurse FTE's	3.00	3.10	4.47	5.0	P. 65	P. 112	P. 193
41		Licensed Practical Nurse FTE's	0.00	2.40	0.50	5.9	P. 65	P. 112	P. 193
42		Home Health Aide FTE's	0.40	0.95	0.84	5.2	P. 65	P. 112	P. 193
43		Physical Therapist FTE's	2.00	2.25	0.40	5.4	P. 65	P. 112	P. 193
44	R40 * R39	Registered Nurse # Visits	3,675	3,797.50	5,475.75		Form C	Form C	Form C
45	R41 * R39	Licensed Practical Nurse Visits	0	3,469.20	722.75		Form C	Form C	Form C
46	R42 * R39	Home Health Aide Visits	509.60	1,210.30	1,070.16		Form C	Form C	Form C
47	R43 * R39	Physical Therapist Visits	2,646	2,976.75	529.20		Form C	Form C	Form C
48		Registered Nurse # Visits PRN Contract	33	0	471.60		Form B	Form B	
49		Licensed Practical Nurse Visits	0	0	281.38		Form B	Form B	
50		Home Health Aide Visits	0	0	0.00		Form B	Form B	
51		PRN Contract / LPTA	239	2,513.70	5,448.73		Form B	P.112 & Form B	P. 194, 227
52		RN Nursing Visits (Staff and PRN Contract)	3,702	8,001	6,268.50		P. 52	P. 75	P. 160, 193
53		LPN Nursing Visits (Staff and PRN Contract)	0		696.50		P. 52	P. 75	
54		HHA Nursing Visits	301	1,553	629		P. 52	P. 75	
55		PT Visits (Staff and PRN Contract)	2,885	6,391	5,449		P. 52	P. 75	
56	R44 + R48 - R52	Over / Short RN	6.00	-4,203.50	-321.15		Form C		
57	R45 + R49 - R53	Over / Short LPN	0.00	3,469.20	307.63		Form C		
58	R46 + R50 - R54	Over / Short HHA	208.60	-342.70	441.16		Form C		
59	R47 + R51 - R55	Over / Short PT Uses LPTA	0.00	-900.55	528.93		Form C		
				Not enough staff	Not enough staff				
				Less Qualified Staff	Less Qualified Staff				
		***Using productivity visits information from NCHH (source National Association for Home Care & Hospice per 8 Hours standards, and 245 worked days per year (less 14 days vacation and 5 days holidays) times staffed FTE's.							
		** NCHH has covered all visit with employed staff or contracted staff per the standards. ** The application submitted by NCHH is the most effective in this review.							
		** PHH is short 321.2 RN visits. If PHH uses LPN to cover 307.6 RN visits, PHH is still short 13.6 Visits with lesser qualified personnel.							
		** WCHH is short 4203.5 RN visits. If WCHH uses LPN to cover 3469.2 RN visits, WCHH is still short 734.3 visits with lesser qualified personnel.							
		** WCHH is short 342.7 Home Health Aide's visits.							
		** WCHH is short 900.55 Physical Therapy visits. WCHH uses LPTA to cover 2513.7 PT visits with lesser qualified personnel.							

Visits per Day per Discipline			
Position	NCHH	Well Care	Pruitt
Registered Nurse	5.0	5.03	5.4
LPN	5.9	6.51	5.4
Physical Therapy	5.4	5.5	6.0
LPTA	0	6.51	0.0
Occupational Therapy	5.3	5.5	7.0
COTA	0	6.51	0.0
Speech Therapy	5.4	4.5	5.0
Medical Social Worker	3.5	4.5	1.3
Home Health Aide	5.2	6.51	2.9

Note: Nursing, PT and OT reflect over 90% of total visits

Use of Contract Employees			
	NC Home Health	Well Care HH	Pruitt HH
Registered Nurse FTE's	3.00	3.10	4.47
Licensed Practical Nurse FTE's	0.00	2.40	0.50
Home Health Aide FTE's	0.40	0.95	0.84
Physical Therapist FTE's	2.00	2.25	0.40
Avai			
Registered Nurse # Visits	3,675	3,797.50	5,475.75
Licensed Practical Nurse Visits	0	3,469.20	722.75
Home Health Aide Visits	509.60	1,210.30	1,070.16
Physical Therapist Visits	2,646	2,976.75	529.20

