



**Comments on Competing Applications for One
Medicare-Certified Home Health Agency in
Brunswick County**

March 31, 2023

Competitive Comments on Brunswick County Medicare-Certified Home Health Agency Applications

Submitted by

3HC – Brunswick

In accordance with N.C. GEN. STAT. § 131E-185(a1)(1), Home Health and Hospice Care, Inc. d/b/a 3HC hereby submits the following comments related to competing applications filed to develop a Medicare-certified home health agency in Brunswick County based on the need identified in the *2023 State Medical Facilities Plan (SMFP)*. 3HC's comments include "*discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with the relevant review criteria, plans and standards.*" See N.C. GEN. STAT. § 131E-185(a1)(1)(c).¹ In order to facilitate the Agency's ease in reviewing these comments, 3HC has organized its discussion by issue, specifically noting the general Certificate of Need (CON) statutory review criteria and regulations creating the non-conformity relative to each issue, as they relate to competing applications. 3HC's comments relate to the following applications proposing to develop a Medicare-certified home health agency in Brunswick County:

- BAYADA Home Health Care, Inc. (BAYADA), Project ID # O-012324-23
- Healthview Home Health – Brunswick (Healthview), Project ID # O-012336-23
- Novant Health Home Care – Brunswick (Novant), Project ID # O-012316-23
- Well Care Home Health of Brunswick County (Well Care), Project ID # O-012334-23

Given that all five applicants propose to meet the need for additional home health services in Brunswick County, only one can be approved. The comments below include substantial issues that 3HC believes render the competing applications non-conforming with applicable statutory criteria and regulatory review criteria.

¹ 3HC is providing comments consistent with this statute; as such, none of the comments should be interpreted as an amendment to its application filed on February 15, 2023 (Project ID # O-012318-23).

GENERAL COMMENTS

The 2023 SMFP identifies a need for one additional Medicare-certified home health agency to be located in Brunswick County based on the application of the home health need methodology. The following section outlines general comments related to the applications for the new Medicare-certified home health agency.

Competition

Brunswick County patients are currently served by 10 home health agencies. The top five agencies account for most of the volume (94.7 percent). Providers serving Brunswick County home health patients include the following:

Brunswick County Home Health Competition

<i>Provider</i>	<i>Facility County</i>	<i>Total Patients</i>	<i>Market Share</i>
Well Care Home Health, Inc.	New Hanover	1,506	32.9%
Liberty Home Care	Brunswick	1,153	25.2%
AssistedCare Home Health	Brunswick	680	14.8%
NHRMC Home Care	Pender	531	11.6%
CenterWell Home Health	Columbus	465	10.2%
Advanced Home Health	Bladen	164	3.6%
PruittHealth@Home – Brunswick	Brunswick	78	1.7%
Liberty Home Care	Wake	1	0.0%
Liberty Home Care V, LLC	Surry	1	0.0%
Liberty Home Care	Robeson	1	0.0%
Total		4,580	100.0%

Source: DHSR Chapter 12: Home Health Data by County of Patient Origin – 2021 Data

The applicants for a Medicare-certified home health agency in Brunswick County include two existing providers, Well Care and Novant, along with three providers not currently able to serve Brunswick County. As shown in the table above, Well Care is the Brunswick County home health leader with 32.9 percent market share. Novant has the fourth-largest market share at 11.6 percent. Residents of Brunswick County already have access to services provided by Well Care and Novant.

3HC, BAYADA, and Healthview all have existing Medicare-certified home health agencies that are located more than an hour from Brunswick County and do not currently serve southeast North Carolina. Pender and New Hanover counties, the locations of Novant and Well Care respectively, are contiguous to Brunswick County allowing these providers to serve patients within Brunswick County from existing locations.

The approval of a new home health provider to serve residents of Brunswick County is a more effective alternative to promote competition in the service area than approving a provider that currently serves Brunswick County through an existing home health agency. This is especially true when those existing providers already serve a substantial number of Brunswick patients: in FFY 2021 Well Care's and Novant's agencies combined to serve nearly half of all home health patients in Brunswick County, as shown in the

table above. A new provider will encourage healthy competition, innovation, and diversity, which will ultimately benefit the residents of Brunswick County by providing cost-effective, high-quality care.

Well Care, based in New Hanover County, is the dominant market leader in home health for southeast North Carolina. It is the current market leader in six counties and has the second-highest market share in two additional counties as shown in the table below.

Well Care Southeast NC Market Share by County

County	2021 Patients	2021 Market Share	2021 Market Share Rank
New Hanover	2,051	33.0%	2
Brunswick	1,506	32.9%	1
Onslow	1,440	46.5%	1
Columbus	893	45.8%	1
Duplin	728	42.1%	1
Pender	715	43.9%	1
Bladen	531	51.1%	1
Sampson	262	18.1%	2

Source: DHSR Chapter 12: Home Health Data by County of Patient Origin – 2021 Data

Despite its position as the market leader, Well Care claims its application will promote competition. As discussed below, approving Well Care’s application will result in further consolidation of its market share in Brunswick County under the same circumstances in which Well Care has not been able to meet the needs of the Brunswick County home health population. Given the market dynamics within Brunswick County, a new home health provider, such as 3HC, should be prioritized to promote competition in the market.

Issue-Specific Comments

1. BAYADA’s projected volume and corresponding market share is overstated based on its experience in similar markets.

In Step 4 of its methodology, BAYADA projects to capture 16.8 percent of the market share of Brunswick County home health patients in Project Year 3. BAYADA uses the market share of existing Brunswick home health agencies as a basis to assert the reasonableness of its assumption. However, BAYADA does not validate this assumption with its historical experience in other North Carolina markets. BAYADA’s in-county market shares for its existing locations are as follows:

BAYADA Market Share for Existing Locations

<i>Location</i>	<i>In-County Agencies</i>	<i>BAYADA In-County Patients</i>	<i>Patients Served by Other BAYADA Locations</i>	<i>Total BAYADA Patients</i>	<i>Total County Patients</i>	<i>BAYADA Market Share</i>
Person	2	199	-	199	976	20.4%
Rowan	4	437	5	442	3,767	11.7%
Cabarrus	2	443	372	815	4,656	17.5%
Davidson	5	668	9	677	5,044	13.4%
Gaston	5	412	1	413	7,115	5.8%
Forsyth	10	1,279	18	1,297	9,960	13.0%
Guilford	8	1,558	246	1,804	12,280	14.7%
Mecklenburg	14	2,038	3	2,041	17,743	11.5%
Wake	16	1,922	4	1,926	19,219	10.0%

Source: DHSR Chapter 12: Home Health Data by County of Patient Origin – 2021 Data

As shown above, BAYADA reaches a market share of 16.8 percent in only two of the nine counties with existing BAYADA home health agencies, Person and Cabarrus counties. Notably, Person County is its smallest market and has roughly one-fifth the volume of Brunswick County. BAYADA’s market share in Cabarrus County includes two BAYADA locations serving the county: a Cabarrus County agency and a Mecklenburg County agency that served 9.5 percent and 7.6 percent of Cabarrus County home health patients in FFY 2021, respectively. Further, Person and Cabarrus counties have the least in-county competition of any of BAYADA’s existing locations. Each county has just two existing agencies. Brunswick County will resemble BAYADA’s other markets where there is a higher level of competition. The approved applicant will be the fourth in-county Brunswick home health agency. Therefore, the two locations that could be relied upon to support the 16.8 percent market share assumption in BAYADA’s Brunswick County application are not appropriate comparisons. Based on the market shares in BAYADA’s remaining locations, a projected market share of 16.8 percent for Brunswick County is overstated and unsupported.

In Project Year 3, BAYADA projects to serve 1,041 Brunswick County home health patients. Comparing this volume projection to the three locations most similar in market volume (Cabarrus,

Davidson, and Gaston) confirms the volume projections in the application are unrealistic given the fact that these three existing agencies average 508 in-county patients and 635 total patients. BAYADA’s in-county projection for Brunswick County patients is more than double its experience in counties with similar market volumes, further confirming that it is overstated.

Accordingly, the BAYADA application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a) as its projected market share and volume projections are overstated and unreasonable.

2. BAYADA’s projected volume is overstated based on the projected need for Brunswick County identified in the 2023 SMFP.

The 2023 SMFP projects a total of 5,714 home health patients in Brunswick County in 2024 resulting in a deficit of 533.61 patients.² In Step 2 of its methodology, BAYADA projects that the Brunswick County home health patient demand will increase by 4.13 percent per year based on the historical growth rate of home health patients served in Brunswick County. Applying this growth rate to the 2024 projected home health patient demand and home health patients served yields a projected deficit of 579 in 2026, BAYADA’s third project year.

Brunswick County Projected Deficit

Location	2024	2025	2026	CAGR
Home Health Patient Demand	5,714	5,950	6,196	4.13%
Home Health Patients Served**	5,180*	5,394	5,617	4.13%
Projected Deficit	534	556	579	4.13%

*Calculated as home health patient demand less projected deficit

**Grown at 2019-2021 historical CAGR presented in Step 1 of methodology

In Project Year 3, BAYADA projects to serve 1,041 Brunswick County home health patients despite indicating an unmet need of only 579 patients in its methodology. BAYADA’s application does not project sufficient need to support its projected patient volumes. Instead, BAYADA’s volume is based on its unreasonable market share projection as discussed above and represents an unnecessary duplication of existing home health agency services.

The BAYADA application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) and (6) as its volume projections greatly exceed the projected unmet need and are overstated, unreasonable, and unnecessarily duplicate existing services.

3. BAYADA’s projected patient origin is inconsistent with its existing locations.

BAYADA projects that 100 percent of its patients will be served in Brunswick County. This assumption does not align with its experience in its existing North Carolina locations, as shown below:

² 2023 SMFP, Table 12D: 2024 Need Projections for Medicare-certified Home Health Agencies or Offices, p. 249.

BAYADA Patient Origin by County

<i>Location</i>	<i>In-County Patients</i>	<i>Out-Of-County Patients</i>	<i>Total Patients</i>	<i>Out-Of-County %</i>
Person	199	534	733	72.9%
Rowan	437	914	1,351	67.7%
Cabarrus	443	322	765	42.1%
Davidson	668	367	1,035	35.5%
Gaston	412	573	985	58.2%
Forsyth	1,279	594	1,873	31.7%
Guilford	1,558	607	2,165	28.0%
Mecklenburg	2,038	745	2,783	26.8%
Wake	1,922	953	2,875	33.1%
Total	8,956	5,609	14,565	38.5%

Source: 2023 SMFP

On average, 38.5 percent of patients served by the existing BAYADA locations are out-of-county patients. In fact, the lowest out-of-county percentage is in Mecklenburg County at 26.8 percent. BAYADA’s assumption that it will serve only Brunswick County patients is inconsistent with its existing operations and is unreasonable.

There are multiple counties in southeastern North Carolina with projected 2024 deficits in addition to Brunswick County. These include New Hanover and Pender counties, which are both contiguous to Brunswick County, as well as Robeson and Bladen counties. Combining BAYADA’s history of providing out-of-county services with the deficits projected in southeastern North Carolina calls into question the validity of BAYADA’s patient origin.

In addition to impacting the approvability of its application, BAYADA’s patient origin will have a direct impact on the analysis of competing applications. The Agency has historically included a comparative factor in its reviews that evaluates access for service area residents. This factor can be based on a numerical count of patients, or it can be based on a percentage of patients. BAYADA’s exclusion of out-of-county patients directly impacts this comparative factor, as it results in an overstated percentage of in-county patients relative to its existing operations.

The BAYADA application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) and (18a) as its projected patient origin is inconsistent with its operating experience and is unreasonable given the unmet need in adjacent counties.

4. BAYADA projects inconsistent Medicare visit volumes.

Medicare visits included on Form C.5 are different than Medicare volumes shown within the methodology section. Below is an excerpt of Form C.5 including the number of clients and the number of visits for duplicated Medicare patients in Project Years 1-3:

Form C.5 Home Health Utilization	1st Full FY		2nd Full FY		3rd Full FY	
	F: 07/01/2024 T: 06/20/2025		F: 07/01/2025 T: 06/20/2026		F: 07/01/2026 T: 06/20/2027	
	# of Clients	# of Visits	# of Clients	# of Visits	# of Clients	# of Visits

Duplicated Medicare Clients and Visits						
Full Episodes without Outlier	416	2,108	864	4,373	1,275	6,453
Full Episodes with Outlier	5	13	10	26	15	39
Partial Episode Payment (PEP)	15	27	31	55	46	81
Low-Utilization Payment Adjustment (LUPA)	67	238	139	493	205	728
Total Medicare Clients and Visits	504	2,385	1,045	4,947	1,541	7,301

As shown above, Form C.5 includes 7,301 duplicated Medicare visits in Project Year 3. The following table is included in both Step 10 (projected visits by reimbursement type) and Step 13 (summary) of its methodology.

Reimbursement	2024	2025	2026
Medicare - Full w/o Outliers	5,997	12,439	18,357
Medicare - Full w Outliers	36	75	111
Medicare - PEPs	76	157	231
Medicare - LUPAs	676	1,403	2,071

Steps 10 and 13 of BAYADA's methodology projects 20,770 Medicare visits in Project Year 3 (18,357 + 111 + 231 + 2,071). This is significantly higher than the 7,301 patient visits presented on Form C.5.

The BAYADA application provides inconsistent information regarding the number of visits to be provided to Medicare patients. Therefore, the BAYADA application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (13c), and (18a).

5. BAYADA's expenses are understated by \$439,733 in Project Year 3 based on Form F.5.

The costs per visit in Form F.5 and the total expenses in Form F.2b are not consistent. Total operating costs are recalculated utilizing Forms C.5 and F.5 as follows:

BAYADA Total Operating Cost Recalculation

Location	# of Visits	Cost per Visit	Total Cost
Nursing	9,079	\$129.30	\$1,173,915
Physical Therapy	8,697	\$117.92	\$1,025,550
Speech Therapy	1,177	\$69.20	\$81,448
Occupational Therapy	3,556	\$274.76	\$977,047
Medical Social Work	88	\$114.01	\$10,033
Home Health Aide	338	\$50.21	\$16,971
Other (Administrative)	22,935	\$70.76	\$1,622,881
Total Cost	22,935		\$4,907,844
Form F.2b Total Operating Costs PY 3			\$4,468,111
Expense Understatement on Form F.2b			\$439,733

Source: Application Forms C.5, F.2b, and F.5

As shown in the table above, total operating costs on Form F.2b are understated by \$439,733 based on Forms C.5 and F.5. This additional expense would result in an operating loss of \$143,735 in Project Year 3. Thus, the BAYADA application does not demonstrate that the proposed project is based on reasonable costs and charges.

Therefore, the BAYADA application does not demonstrate the financial feasibility of the proposed project based upon reasonable projections of cost and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

6. BAYADA assumes Medicare certification upon date of offering service with no lag time.

BAYADA assumes that it will receive Medicare Certification on July 1, 2024, the first day service is offered. BAYADA does not provide support for how it will obtain certification prior to opening. Other applicants, 3HC (6 months) and Well Care (4-6 months), project several month time frames to receive Medicare Certification. BAYADA understates the period to receive Medicare Certification, and thus, understates its initial operating expenses as it does not include a lag time for Medicare reimbursement.

Therefore, the BAYADA application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

In summary, based on the issues detailed above, the BAYADA application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criteria (3), (5), (6), (13c) and (18a).

Issue-Specific Comments

1. The Healthview Home Health – Brunswick application does not provide a specific site.

Throughout its application, Healthview states that the home health agency will be operated out of leased office space at a site within Brunswick County that has yet to be determined. Healthview does not include a specific address for the proposed facility. According to N.C. Gen. Stat. § 131E-181(a) “A certificate of need shall be valid only for the defined scope, physical location, and person named in the application.” Without a physical location, a Certificate of Need cannot be issued to Healthview Home Health – Brunswick.

An application without a specific site cannot be approved pursuant to N.C. Gen. Stat. § 131E-181(a).

2. Healthview fails to consider alternatives or explain why no alternatives exist.

On page 46 of its application, Healthview states there are no alternatives for meeting the need and simply provides the *SMFP* need determination as its reason. There is a minimum of two alternatives Healthview should have considered, including (1) the site location of its Brunswick County agency office; and (2) serving Brunswick County patients from its existing home health agency locations. The response in Section E is incomplete.

Therefore, the Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(4).

3. Healthview fails to provide its initial operating cost assumptions.

In Section F.3e on page 49, Healthview simply states “initial operating costs” as its description of the initial operating cost assumptions. While Healthview does include a working capital calculation in its exhibits, there are no assumptions for the ramp up period. As a result, Healthview’s application fails to demonstrate that its capital and operating needs are based upon reasonable projections of costs.

Therefore, the Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5) and (18a).

4. Healthview’s payor mix is inconsistent with its policy descriptions.

Healthview’s payor mix projects to serve only Medicare and Medicaid patients. However, the application repeatedly states that Healthview will provide services to **the entire population without regard to payor source**, gender, race, and ethnicity. There is a contradiction between stating it will serve the entire population and its payor mix table in L.3 serving only two payor sources. While the payor mix would indicate that Healthview plans to provide services for underserved groups, the statements that it will provide services to the entire population without regard to payor source brings into question the validity of its payor mix assumption that it will serve only Medicare and Medicaid patients, as well as whether its financial projections are based upon reasonable assumptions of charges.

Accordingly, the Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (5) and (13).

5. Healthview’s utilization methodology is unreasonable and unsupported.

Healthview explains its entire methodology in a single paragraph in Section C.7. It states, “The assumptions made for the total number of patients in total are based on a fill-up rate average of 4 unduplicated patients per month during Year One, 3 unduplicated patients per month during Year Two, and 2 unduplicated patients per month during Year Three; at which point the agency will be operating at a steady and efficient capacity.”³ This methodology yields 1,128 unduplicated patients in Project Year 3, more than double the *SMFP* projected deficit in 2024. Healthview provides no data to support this volume projection and fails to demonstrate that 1,128 patients need home health services.

With unsupported volume assumptions, Healthview fails to demonstrate that costs and charges are based upon reasonable assumptions and that they do not unnecessarily duplicate existing services.

Therefore, Healthview’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) (5), (6), and (18a), as well as 10A NCAC 14C .2003(c).