Registered Nurse # Visits PRN Contract	33	0	471.60
Licensed Practical Nurse Visits	0	0	281.38
Home Health Aide Visits	0	0	0.00
PRN Contract / LPTA	239	2,513.70	5,448.73

Direct Expenses Comparison to National Averages -						
Skilled Nursing Visit	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	8,001	41.9%	\$ 663,449	\$ 83	\$ 94.00	88.2%
North Carolina Home Health	3,702	46.6%	\$ 267,483	\$ 72	\$ 94.00	76.9%
PruittHealth Home Health	6,965	45.4%	\$ 713,845	\$ 102	\$ 94.00	109.0%
Physical Therapy	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	6,391	33.5%	\$ 415,166	\$ 65	\$ 95.00	68.4%
North Carolina Home Health	2,885	36.3%	\$ 223,522	\$ 77	\$ 95.00	81.6%
PruittHealth Home Health	5,449	35.5%	\$ 463,142	\$ 85	\$ 95.00	89.5%
Occupational Therapy	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	2,317	12.1%	\$ 158,342	\$ 68	\$ 98.00	69.7%
North Carolina Home Health	754	9.5%	\$ 65,159	\$ 86	\$ 98.00	88.2%
PruittHealth Home Health	1,875	12.2%	\$ 159,351	\$ 85	\$ 98.00	86.7%
Speech Therapy	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	459	2.4%	\$ 43,908	\$ 96	\$ 112.00	85.4%
North Carolina Home Health	236	3.0%	\$ 21,765	\$ 92	\$ 112.00	82.3%
PruittHealth Home Health	299	1.9%	\$ 25,411	\$ 85	\$ 112.00	75.9%
Medical Social Worker	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	374	2.0%	\$ 29,055	\$ 78	\$ 158.00	49.2%
North Carolina Home Health	64	0.8%	\$ 19,107	\$ 299	\$ 158.00	189.0%
PruittHealth Home Health	135	0.9%	\$ 30,432	\$ 225	\$ 158.00	142.7%
Home Health Aide	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	1,553	8.1%	\$ 32,734	\$ 21	\$ 38.00	55.5%
North Carolina Home Health	301	3.8%	\$ 12,109	\$ 40	\$ 38.00	105.9%
PruittHealth Home Health	629	4.1%	\$ 46,890	\$ 75	\$ 38.00	196.2%
Medical Supplies	Visits	Percent of Total Visits	Direct Patient Expenses	Avg per Visit	National Avg	Percent of National Avg
Well Care Home Health of the Piedmont	19,095		\$ 56,162	\$ 2.94	\$ 3.35	87.8%
North Carolina Home Health	7,943		\$ 24,418	\$ 3.07	\$ 3.35	91.8%
PruittHealth Home Health	15,352		\$ 24,483	\$ 1.59	\$ 3.35	47.6%

Source of National Averages - Presentation by Simone P. 6 to NCHCA Annual Convention

Less than 70% of national average highlighted in Red

Pruitt HH Adjusted Direct and Indirect Costs			
	Proforma	Indirect	Adjusted
	Data	Clinical Fees	
# Duplicated Patients	854	854	854
Unduplicated Patients	598	598	598
Total Patient Visits	15352	15352	15352
Gross Patient Revenue	\$ 2,963,921.00		
Gross Revenue Per Unduplicated Pt.	\$ 4,956.39		
Gross Revenue Per Visit	\$ 193.06		
Net Patient Revenue	\$ 2,130,688.00		
Net Revenue Per Patient	\$ 3,563.02		
Net Revenue Per Visit	\$ 138.79		
Net Patient Revenue % Gross Revenue	71.9%		
Direct Cost	\$ 1,676,993.00	210542	\$ 1,466,451.00
Direct Cost Per Patient	\$ 2,804.34		\$ 2,452.26
Direct Cost Per Visit	\$ 109.24		\$ 95.52
Indirect Cost	\$ 423,045.00	210542	\$ 633,587.00
Indirect Cost Per Patient	\$ 707.43		\$ 1,059.51
Indirect Cost Per Visit	\$ 27.56		\$ 41.27