6. Healthview’s Medicaid patient volume is unreasonable and unsupported.

Projected Access by Medicaid Recipients – Project Year 3

<i>Applicant</i>	<i>Unduplicated Medicaid Patients</i>	<i>Total Unduplicated Patients</i>	<i>Unduplicated Medicaid Patients as a % of Total</i>
Healthview Capital	332	1,128	29.4%

Source: Form C.5.

Healthview projects an abnormally high volume of unduplicated Medicaid patients, as well as the highest proportion of unduplicated patients that are Medicaid patients (29.4 percent). Healthview fails to provide a reasonable explanation for this unmistakably high percentage of Medicaid patients in its application, nor does it provide supporting evidence or references upon which to base this assumption. In its Exhibit C.6, Healthview provides a current and projected demographic profile of Brunswick County stating the percentage of low-income households in the county is 6.6 percent.⁴ Given the demographics and socioeconomics of Brunswick County, Healthview fails to provide a logical explanation for the high percentage of Medicaid patients. Healthview’s methodology is unreasonable and unsupported.

The Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) (5), (6), and (13c) as its Medicaid volume projections are overstated and unreasonable.

³ Project ID # O-012336-23, p. 39.

⁴ Project ID # O-012336-23, Exhibit C-6. There are an estimated 2,527 low-income households in Brunswick County in 2023, while there are 35,502 estimated households with average or above-average income (2,527 / 38,029 = 6.6%).

7. Healthview assumes Medicare certification commences upon date of offering service with no lag time.

Healthview assumes that it will receive Medicare Certification on January 1, 2024, the first day services are offered. Healthview does not provide support for how it will obtain certification prior to opening. Other applicants, 3HC (6 months) and Well Care (4-6 months), project several month time frames to receive Medicare Certification. Healthview understates the period to receive Medicare Certification, and thus, understates its initial operating expenses as it does not include a lag time for Medicare reimbursement.

Therefore, the Healthview application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

In summary, based on the issues detailed above, the Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), (13), and (18a) and § 131E-181(a).

Issue-Specific Comments

1. Novant utilizes the same visits per client ratio for all services.

Novant uses a visits per duplicated client ratio of 13.45:1 for its proposed Brunswick agency. This figure is based on internal data from its NHHC-Pender (NHRMC Home Care) agency’s historical ratio.⁵ As shown in the table below, Novant utilizes an identical visits per client ratio for each service discipline (any differences are due to rounding).

Novant Projected Visit Ratios

<i>Service Discipline</i>	<i># of Clients</i>	<i># of Visits</i>	<i>Visits / Client</i>
Nursing	1,252	16,841	13.45
Physical Therapy	762	10,249	13.45
Speech Therapy	58	780	13.45
Occupational Therapy	178	2,398	13.47
Medical Social Work	31	415	13.39
Home Health Aide	92	1,240	13.48
Total	2,374	31,924	13.45

Source: Project ID # O-012316-23, Application Forms C.5 Duplicated Clients and Visits by Discipline

3HC Compared Novant’s assumption above to NHRMC Home Care’s 2023 LRA. As shown below, NHRMC Home Care’s 2023 visits per client in its LRA were 7.14:1. The ratio of 13.45:1 utilized in the application is nearly double the visit per client ratio in its LRA. This would indicate that visits are significantly overstated in the application.

Brunswick County In-County Provider Actual Visit Ratios

<i>Service Discipline</i>	<i>NHRMC Home Care</i>		
	<i># of Clients</i>	<i># of Visits</i>	<i>Visits / Client</i>
Nursing	2,408	23,010	9.56
Physical Therapy	2,198	11,950	5.44
Speech Therapy	215	1,090	5.07
Occupational Therapy	490	3,099	6.32
Medical Social Work	290	579	2.00
Home Health Aide	180	1,544	8.58
Total	5,781	41,272	7.14

Source: 2023 LRA Section D

Moreover, as shown above, the visits per client ratios are not consistent across service disciplines. Some types of care require more visits per client, while others require less. As demonstrated above in the NHRMC 2023 LRA, often patients require many more nursing visits than medical

⁵ Project ID # O-012316-23, p. 120.

social work visits, for example. The visits per client ratio for each service impacts patient revenue, expenses, and staffing. As a result, the use of the same visit per client ratio for all service disciplines is inappropriate, incorrect and unreasonable.

- As presented on Form F.5, the charges per visit range from \$71 for a home health aide visit to \$282 for a speech therapy visit.⁶ By including an incorrect blend of visits, the resulting gross charges are also incorrect. For example, Novant assumed it would have 13.45 visits per speech therapy patient. Based on the experience of NHRMC Home Care, speech therapy accounts for fewer visits per client than other home health services. As a result, Novant’s speech therapy visits, and thus revenue, are overstated.
- Similarly, Form C.5 states that expenses per visit range from \$32.62 for a home health visit to \$119.78 for a medical social work visit. As with revenue, using an incorrect blend of patient visits for each service results in a significant variance in operating expenses. For example, Novant assumed it would have 13.45 visits per nursing patient. Based on its experience highlighted above, there is a higher ratio of nursing visits per patient than for other services, approximately one-third higher than the average. Therefore, Novant’s nursing visits are likely understated, resulting in understated total expenses for nursing visits.
- Most importantly, incorrect assumptions on visits per discipline will impact projected staffing needs. On page 130 of its application, Novant utilizes visits per FTE ratios to calculate its FTE needs. If the number of visits is incorrect for a service, the associated FTEs will also be incorrect. Of note, the FTE calculations for Registered Nurse positions appear to be understated. Novant’s use of the same ratio of visits per patient for each service is not consistent with its historical experience, as discussed above (where nursing services have the highest average ratios of visits per patient). Novant would require additional nursing FTE’s if the ratio assumptions had been reasonable.

Accordingly, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).

2. Novant’s projected home health patients in Brunswick County, the basis of its methodology projection, are unsupported and overstated resulting in overstated volume projections.

The 2023 SMFP projects a total of 5,714 home health patients in Brunswick County in 2024.⁷ In Steps 2 and 3 of its application, Novant shares its projected population by age cohort and its future use rate. Utilizing Novant’s methodology yields the following for 2024:

Novant Projected Brunswick County Home Health Patients in 2024

<i>Age Category</i>	<i>Population</i>	<i>Use Rate</i>	<i>Patients</i>
Under 18	N/A	0.0020	N/A
18-64	87,027	15.7349	1,369.36

⁶ Project ID # O-012316-23, p. 127.

⁷ 2023 SMFP, Table 12D: 2024 Need Projections for Medicare-certified Home Health Agencies or Offices, p. 249.

65-74	30,619	59.2776	1,815.02
75+	22,752	127.4217	2,899.10
Total Projected 2024 Patients			6,083.48

Source: Project ID # O-012316-23, Utilization Methodology Steps 2 and 3, p. 112.

Novant’s methodology overstates projected patients in 2024 by 369 patients (6.5 percent). While Novant’s formula yields a need of 6,083 patients in 2024, it manually replaces this figure in its methodology (step 7 table for 2024) with the 2024 total Brunswick County home health patients using the SMFP calculation, or 5,714 patients instead. However, Novant uses its overstated number, not the SMFP number, throughout its methodology. In other words, Novant does not use the SMFP number, but does use the overstated number. As a result, the annual growth rate by year for Novant’s total home health patients in Brunswick County were as follows:

Novant Projected Brunswick County Home Health Growth Rate

<i>Year</i>	<i>Patient Need</i>	<i>Growth Rate</i>
2024	5,712	N/A
2025	6,556	14.8%
2026	6,991	6.6%
2027	7,444	6.5%
2028	7,912	6.3%
2029	8,404	6.2%

Source: Project ID # O-012316-23, Utilization Methodology Step 7, p. 114.

As shown above, Novant projects a 14.8 percent growth from 2024 to 2025. This growth rate is overstated and unsupported. Either way—the growth rate of 14.8% or the use of the higher number of patients in the year 2024 is unreasonable and unsupported. As a result, Novant’s projected home health patients in Brunswick County, the basis of its methodology projection, are unsupported and overstated resulting in overstated volume projections.

Therefore, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).

3. Novant assumes the number of Brunswick County adult patients at its NH Coastal Region Hospitals with a home health discharge disposition will grow at the same rate as home health volumes. This assumption is unsupported and overstates discharges.

In Step 7 of its methodology, Novant projects volume for total home health patients in Brunswick County and estimated home health patients from Brunswick County discharged from Novant Health Coastal Region Hospitals. These projections are summarized as follows:

Novant Projected Brunswick County Projected Volume

	2021⁸	2026⁹	CAGR
Total Home Health Patients	4,570	6,991	8.9%
Estimated Home Health Patients from Brunswick County Discharged from a Novant Hospital	1,934	2,959	8.9%

As shown above, Novant projects that estimated home health patients from Brunswick County discharged from Novant will grow at the same rate as total home health patients. This assumption, and the underlying growth rates, are unsupported and overstated. From 2019 to 2021, total adult home health patients in Brunswick County increased from 4,192 to 4,570, a growth rate of 4.4 percent per year. In the SMFP methodology, the 2021 volume is subsequently grown by 7.7 percent per year (accounting for both use rates and population growth) to reach the SMFP projected volume of 5,712 in 2024. Novant’s methodology yields a projected growth rate of 8.9 percent per year. This rate is more than double the historical growth rate from 2019 to 2021 and is higher than the growth rate of 7.7 percent utilized by the SMFP. As a result, Novant’s volume projections are unsupported and are overstated.