**Nursing Salary Comparison to 2017 CON's Submitted in
Mecklenburg and Union Counties**

Provider	Staffing	2020	2020 Percent	Analysis
Pruitt	CNA	41,616	143.8%	Much Higher than Existing
Wellcare	CNA	34,456	119.1%	Much Higher than Existing
NCHH	CNA	29,390	101.6%	
NH Union CON	CNA	28,935	Used for Comparison	
CHS Huntersville CON	CNA			
Pruitt	LPN	59,105	118.4%	Much Higher than Existing
Wellcare	LPN	52,958	106.1%	Much Higher than Existing
CHS Union CON	LPN	49,917	Used for Comparison	
NCHH	LPN	45,489	91.1%	
Pruitt	RN	89,388	121.4%	Much Higher than Existing
Wellcare	RN	83,602	113.6%	Much Higher than Existing
CHS Huntersville CON	RN	77,319	Average Used for Comparison	
NH Union CON	RN	69,927		
NCHH	RN	52,957	71.9%	
CHS Union CON	RN	45,777		

Projected Visits By Discipline Compared to Historical in Mecklenburg County

Agency	Nursing	PT	ST	OT	MSW	HHA	Total Duplicated
Total All HH Visits Mecklenburg County FFY 2015	153,160	122,559	10,340	33,561	2,775	10,561	332,956
Percent	46.0%	36.8%	3.1%	10.1%	0.8%	3.2%	100.0%
NCHH	3701	2885	236	754	64	301	7941
Percent	46.6%	36.3%	3.0%	9.5%	0.8%	3.8%	100.0%
Well Care	8001	6391	459	2317	374	1553	19095
Percent	41.9%	33.5%	2.4%	12.1%	2.0%	8.1%	100.0%
Pruitt	6965	5449	299	1875	135	629	15352
Percent	45.4%	35.5%	1.9%	12.2%	0.9%	4.1%	100.0%

Mecklenburg County and Wake County Market Share Comparison

Mecklenburg County																
		2011			2012			2013			2014			2015		
		Patients	Percent	Cumulative Percent												
1	Healthy at Home - CMC	4185			4725			5400			5431			2975		
	Healthy at Home - CMC		27.0%			29.6%			31.3%			29.9%		1043	22.2%	
2	Advanced	3037	19.6%		3092	19.4%		3294	19.1%		2713	14.9%		2741	15.1%	
	Gentiva	2162			2068			2040			2279			2419		
	Gentiva	1915			1750			1957			1954			2165		
3	Gentiva	989	32.6%	79.2%	1022	30.3%	79.4%	1166	29.9%	80.2%	1312	30.5%	75.4%	1735	34.9%	72.2%
4	Interim	1352	8.7%		1291	8.1%		1188	6.9%		1141	6.3%		1350	7.5%	
5	Home Health Prof	528	3.4%													
6	Liberty	456	2.9%		498	3.1%		457	2.6%		373	2.1%		428	2.4%	
7	Personal Home Care	168	1.1%		258	1.6%		519	3.0%		698	3.8%		642	3.5%	
8	Innovative/Brookdale	53	0.3%		371	2.3%		332	1.9%		432	2.4%		151	0.8%	
9	Bayada				239	1.5%		218	1.3%		314	1.7%		556	3.1%	
	Out of County	675	4.3%		635	4.0%		706	4.1%		1512	8.3%		1907	10.5%	
	Total	15520	100.0%		15949	100.0%		17277	100.0%		18159	100.0%		18112	100.0%	

Wake County																
		2011			2012			2013			2014			2015		
		Patients	Percent	Cumulative Percent												
1	Rex	2643	18.7%		2664	18.4%		2915	19.4%		3147	22.0%		3308	20.7%	
2	Gentiva	1459	10.3%		1811	12.5%		1990	13.2%		2496	17.4%		2763	17.3%	
3	WakeMed	2191	15.5%	44.4%	2141	14.8%	45.7%	2175	14.5%	47.1%	2138	14.9%	54.3%	1965	12.3%	50.2%
4	Well Care		0.0%		363	2.5%		680	4.5%		1224	8.5%		1540	9.6%	
5	Liberty	1753	12.4%		1973	13.6%		1610	10.7%		996	7.0%		1075	6.7%	
6	Intrepid	971	6.9%		780	5.4%		707	4.7%		801	5.6%		721	4.5%	
7	Medi Home	623	4.4%		612	4.2%		541	3.6%			0.0%		721	4.5%	
8	Bayada	225	1.6%		294	2.0%		358	2.4%		464	3.2%		628	3.9%	
9	North Carolina Home Health										18	0.1%		65	0.4%	
10	Transitions Life Care										197	1.4%		272	1.7%	
11	Heartland	720	5.1%		521	3.6%		450	3.0%			0.0%			0.0%	
12	Horizons	228	1.6%		198	1.4%		164	1.1%			0.0%			0.0%	
13	Prof Nursing Svs HH	27	0.2%		25	0.2%		16	0.1%			0.0%			0.0%	
14	Pediatric HH	27	0.2%		19	0.1%		28	0.2%		35	0.2%		26	0.2%	
15	UniHealth/Pruitt				16	0.1%		264	1.8%		52	0.4%		217	1.4%	
16	At Home Quality	513	3.6%													
17	Maxim (New 2016)															
	Out of County	2783	19.6%		3073	21.2%		3145	20.9%		2754	19.2%		2712	16.9%	
	Total	14163	100.0%		14490	100.0%		15043	100.0%		14322	100.0%		16013	100.0%	

North Carolina Annual Convention

Control Your Finances with Real-Time Benchmarking

Brian A. Martin, Vice President
Simione Financial Monitor



The way is in sight™

Simione
HEALTHCARE CONSULTANTS

OBJECTIVES

- Identify direct and indirect costs and understand the relationship of costs to multiple reimbursement models.
- Gain a better understanding of non-clinical and back office costs and become able to evaluate operational cost structure compared to industry benchmarks.
- Utilize industry benchmarks to evaluate the operating costs and revenue.
- Create buy in from staff and management on cost efficiency objectives.

2 *The way is in sight™*

WHAT IS A BENCHMARK?

- A Standard or a set of standards, used as a point of reference for evaluating performance or level of quality.
- Source: BusinessDictionary.com



3 *The way is in sight™*

GROSS MARGIN **Simione**
HEALTH CARE CONSULTANTS

- Gross Margin is where you need to start in any financial analysis.
- Everyone’s performance has an affect on Gross Margin.
- Direct Revenue minus Direct Expenses
 - Direct Revenue – All Net Payer Revenue
 - Direct Expenses – Salaries, payroll taxes, workers compensation, benefits, contract, mileage and supply costs from direct patient care.

The way is in sight™

EVERYONE IMPACTS GROSS MARGIN **Simione**
HEALTH CARE CONSULTANTS

- Marketing – Admissions & Census
- Billing – Collections & Cash
- Clinical – Productivity & Costs
- Finance – Cost Control
- Management – Staffing
- Intake – Census, Cash & Operations
- Technology – Work Flow efficiencies

The way is in sight™

GROSS MARGIN **Simione**
HEALTH CARE CONSULTANTS

- Gross Margin Revenue Drivers:
 - Admissions
 - Payer Mix
 - Case Weight Mix
 - Marketing
 - Billing/Collections
 - Clinical Quality



The way is in sight™

GROSS MARGIN **Simione**
HEALTH CARE CONSULTANTS

- Gross Margin Cost Drivers:
 - Payment Models
 - Productivity
 - Clinical Teams
 - Management
 - Finance



The way is in sight-

HOME HEALTH GROSS MARGIN BENCHMARK **Simione**
HEALTH CARE CONSULTANTS

- National Home Health Gross Profit Margin is 39.92%*

*These numbers are National Benchmarks from the Simione Financial Monitor for 2016 Q4.

The way is in sight-

HOSPICE GROSS MARGIN BENCHMARK **Simione**
HEALTH CARE CONSULTANTS

- National Hospice Gross Profit Margin is 44.44%*

*These numbers are National Benchmarks from the Simione Financial Monitor for 2016 Q4.

The way is in sight-

GROWING OUR AGENCY **Simione**
HEALTH CARE CONSULTANTS

- Call the objective “Growing Our Agency”
- Use a combination of cost savings objectives and growth objectives to meet goals.
- Do NOT call it “Cost Cutting”
 - Causes low employee moral
 - Risk losing their loyalty
 - More staff working individually than as a team!

The way is in sight™

COST ANALYSIS **Simione**
HEALTH CARE CONSULTANTS

- Break out direct vs. indirect costs
- Break out costs by discipline
- Break out indirect costs by department
- Review Performance indicators
- Understand what drives revenue and cost for your organization
- Compare to industry benchmarks

The way is in sight™

HOME HEALTH DIRECT COST PER VISIT ANALYSIS **Simione**
HEALTH CARE CONSULTANTS

Discipline	National
Skilled Nursing	\$94
Physical Therapy	\$95
Occupational Therapy	\$98
Speech Therapy	\$112
Medical Social Services	\$158
Home Health Aide	\$38
Medical Supplies	\$3.35

The way is in sight™