More importantly, as Novant relies on discharge volume to project its volume, Novant’s assumption that both home health patients and the estimated patients discharged from Novant Hospitals with a home health disposition will grow at the same rate is unsupported. On page 113, Novant’s historical data shows an increase from 1,875 discharges with a home health disposition in 2019 to 1,934 in 2021, a growth rate of 1.6 percent per year. During that same time period, total adult home health patients in Brunswick County increased from 4,192 in 2019 to 4,570 in 2021, a growth rate of 4.4 percent per year. Novant provides no evidence that discharges with a home health disposition can be expected to grow at a comparable rate as all home health patients and does not provide any evidence to support the reasonableness of its growth rate for discharges with a home health disposition.

In the next step of the analysis, Novant’s Brunswick County home health patient volume is determined as a percentage of its projected hospital discharges with a home health disposition in the county. Given that its projected discharges are overstated (2,417 in 2024, representing a 25 percent increase over 2021), its projected home health patient volumes are overstated.

The Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a) because its assumption that hospital discharges with a home health disposition will grow at the same rate as home health patients is unsupported and unreasonable.

4. Novant overstates its projected retention rate of potential home health patients discharged from Novant hospitals.

In Step 8 of its application, Novant assumes that it will retain 65 percent, 70 percent, and 75 percent of estimated home health patients from Brunswick County discharged from Novant

⁸ Project ID # O-012316-23, p. 113.

⁹ Project ID # O-012316-23, p. 114.

Health Coastal Region hospitals with a home health disposition for Project Years 1-3, respectively.¹⁰ This assumption is unsupported and overstated.

In the Step 8 write up, Novant states, “It is assumed that there will be a ramp-up period **to reach a retention rate of 70%** by the third full year of operation (**emphasis added**).”¹¹ However, the retention rate utilized in Project Year 3 is 75 percent. While seemingly inconsequential, this additional five percent results in 150 more patients and nearly 2,000 more visits (at 13.45 visits per patient).

NHRMC Home Care’s Pender County agency already serves patients residing in Brunswick County. In 2021, NHRMC Home Care served 531 patients in Brunswick County.¹² According to page 113 of its application, Novant Health Coastal Region hospitals discharged 1,934 Brunswick County adult patients to home health. Thus, NHRMC Home Care had a retention rate of 27.5 percent of Novant’s Brunswick County patient discharges with a disposition of home health (531/1,934). Given that Novant currently retains these patients at a rate of 27.5 percent, it is unlikely that it will reach a retention rate of 75 percent.

Novant attempts to use its experience in Pender County to confirm the reasonableness of its retention rate. Novant fails to do so for two reasons. First, the retention rate in Pender County is roughly 70 percent for the three years provided. This supports a retention rate of 70 percent, not the 75 percent retention rate used in the application. As previously discussed, this difference is not inconsequential. Second, the market dynamics between Brunswick and Pender Counties are very different. The Pender home health market is significantly smaller than Brunswick (1,629 patients in 2021, versus 4,580).¹³ In addition, two competitors dominate the Pender market with a combined market share above 81 percent. In Brunswick County, the approved applicant will become the fourth in-county provider and will face significantly more competition than NHRMC Home Care does in Pender County.

As outlined above, Novant overstates its projected volume. Accordingly, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).

5. Novant’s projected volume is overstated based on the projected need for Brunswick County identified in the 2023 SMFP.

The 2023 SMFP projects a total of 5,714 home health patients in Brunswick County in 2024 resulting in a deficit of 533.61 patients.¹⁴ In project year 3, Novant projects to serve 2,071 patients in Brunswick County which is an increase of 1,540 patients over the 531 patients served in Brunswick County by NHRMC Home Care in 2021.¹⁵ This increase represents nearly three times

¹⁰ Project ID # O-012316-23, p. 114.

¹¹ Ibid.

¹² NC DHHS, 2022 Home Health Patient Origin Report (2021 data), p. 3.

https://info.ncdhhs.gov/dhsr/mfp/pdf/por/2022/02-Ch12PatOrig_Final.pdf

¹³ 2023 SMFP, Table 12C: 2024 Need Projections for Medicare-Certified Home Health Agencies or Offices.

¹⁴ 2023 SMFP, Table 12D: 2024 Need Projections for Medicare-Certified Home Health Agencies or Offices, p. 249.

¹⁵ NC DHHS, 2022 Home Health Patient Origin Report (2021 data), p. 3.

https://info.ncdhhs.gov/dhsr/mfp/pdf/por/2022/02-Ch12PatOrig_Final.pdf

the need calculated by the 2023 SMFP. Novant's application does not demonstrate an unmet need exists that is sufficient to support its projected patient volumes and, as a result, unnecessarily duplicates services provided by other existing providers.

The Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) and (6) as its volume projections are overstated, unreasonable, and unnecessarily duplicate existing services.

6. Novant assumes Medicare certification after two weeks of offering service.

Novant assumes that it will receive Medicare certification on January 15, 2024, just 15 days after services are offered. Novant does not provide support for how it will obtain certification this quickly. Other applicants, 3HC (6 months) and Well Care (4-6 months), project time frames lasting at least several months before receiving Medicare certification. Novant understates the period to receive Medicare certification, and thus, understates its initial operating expenses as it does not include a lag time for Medicare reimbursement.

Therefore, the Novant application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

In summary, based on the issues detailed above, the Novant application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criteria (3), (5), (6) and (18a).

WELL CARE HOME HEALTH OF BRUNSWICK COUNTY, MEDICARE-CERTIFIED HOME HEALTH AGENCY, PROJECT ID # O-012334-23

Issue-Specific Comments

1. Well Care’s projected patient origin is inconsistent with its existing home health locations.

Well Care projects that 100 percent of its patients will reside in Brunswick County. This assumption does not align with the historical patient origin of its existing home health locations, as shown below:

Well Care In-County Patient Percentages

<i>Agency Location</i>	<i>In-County</i>	<i>Out-Of-County</i>	<i>Total Patients</i>	<i>In-County %</i>
New Hanover	2,051	6,148	8,199	25.0%
Davie	327	4,338	4,665	7.0%
Mecklenburg	313	239	552	56.7%
Wake	2,213	5,329	7,542	11.5%
Wake	Southern Wake location is licensed but not Medicare-certified. No volume included in 2023 SMFP.			

Source: 2023 SMFP, Chapter 12.

On average, only 23.4 percent of Well Care’s existing home health patients are in-county. Most notably, Well Care’s New Hanover location, which is the market leader in Brunswick County, serves the entire southeastern portion of North Carolina. Well Care’s table from page 53 of its application with the 2021 market share rank added is shown in the table below.

Well Care Southeast North Carolina Market Shares

<i>Patient County</i>	<i>Well Care 2021 Patients</i>	<i>2021 Market Share</i>	<i>2021 Market Share Rank</i>
New Hanover	2,051	33.0%	2
Brunswick	1,506	32.9%	1
Onslow	1,440	46.5%	1
Columbus	893	45.8%	1
Duplin	728	42.1%	1
Pender	715	43.9%	1
Bladen	531	51.1%	1
Sampson	262	18.1%	2
Other	73	N/A	N/A

Source: Well Care application page 53 and DHSR Chapter 12: Home Health Data by County of Patient Origin – 2021 Data

Well Care’s existing New Hanover location is the market leader in Columbus and Bladen counties. Columbus County is contiguous to Brunswick County and is not contiguous to New Hanover County. In addition, the most effective driving pattern from New Hanover County to both Columbus and Bladen counties is through Brunswick County. The new location in Brunswick

County would provide similar advantages to these two counties; however, Well Care projects that 100 percent of these patients will remain with the New Hanover location.

In addition to impacting the reasonableness of its application’s assumptions, Well Care’s patient origin will have a direct impact on a comparative analysis. The Agency has historically included a comparative factor evaluating access by service area residents in its review of competitive applications. This factor can be based on a count of patients or a percentage of patients. Well Care’s omission of out-of-county patients directly impacts this comparative factor, as its percentage of in-county patients is overstated relative to its existing operations.

Well Care’s patient origin is unreasonable based on its historical utilization data in similar counties. Accordingly, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5) and (18a).

2. Well Care, the market leader in Brunswick County, does not provide its own historical payor mix to determine or validate its projected payor mix.

Well Care provides a description of its payor mix methodology in Section L.3.¹⁶ Well Care analyzes the payor mix of the three existing in-county providers located in Brunswick County. It then includes a lengthy discussion of why it projects to serve 10 percent Medicaid patients compared to the 3.6 percent served by the existing providers. Well Care assumes 75 percent of its patients will be Medicare patients. However, Well Care does not justify how it will be able to capture a greater percentage than the 70.4 percent served by the existing providers, especially considering Well Care projects a percentage of Medicaid patients that is more than double the percentage for existing providers. Well Care’s selected payor mix along with the existing in-county providers for Brunswick County is shown below.

<i>Payor</i>	<i>Liberty HC0288</i>	<i>PruittHealth HC4816</i>	<i>AssistedCare HC1500</i>	<i>Total Brunswick</i>	<i>Well Care Selected</i>
Medicare	69.9%	83.8%	67.8%	70.4%	75.0%
Medicaid	5.3%	0.0%	0.2%	3.6%	10.0%
Commercial	24.2%	16.2%	31.8%	25.6%	14.0%
Indigent Non-Pay	0.5%	0.0%	0.0%	0.3%	1.0%
Self-Pay	0.1%	0.0%	0.2%	0.1%	0.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Well Care application pages 118 and 119

Well Care’s inflated percentage of Medicaid patients served is unsupported. Well Care relies on the experience of the three existing in-county providers to determine its projected payor mix. The average share of Medicaid patients for existing Brunswick home health agencies is 3.6 percent. Liberty Home Care had the second-highest volume of Brunswick County home health patients (following # 1-ranked WellCare), and yet Medicaid patients accounted for only 5.3 percent of its total. Well Care is the market leader in Brunswick County and served nearly as many patients as the three existing in-county providers combined. Given its history in the service area,

¹⁶ Project ID # O-012334-23, p. 118.

Well Care should have included its actual experience serving Brunswick County to determine, or at least validate, its projected payor mix. Well Care states it considered its internal Brunswick data and its overall enterprise experience for home health services throughout North Carolina but does not share either payor mix. The exclusion of this internal data, which should be readily available, calls into question the validity of its projected payor mix.

As shown above, Well Care projects to have more Medicare, Medicaid, and indigent non-pay patients compared to the existing providers. Coincidentally, Well Care projects to have fewer commercial patients. In addition to impacting the reasonableness of its application's assumptions, Well Care's payor mix will have a direct impact on a comparative analysis. The Agency has historically included a comparative factor evaluating access by Medicare and Medicaid patients. Well Care's overstatement of these payors will directly impact these comparative factors.

Accordingly, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (13) as its payor mix is unsupported and not based upon reasonable assumptions. See

3. The Well Care application reduces competition as the market leader is expected to further increase its market share of Brunswick County patients.

In Section N.1, Well Care describes the expected effects of the proposal on competition. "The proposed project will promote competition in the service area because it will enable Well Care to **better meet the needs of its existing patient population**, and to ensure more timely provision of and convenient access to home health services for residents of Brunswick County (**emphasis added**)."¹⁷

Well Care projects that nearly 70 percent of its proposed Brunswick County patients (1,205 of 1,737 from page 140) are already patients of Well Care served by its New Hanover agency. Its arguments in Section 2 highlight that Well Care believes this is not unnecessary duplication because of the operating efficiencies it will achieve by having a location in Brunswick County. However, the arguments are self-serving (i.e. the proposed new home health agency in Brunswick County is needed to enable Well Care to better serve Brunswick County communities in an effective and efficient manner) instead of competition enhancing.

Home health applications are different from facility-based projects such as hospital beds or operating rooms because the patient does not have to travel to a home health agency, rather the home health agency travels to them. As such, the evaluation of improved access versus competition is different. Nothing prevents Well Care today from hiring staff who live in Brunswick County to serve patients who reside in Brunswick County, thus creating operational efficiencies Well Care alleges. Any purported improved efficiencies for Well Care do not outweigh the need for a new provider to enhance competition in Brunswick County.

¹⁷ Project ID # O-012334-23, p. 124.

As shown in the Well Care Southeast North Carolina Market Share table above, Well Care is the market leader of six southeastern North Carolina counties. It ranks second for market share in two additional counties. Most notably, as shown below, Well Care is the market leader in Brunswick County with 32.9 percent of the market share.

Brunswick County Home Health Competition

<i>Provider</i>	<i>Facility County</i>	<i>Total Patients</i>	<i>Market Share</i>
Well Care Home Health, Inc.	New Hanover	1,506	32.9%
Liberty Home Care	Brunswick	1,153	25.2%
AssistedCare Home Health	Brunswick	680	14.8%
NHRMC Home Care	Pender	531	11.6%
CenterWell Home Health	Columbus	465	10.2%
Advanced Home Health	Bladen	164	3.6%
PruittHealth@Home – Brunswick	Brunswick	78	1.7%
Liberty Home Care	Wake	1	0.0%
Liberty Home Care V, LLC	Surry	1	0.0%
Liberty Home Care	Robeson	1	0.0%
Total		4,580	100.0%

Source: DHSR Chapter 12: Home Health Data by County of Patient Origin – 2021 Data

As the existing market leader, Well Care projects that in Project Year 3 it will increase its market share to nearly 40 percent of Brunswick County patients (Well Care Brunswick 1,737 patients + Well Care New Hanover 301 patients). Approval of the Well Care application will reduce competition, as the existing market leader will capture additional market share from competing agencies, and no new competition will exist.

Therefore, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (18a) as it will not enhance competition for a service for which enhanced competition would benefit patients.

4. Well Care provides inconsistent assumptions for the time required to receive Medicare certification.

Well Care utilizes three different time periods for receiving Medicare certification. According to the proposed timetable in Section P, Well Care will be Medicare-certified on March 1, 2024, two months after services are offered. According to Form F.2b assumptions on page 156, “Well Care conservatively projects no Medicare or Medicaid reimbursement during the first six months of Project Year 1 until the agency is certified.” On page 157, Medicare and Medicaid charges are adjusted to represent 66 percent of charges. This adjustment reflects a four-month certification period, not the six-month assumption on page 156.

The Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5) as it cannot demonstrate the availability of working capital needs without a consistent Medicare certification date.

5. Well Care’s initial operating costs are understated.

Well Care’s initial operating costs are based on its Project Year 1 net loss of \$438,955. Per the definition, the term initial operating period **means the number of months**, if any, during which cash outflow (operating costs) for the entire facility exceeds cash inflow (revenues) for the entire facility. Well Care’s application does not follow this definition. For four to six months, until Well Care begins to receive Medicare reimbursement, the net loss—and need for working capital to operate—will be substantially greater than Project Year 1’s year-end net loss. As a result, the initial operating period is more likely to be four or six months (depending which IOE term in the previous comment is correct) instead of the 12 months Well Care assumed for simplicity.

Well Care IOE Recalculation Scenarios

	4 Month	6 Month
PY 1 Operating Expenses	\$2,429,102	\$2,429,102
# of Months	4	6
Operating Expenses for IOE period*	\$809,700	\$1,214,551
PY 1 Insurance, TriCare/VA, Self-Pay Gross Charges**	\$199,403	\$199,403
PY 1 Insurance, TriCare/VA, Self-Pay Gross Charges for IOE period***	\$66,467	\$99,701
Minimum IOE****	\$743,233	\$1,114,850

Source: Project ID # O-012334-23

*PY 1 Operating Expenses / # of Months

**Form F.2b PY 1 Commercial, TriCare/VA, and Self-Pay Gross Charges. Utilizing gross charges is extremely conservative as it does not factor in contractuals.

***PY 1 Commercial, TriCare, Self-Pay Gross Charges /12 months x # of Months

**** PY 1 Commercial, TriCare, Self-Pay Gross Charges for IOE Period – Operating Expenses for IOE Period

Well Care’s initial operating costs were recalculated using scenarios of four and six months of operation before receiving Medicare certification, to incorporate the uncertainty of the actual time required before Well Care is eligible to receive Medicare or Medicaid reimbursement. In either scenario, the projected initial operating expenses are considerably higher than Well Care’s Project Year 1 net loss of \$438,955. As a result, Well Care’s initial operating expenses are understated.

Therefore, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5) as its initial operating costs are understated and fail to demonstrate the availability of funds for the capital and operating needs of the project.

In summary, based on the issues detailed above, the Well Care application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criteria (3), (5), (6), (13), and (18a).

Comparative Analysis for Brunswick County Medicare-Certified Home Health Agency

Home Health and Hospice Care, Inc. (3HC) proposes to develop a Medicare-certified home health agency in Brunswick County (Project ID # O-12318-23) in response to the 2023 SMFP need determination for the Brunswick County service area. Four other applicants, BAYADA Home Health (Project ID # O-012324-23), Novant Health (Project ID # O-012316-23), Well Care (Project ID # O-012334-23), and Healthview Capital (Project ID # O-012336-23) also propose to develop an additional certified home health agency in response to the 2023 SMFP need determination for Brunswick County. Given that all five applicants propose to meet the need for additional home health services in Brunswick County, only one can be approved.

To determine the comparative factors that are applicable in this review, 3HC examined recent Agency findings for proposed home health agencies. Based on that examination and the facts and circumstances of the competing applications in this review, 3HC considered the following comparative factors:

- Conformity with Review Criteria
- Competition (Patient Access to a New Provider)
- Access by Service Area Residents
- Access by Underserved Groups:
 - Duplicated Medicare Patients
 - Unduplicated Medicaid Patients¹⁸
- Average Number of Visits per Unduplicated Patient
- Projected Average Net Revenue per Visit
- Projected Average Net Revenue per Unduplicated Patient
- Projected Total Operating Expense per Visit
- Projected Direct Operating Expense per Visit
- Ratio of Net Revenue per Visit to Operating Cost per Visit
- Direct Operating Expense as a Percentage of Total Operating Expense
- Projected Salary Estimates

3HC believes that the factors presented above and discussed in turn below should be used by the Project Analyst in reviewing the competing applications.

Conformity with Applicable Statutory and Regulatory Review Criteria

An application that is not conforming with all applicable statutory and regulatory review criteria cannot be approved. The competing home health applications are non-conforming with multiple statutory and regulatory review criteria. In contrast, 3HC's application conforms with all applicable statutory and regulatory

¹⁸ The Agency has used *duplicated* Medicare patients and *unduplicated* Medicaid patients as comparative factors because of differences in reimbursement for each payor type. Medicare pays providers on a per-episode basis, while Medicaid reimburses with a contracted amount for each visit and service.

review criteria. Therefore, with regard to conformity with statutory and regulatory review criteria, the 3HC application is the most effective alternative.

BAYADA Home Health

The BAYADA application is non-conforming for the following reasons:

- The market share assumptions and resulting volume projections are overstated and unreasonable. See N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).
- The proposed project's volume assumptions are unreasonable and result in the unnecessary duplication of existing services. See N.C. Gen. Stat. § 131E-183(a)(3) and (6).
- Projected patient origin is inconsistent with historical patient origin for its existing locations and is unreasonable. See N.C. Gen. Stat. § 131E-183(a)(3) and (18a).
- The application provides inconsistent information regarding the number of visits to be provided to Medicare patients and provides inaccurate and overstated volumes of duplicated Medicare patients. See N.C. Gen. Stat. § 131E-183(a)(3), (5), (13c), and (18a).
- The project does not demonstrate financial feasibility of the proposed project based upon reasonable projections of operating costs and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).
- BAYADA assumes it will have received Medicare certification at date of beginning service, thereby understating initial operating expenses as there is no lag time for Medicare reimbursement. Therefore, the application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

Healthview Home Health

The Healthview application is non-conforming for the following reasons:

- The applicant fails to provide a physical address for the Brunswick agency location. A certificate cannot be awarded without a defined physical location pursuant to N.C. Gen. Stat. § 131E-181.
- Healthview fails to consider alternatives or explain why no alternatives exist. Therefore, the Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(4).
- Healthview fails to provide its initial operating cost assumptions and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5) and (18a).
- The payor mix in the application is inconsistent with policy descriptions. The applicant projects to serve only Medicare and Medicaid patients, thus contradicting statements that it will serve the entire population. Healthview's payor mix table in Section L.3 shows it will serve a limited subset of patients. Accordingly, the Healthview application is non-conforming. See N.C. Gen. Stat. § 131E-183(a)(5) and (13).

- Healthview applies unsupported volume assumptions that fail to demonstrate that costs and charges are based upon reasonable assumptions and do not unnecessarily duplicate existing services. Therefore, Healthview’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) (5), (6), and (18a).
- The Healthview application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) (5), (6), and (13c) as its Medicaid volume projections are overstated and unreasonable.
- Healthview assumes Medicare certification will commence upon the date of initiating service with no lag time but does not provide support for how it will obtain certification prior to opening. Healthview understates the period to receive Medicare Certification and thus understates its initial operating expenses as it does not include a lag time for Medicare reimbursement. Therefore, the Healthview application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

Novant Health

The Novant Health application is non-conforming for the following reasons:

- Novant incorrectly and unreasonably applies the same ratio of visits per unduplicated patient for all care disciplines. This results in incorrect and unreasonable calculations of gross revenue, expenses, and staffing requirements. See N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).
- Novant’s projected home health patients in Brunswick County, the basis of its methodology projection, are unsupported and overstated resulting in overstated volume projections. Novant carries this overstatement forward for future project years. Therefore, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).
- The Novant application assumes that hospital discharges requiring disposition to home health will grow at the same rate as home health patients, which is unsupported and unreasonable. See N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).
- Novant overstates its projected retention rate of patients discharged from Novant hospitals requiring disposition to home health. Accordingly, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (18a).
- Novant’s application fails to demonstrate an unmet need exists that is sufficient to support its projected patient volumes that unnecessarily duplicate services provided by existing providers. The Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) and (6) as its volume projections are overstated, unreasonable, and unnecessarily duplicate existing services.
- Novant understates the period to receive Medicare certification, understating its initial operating expenses as it does not include a lag time for Medicare reimbursement. Therefore, the Novant application does not demonstrate the financial feasibility of the proposed project and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

Well Care

The Well Care application is non-conforming for the following reasons:

- Well Care’s patient origin is unreasonable based on its historical utilization data in similar counties. Accordingly, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), and (18a).
- Well Care’s payor mix projections are unreasonable, given that they fail to incorporate Well Care’s historical experience serving Brunswick County patients at its other agencies. Therefore, the Well Care application is non-conforming as its payor mix is unsupported given its access to internal data. See N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and (13).
- Approval of the Well Care application will not enhance competition, as the existing market leader will capture additional market share from competing agencies, and no new competition will exist. Therefore, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (18a).
- Well Care includes three different assumptions for the time required for Medicare certification. The Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5), as it cannot demonstrate financial feasibility without a consistent Medicare certification date.
- Well Care’s initial operating expenses are understated due to its inconsistent assumptions about Medicare certification. Therefore, Well Care’s application understates initial operating costs and is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

Competition (Patient Access to a New Provider)

In prior competitive reviews, the Agency has considered the introduction of a new provider in the service area to be the most effective alternative based in part on the assumption that increased patient choice will encourage all providers in the service area to improve quality and/or lower costs to compete for patients. In the Agency Findings for the 2021 Mecklenburg County competitive review of applications for a certified home health agency, the analyst observed that “...the introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients.”

The following table summarizes 2021 patient origin data for licensed home health agencies that cared for Brunswick County patients. Two providers that are applicants in this review, Well Care and Novant Health, currently operate Medicare-certified home health agencies in New Hanover and Pender counties, respectively. In 2021 Well Care served 1,506 Brunswick patients, while Novant served 531 Brunswick patients. Both applicants already serve significant volumes of Brunswick patients and should not be considered as new providers. Well Care and Novant are less effective applicants for this factor. 3HC, BAYADA Home Health, and Healthview do not operate Medicare-certified home health agencies in Brunswick County, nor did they provide care to patients from Brunswick County in 2021. Therefore, 3HC, BAYADA Home Health, and Healthview are more effective alternatives with regard to this comparative factor. However, the applications by BAYADA and Healthview are both non-conforming with the review criteria. 3HC is the only conforming applicant and is, therefore, the most effective applicant for this factor.

Licensed Medicare-Certified Home Health Agencies Treating Brunswick Patients - 2021

License Number	Agency Name	Facility County	Brunswick Patients	Other County Patients	Total Patients
HC1231	Well Care Home Health, Inc.	New Hanover	1,506	6,693	8,199
HC0288	Liberty Home Care	Brunswick	1,153	9	1,162
HC1500	AssistedCare Home Health	Brunswick	680	1,155	1,835
HC0532	NHRMC Home Care	Pender	531	3,378	3,909
HC0492	CenterWell Home Health	Columbus	465	517	982
HC0481	Advanced Home Health	Bladen	164	266	430
HC4816	PruittHealth @ Home – Brunswick	Brunswick	78	89	167
HC2562	Liberty Home Care	Wake	1	779	780
HC0420	Liberty Home Care V, LLC	Surry	1	401	402
HC0352	Liberty Home Care	Robeson	1	240	241

Sources: 2023 SMFP, Table 12A; DHSR 2022 Reports, Chapter 12: Home Health Data by County of Patient Origin, https://info.ncdhhs.gov/dhsr/mfp/pdf/por/2022/02-Ch12PatOrig_Final.pdf

Access by Service Area Residents

The 2023 SMFP defines the service area for a Medicare-certified home health agency or office as “the county in which the agency or office is located. Each of the 100 counties in the state is a separate service area.”¹⁹ Thus, the service area for this review is Brunswick County. Home health agencies may also serve residents of counties not included in their service area. In previous reviews of competitive home health applications, the Agency has concluded that “regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for (an) additional Medicare-certified home health agency or office in the service area where they live.”²⁰

The following table illustrates access by Brunswick County residents during the third full fiscal year following project completion.

Access by Service Area Residents – Project Year 3

<i>Applicant</i>	<i>Projected Service Area Deficit*</i>	<i>Service Area Residents to be Served</i>	<i>% of Projected Patient Deficit</i>
3HC	570	559	98.1%
BAYADA Home Health	570	1,045	183.3%
Novant Health	570	968**	169.8%
Well Care	570	532**	93.3%
Healthview Capital	570	1,038	182.1%

Source: Form C Methodologies and Assumptions of the respective applications.

¹⁹ 2023 SMFP, Chapter 12: Home Health, Definitions, p. 213.

²⁰ See Mecklenburg County Home Health Required State Agency Findings, September 21, 2021, p. 89.

* **NOTE:** 3HC was the only applicant to project a patient surplus/deficit in Brunswick County for Project Year 3 consistent with the SMFP methodology. This calculation was applied to the other four applications to calculate the percentages of Brunswick patients projected to be served compared to future unmet need.

** Novant Health and Well Care are existing home health providers already serving Brunswick County patients. “Service Area Residents Served” figures for these two applicants represent the incremental volume of Brunswick patients in each applicant’s proposed project, with Brunswick patients already served by their existing licensed agencies excluded.

As shown above, BAYADA, Novant (incremental), and Healthview all project to serve approximately 1,000 Brunswick home health patients in Project Year 3. However, the projected unmet need in 2026 is only 570 patients. Thus, in order to make up this difference it will be necessary for these applicants to capture market share from existing home health providers serving Brunswick County patients, thereby shifting volume from existing agencies. The estimated numbers of Brunswick patients served in the BAYADA, Novant, and Healthview applications are unreasonably inflated. BAYADA and Healthview are new applicants in the service area, yet they assume they will serve nearly double the projected deficit in Year 3 and will capture approximately nine percent of market share currently held by existing home health agencies. These three applicants will unnecessarily duplicate services by serving Brunswick patients that already receive care from existing home health providers. Thus, for this comparative factor, 3HC and Well Care are more effective alternatives, while BAYADA, Novant, and Healthview are less effective due to their failure to demonstrate the unmet need that supports the projected number of patients served and the proposed unnecessary duplication of services.

However, the application by Well Care is non-conforming with the review criteria. 3HC is the only conforming applicant and is therefore the most effective applicant for this factor.

Access by Underserved Groups

Projected Access by Medicare Recipients

3HC will provide licensed home health services to all medically underserved groups as listed in G.S. 131E-183(a)(13), including Medicaid and Medicare recipients. The following tables compare utilization projections for the submitted applications in Project Year 3, based on information provided in Form C.5. 3HC compares favorably to the competing home health applications for Brunswick County.

Projected Access by Medicare Recipients – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Duplicated Medicare Patients</i>	<i>Total Duplicated Patients</i>	<i>Duplicated Medicare Patients as a % of Total</i>	<i>Ratio of Duplicated/Unduplicated Medicare Patients</i>
1	BAYADA Home Health	1,541	1,744	88%	1.8
2	3HC	979	1,324	74%	1.9
3	Novant Health*	970	2,374	41%	1.1
4	Well Care*	2,442	6,132	40%	1.9
5	Healthview Capital	943	3,572	26%	1.2

Source: Form C.5 and Form C Methodology Assumptions of the respective applications.

* **NOTE:** Includes patient volume from existing licensed agency that will shift to Brunswick agency.

As shown above, BAYADA projects to serve the highest percentage of duplicated Medicare patients and the second-highest number of duplicated Medicare patients, behind Well Care. However, both Well Care and Novant already serve significant volumes of Brunswick patients via existing home health agencies in adjacent counties. Both these applicants state in their Section Q methodologies that they will shift patients from their existing agencies to the proposed Brunswick agency. Therefore, the number of duplicated Medicare patients for these applicants includes patients that already receive care from these providers, in addition to new patients from Brunswick County that represent incremental growth. This results in overstated figures for duplicated Medicare patients in the Well Care and Novant applications. A more fair comparison is the percentage of duplicated Medicare patients to total duplicated patients, which eliminates the disproportionate volumes resulting from shifting existing patients served by the applicants' other agencies. Thus, with regard to access by Medicare recipients, the BAYADA application is the most effective alternative. However, BAYADA's application is non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a), and should therefore not be considered in comparing the applications for this factor. 3HC projects 74 percent of total duplicated patients will be Medicare patients in Year 3, the highest of the remaining applicants. Thus, with regard to access by Medicare recipients, the 3HC application is the most effective alternative.

Projected Access by Medicaid Recipients

3HC will provide licensed home health services to financially disadvantaged patients, including Medicaid recipients. The following table compares utilization projections for the submitted applications in Project Year 3, based on information provided in Form C.5.

Projected Access by Medicaid Recipients – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Unduplicated Medicaid Patients</i>	<i>Total Unduplicated Patients</i>	<i>Unduplicated Medicaid Patients as a % of Total</i>
1	Healthview Capital	332	1,128	29.4%
2	BAYADA Home Health	54	1,041	5.2%
3	Novant Health*	93	2,158	4.3%
4	Well Care*	174	1,737	3.5%
5	3HC	21	621	3.4%

Source: Form C.5 of the respective applications.

* **NOTE:** Includes patient volume from applicants' existing licensed agencies that will shift to Brunswick agency.

As shown above, Healthview projects to have the highest volume of unduplicated Medicaid patients, as well as the highest proportion of unduplicated patients that are Medicaid patients (29 percent). However, Healthview's methodology is unreasonable and unsupported. (See previous discussion.) Therefore, Healthview's application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), (13c), and (18a) and should not be considered in the review of this factor.

Both Well Care and Novant already serve significant volumes of Brunswick patients via existing home health agencies in adjacent counties (New Hanover and Pender, respectively). Both applicants state in

their Section Q methodologies that they will shift patients from their existing agencies to the proposed Brunswick agency. Therefore, the number of unduplicated Medicaid patients for these applicants includes patients already receiving care from these providers, in addition to new patients from Brunswick County that represent incremental growth. Therefore, the figures for unduplicated Medicaid patients are overstated in the Well Care and Novant applications. These applications should either be excluded from a comparison of this factor, or the factor should be ruled as inconclusive.

A more fair comparison is the percentage of unduplicated Medicaid patients to total unduplicated patients, which removes the disproportionate volumes for existing providers that result from shifting existing patients. Of the remaining applications, BAYADA projects 5.2 percent of its total unduplicated patients will be Medicaid patients in Year 3, the highest of the remaining applicants. Thus, with regard to access by Medicaid recipients, the BAYADA application would be the most effective alternative. The application by Novant would be more effective, and the applications by Well Care and 3HC would be less effective. However, BAYADA’s application is non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a), and should therefore not be considered in comparing the applications for this factor. The applications by Novant and Well Care are also non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), (13), and (18a). Thus, with regard to this comparative factor, 3HC is the only conforming applicant, and is therefore the most effective applicant for this factor.

Average Number of Visits per Unduplicated Patient

The following table shows the average number of visits per unduplicated patient in Year 3 for the respective applications. The Agency has reasoned that because Medicare reimburses home health providers on a per episode rather than a per visit basis, a higher visit total per patient is indicative of higher quality care.²¹

Average Visits per Unduplicated Patient – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Total Unduplicated Patients</i>	<i>Total Visits</i>	<i>Average # of Visits per Unduplicated Patient</i>
1	BAYADA Home Health	1,041	22,935	22.0
2	Well Care	1,737	36,842	21.2
3	3HC	621	11,134	17.9
4	Novant Health	2,158	31,924	14.8
5	Healthview Capital	1,128	12,384	11.0

Source: Form C.5 of the respective applications.

BAYADA has the highest average number of patient visits per unduplicated patient. However, BAYADA’s application is non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a), and should therefore not be considered in comparing the applications for this factor. The competing applications by Well Care and Novant are also non-conforming with review criteria § 131E-181(a)(3), (5), (6), (13), and (18a). Healthview Capital is non-conforming with the review criteria, failing to meet the standards for N.C.

²¹ See 2021 Mecklenburg County Home Health Agency Review Findings, p. 91.

Gen. Stat. § 131E-181(a)(3), (4), (5), (6), (13), and (18a). Thus, 3HC is the only conforming applicant for this factor, and is therefore the most effective applicant.

Average Net Revenue per Patient Visit

The following table shows the projected average revenue per patient visit in the third year of operation based on the information provided in each applicant’s pro forma financial statements (Forms C and F.2). The Agency has previously favored applicants with a lower revenue per visit as evidence of greater financial accessibility for patients and insurers.²²

Average Net Revenue per Patient Visit – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Total Net Revenue</i>	<i>Total Visits</i>	<i>Average Net Revenue per Visit</i>
1	Well Care	\$5,102,141	36,842	\$138
2	Novant Health	\$4,617,536	31,924	\$145
3	3HC	\$2,032,997	11,134	\$183
4	Healthview Capital	\$2,310,692	12,384	\$187
5	BAYADA Home Health	\$4,764,109	22,935	\$208

Source: Forms C.5 and Form F.2b of the respective applications.

As shown above, Well Care projects the lowest net revenue per visit in the third operating year and would be considered the most effective alternative. However, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a) and should therefore not be considered in comparing the applications for this factor. The competing applications by Novant and BAYADA are also non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a). Healthview is non-conforming with the review standards for N.C. Gen. Stat. § 131E-181(a)(3), (4), (5), (6), (13), and (18a). Thus, 3HC is the only conforming applicant for this factor, and is therefore the most effective applicant.

Average Net Revenue per Unduplicated Patient

The following table shows the projected net revenue per unduplicated patient in the third year of operation based on the information provided in each applicant’s pro forma financial statements (Forms C and F.2).

²² See 2021 Mecklenburg County Home Health Agency Review Findings, p. 92.

Average Net Revenue per Unduplicated Patient – Project Year 3

Rank	Applicant	Total Net Revenue	Total Unduplicated Patients	Average Net Revenue per Unduplicated Patient
1	Healthview Capital	\$2,310,692	1,128	\$2,048
2	Novant Health	\$4,617,536	2,158	\$2,140
3	Well Care	\$5,102,141	1,737	\$2,937
4	3HC	\$2,032,997	621	\$3,274
5	BAYADA Home Health	\$4,764,109	1,041	\$4,576

Source: Forms C.5 and Form F.2b of the respective applications.

As shown above, Healthview projects the lowest average net revenue per unduplicated patient in the third operating year and would be considered the most effective applicant for this factor. However, Healthview’s application is non-conforming with review standards for N.C. Gen. Stat. § 131E-181(a)(3), (4), (5), (6), (13), and (18a), and should therefore not be considered in comparing the applications for this factor. The competing applications by Novant, Well Care, and BAYADA also are non-conforming with the review criteria, failing to meet the standards for N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a). Thus, 3HC is the only conforming applicant for this factor, and is therefore the most effective applicant.

Projected Average Operating Expense per Visit

The following table shows the projected average operating expense per patient visit in the third year of operation for each of the applicants, based on the information provided in applicants’ pro forma financial statements (Forms C and F.3). The Agency has included this comparative factor in previous competitive reviews, stating that a lower average operating expense per visit may “indicate a lower cost to the patient or third-party payor or a more cost-effective service.”²³

Average Operating Expense per Patient Visit – Project Year 3

Rank	Applicant	Total Operating Expenses	Total Visits	Average Operating Expense per Visit
1	Well Care	\$4,042,773	36,842	\$110
2	Novant Health	\$3,932,044	31,924	\$123
3	Healthview Capital	\$2,097,154	12,384	\$169
4	3HC	\$1,949,535	11,134	\$175
5	BAYADA Home Health	\$4,468,111	22,935	\$195

Source: Forms C.5 and Form F.3b of the respective applications.

As shown above, Well Care projects the lowest operating expense per patient visit in the third operating year and would be considered the more effective alternative. However, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a), and should therefore not be considered in comparing the applications for this factor. The competing applications by Novant and BAYADA also are non-conforming with N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a).

²³ See 2021 Mecklenburg County Home Health Agency Review Findings, p. 93.

Healthview’s application fails to meet the standards for N.C. Gen. Stat. § 131E-181(a)(3), (4), (5), (6), (13), and (18a). Thus, 3HC is the only conforming applicant for this factor, and is therefore the most effective applicant.

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

Generally, the application proposing the lowest ratio is the more effective alternative for this comparative factor. The ratios for each applicant were calculated by dividing the average net revenue per visit in the third full fiscal year of operation by the average total operating expense per visit. The ratio must be equal to or greater than 1.0 in order for the proposal to be financially feasible. The ratios are shown in the following table:

Ratio of Average Net Revenue/Visit to Average Total Operating Expense/Visit – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Average Net Revenue per Visit</i>	<i>Average Operating Expense per Visit</i>	<i>Ratio</i>
1	3HC	\$183	\$175	1.04
2	BAYADA Home Health	\$208	\$195	1.07
3	Healthview Capital	\$187	\$169	1.10
4	Novant Health	\$145	\$123	1.17
5	Well Care	\$138	\$110	1.26

3HC projects the lowest ratio of net revenue to average total operating cost per visit in the third full fiscal year of operation. Therefore, the application submitted by 3HC is the most effective for this factor.

Nursing and Home Health Aide Salaries

The Agency has stated that applicants with relatively higher annual salaries are more effective alternatives, as this can promote employee retention and an increased ability to attract job candidates.²⁴ The tables below compare the proposed annual salary for registered nurses, licensed practical nurses and home health aides in the first year of operation, as reported by the applicants in Form H of their respective applications. Using the Project Year 1 figure eliminates any discrepancies in assumptions about inflation, job promotion, employee turnover, etc. The applications are listed in the tables below in decreasing order.

Average Annual Base Salaries – Project Year 1

<i>Rank</i>	<i>Applicant</i>	<i>Registered Nurse</i>
1	Well Care	\$99,500
2	BAYADA Home Health	\$90,000
3	Novant Health	\$81,147
4	Healthview Capital	\$72,800
5	3HC	\$68,853

²⁴ See 2017 Mecklenburg County Home Health Agency Findings, p. 49.

Rank	Applicant	Licensed Practical Nurse
1	Well Care	\$62,931
2	Healthview Capital	\$62,400
3	3HC	\$57,572
4	BAYADA Home Health	\$54,000
--	Novant Health	n/a

Rank	Applicant	Home Health Aide
1	Well Care	\$43,000
2	BAYADA Home Health	\$40,000
3	Healthview Capital	\$37,440
4	Novant Health	\$35,792
5	3HC	\$33,057

Source: Form H of the respective applications.

However, a comparison of base salaries alone leaves out a true depiction of total compensation. Benefits such as paid days off for vacation and sick time, professional development and training opportunities, and employer retirement plan contributions weigh heavily in employees' decisions about where to work and satisfaction with their employer. In the case of 3HC, the annual base salary of \$68,853 for a Registered Nurse represents the average across all markets where 3HC operates and for all levels of experience. An RN with three years of experience would make more in base salary, along with hiring bonuses and market adjustments that are not reflected in the Form H figure. Furthermore, a comparison of tax and benefits allocations in the Brunswick County home health applications indicates there is high variability for benefits available to prospective employees. Tax and benefit percentages range from 18.0 percent to 26.4 percent in the competitive applications, as shown in the Form H and Form F.3 Assumptions and summarized in the following table.

Taxes and Benefits Percentages – Project Year 1

Rank	Applicant	Tax/Benefits %
1	Novant Health	26.4%
2	BAYADA Home Health	25.6%
3	3HC	24.5%
4	Well Care	20.3%
5	Healthview Capital	18.0%

Source: Section Q Assumptions and Form H of the respective applications.

Well Care, the applicant with the highest average base salaries, has the second-lowest benefits allocation at 20.3 percent. Novant has the third-ranked Registered Nurse salary and fourth-ranked Home Health Aide salary,²⁵ yet has the highest benefit percentage. For these reasons, base salary as an isolated factor is inconclusive and should not be included in the comparative analysis.

²⁵ Novant did not include any Licensed Practice Nurse positions in its staffing summary for the three project years.

Even if the Agency deems base salary to be a valid comparative factor, the applications by Well Care, Novant, and BAYADA are non-conforming with the review criteria, failing to meet the standards for N.C. Gen. Stat. § 131E-181(a)(3), (5), (6), (13), and (18a). Healthview’s application fails to meet the standards for N.C. Gen. Stat. § 131E-181(a)(3), (4), (5), (6), (13), and (18a). Thus, 3HC is the only conforming applicant for this factor and is, therefore, the most effective applicant.

Summary of Comparative Analysis

The following table summarizes the comparative analysis for the Brunswick County Medicare-certified home health agency applications:

<i>Comparative Factor</i>	<i>3HC</i>	<i>BAYADA</i>	<i>Novant Health</i>	<i>Well Care</i>	<i>Healthview Capital</i>
Conformity with Review Criteria	Yes	No	No	No	No
Competition (Access to a New Provider)	More Effective	More Effective, but Non-Conforming	Less Effective	Less Effective	Less Effective
Access by Service Area Residents	More Effective	Less Effective	Less Effective	More Effective, but Non-Conforming	Less Effective
Access by Underserved Groups – Duplicated Medicare Patients	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups – Duplicated Medicare Patients as % of Total Duplicated Patients	More Effective	Most Effective, but Non-Conforming	Less Effective	Less Effective	Least Effective
Access by Underserved Groups – Unduplicated Medicaid Patients	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups – Unduplicated Medicaid Patients as % of Total Unduplicated Patients	Less Effective	More Effective, but Non-Conforming	More Effective, but Non-Conforming	Less Effective	n/a
Average Number of Visits per Unduplicated Patient	More Effective	Most Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming	Least Effective
Projected Average Net Revenue per Visit	Less Effective	Least Effective	More Effective, but Non-Conforming	More Effective, but Non-Conforming	Less Effective
Projected Average Net Revenue per Unduplicated Patient	Less Effective	Least Effective	More Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Projected Average Operating Expense per Visit	Less Effective	Least Effective	More Effective, but Non-Conforming	Most Effective, but Non-Conforming	Less Effective

Ratio of Net Rev/Visit to Avg. Operating Expense/Visit	Most Effective	More Effective, but Non-Conforming	Less Effective	Least Effective	More Effective, but Non-Conforming
Base Salaries for Nurses and Home Health Aides	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive

To summarize the comparative factor review, 3HC believes that not all comparative factors weight evenly in the review. In this review, given the existing dynamics of the Brunswick County home health market and the applicants in the review, 3HC believes the Access to Competition factor is a more important factor. Out of ten certified home health agencies that currently serve Brunswick County patients, five agencies account for nearly the entire volume (94.7 percent). Two applicants in this review, Well Care and Novant, already serve significant volumes of Brunswick patients from their home health agencies in adjacent counties. Indeed, Well Care is currently the Brunswick County home health leader with 32.9 percent market share. Novant has the fourth-highest market share at 11.6 percent. Residents of Brunswick County already have access to services provided by Well Care and Novant.

The approval of a new home health provider to serve residents of Brunswick County is a more effective alternative for promoting competition in the service area than approving a provider that currently serves Brunswick County through an existing home health agency. A new provider will encourage healthy competition, innovation, and diversity, which will ultimately benefit the residents of Brunswick County by providing cost-effective, high-quality care.

3HC believes that its application is the most effective alternative for the unmet need for home health services in Brunswick County. 3HC’s application is also the only application that is fully conforming to all applicable statutory and regulatory review criteria. As such, 3HC’s proposal should be approved by the Agency.