



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

May 31, 2023

**Competitive Comments on Forsyth County
Medicare-Certified Home Health Agency Applications**

Submitted by

Five Points Healthcare of NC, LLC (Aveanna)

In accordance with N.C. GEN. STAT. § 131E-185(a1)(1), Five Points Healthcare of NC, LLC d/b/a Aveanna Home Health (Aveanna) hereby submits the following comments related to competing applications filed to develop a Medicare-certified home health agency in Forsyth County based on the need identified in the *2023 State Medical Facilities Plan (SMFP)*. Aveanna’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 To facilitate the Agency’s ease in reviewing these comments, Aveanna 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. Aveanna’s comments relate to the following applications proposing to develop a Medicare-certified home health agency in Forsyth County. Aveanna’s comments relate to the following applications:

- Well Care Home Health of Forsyth County (Well Care), Project ID # G-012362-23
- Novant Health Home Care – Forsyth (Novant), Project ID # G-012364-23
- PHC Home Health (PHC), Project ID # G-012356-23

Given that all four applicants propose to meet the need for additional home health services in Forsyth County, only one can be approved. The comments below include substantial issues that Aveanna believes render the competing applications by Well Care, Novant, and PHC non-conforming with applicable statutory criteria and regulatory review criteria.

¹ Aveanna is providing comments consistent with this statute; as such, none of the comments should be interpreted as an amendment to its application filed on April 17, 2023 (Project ID # G-012369-23).

GENERAL COMMENTS

The 2023 SMFP identifies a need for one additional Medicare-certified home health agency in Forsyth 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

Forsyth County patients are currently served by 27 home health agencies. The top five agencies account for most of the volume (64.9 percent).² Providers serving Forsyth County home health patients include the following:

Forsyth County Home Health Competition

<i>Agency Location</i>	<i>Home Health Agency</i>	<i>Forsyth County Patients Served</i>	<i>FFY 2021 Market Share</i>
Forsyth	CenterWell Home Health*	1,717	17.2%
Forsyth	Advanced Home Health	1,573	15.8%
Forsyth	BAYADA Home Health Care, Inc.	1,279	12.8%
Forsyth	Wake Forest Baptist Health Care at Home, LLC	757	7.6%
Forsyth	Amedisys Home Health of Winston-Salem	588	5.9%
Forsyth	Interim HealthCare of the Triad, Inc	342	3.4%
Forsyth	PruittHealth @ Home - Forsyth	149	1.5%
Agencies Located in Forsyth County		6,405	64.3%
Davidson	Medi Home Health Agency	1,012	10.2%
Davie	Well Care Home Health of the Triad, Inc.	883	8.9%
Davidson	Enhabit Home Health	681	6.8%
Guilford	SunCrest Home Health	283	2.8%
Yadkin	Yadkin Valley Home Health	278	2.8%
Other Counties	Other Providers^	418	4.2%
Agencies Located Outside of Forsyth County		3,555	35.7%
Forsyth County Total		9,960	100.0%

Source: 2023 SMFP; Chapter 12 Home Health Data by County of Patient Origin – 2021 Data.

*Includes CenterWell Home Health’s four Medicare-certified home health agencies in Forsyth County: HC0567, HC0231, HC1210, and HC 1131.

^Other Providers includes 12 home health agencies located outside of Forsyth County that served less than 2 percent of Forsyth County home health patients in FFY 2021.

The applicants for a Medicare-certified home health agency in Forsyth County include one existing provider, Well Care, along with three providers that do not currently serve Forsyth County: Aveanna, Novant, and PHC. As shown in the table above, Well Care serves the fifth-highest number of Forsyth County patients for existing home health providers and had an 8.9 percent market share in FFY 2021.

² The top five agencies for market share of Forsyth County patients include three that are located in Forsyth County (CenterWell Home Health, Advanced Home Health, and BAYADA, and two providers outside of Forsyth County (Medi Home in Davidson County and Well Care in Davie County).

Residents of Forsyth County already have access to home health services provided by Well Care through Well Care's Medicare-certified agency in Davie County, located near the southwest border of Forsyth County.

Aveanna, Novant, and PHC all have existing Medicare-certified home health agencies in North Carolina that do not currently serve Forsyth County or the surrounding area. The approval of a new home health provider to serve residents of Forsyth County is a more effective alternative to promote competition in the service area than approving a provider that currently serves Forsyth County through an existing home health agency. A new provider will encourage healthy competition, innovation, and diversity, which will ultimately benefit the residents of Forsyth County by providing cost-effective, high-quality care.

WELL CARE HOME HEALTH OF FORSYTH COUNTY, MEDICARE-CERTIFIED HOME HEALTH AGENCY, PROJECT ID # G-012362-23

Issue-Specific Comments

1. Well Care 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.3.³ Well Care analyzes the payor mix of the six existing in-county providers located in Forsyth County. It then includes a lengthy discussion of why it projects to serve 9.0 percent Medicaid patients compared to the 1.5 percent served by the existing providers. Well Care assumes 83.5 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 52.9 percent served by the existing providers, especially considering Well Care projects a percentage of Medicaid patients that is more than double the highest Medicaid percentage of the six existing Forsyth County providers. Well Care’s selected payor mix compared to the existing in-county providers for Forsyth County is shown below.

Payor Mix for Existing Forsyth County Home Health Agencies

<i>Payor</i>	<i>HC0499</i>	<i>HC0005</i>	<i>HC0567</i>	<i>HC0409</i>	<i>HC0231</i>	<i>HC1304</i>	<i>Existing Total</i>	<i>Well Care Selected</i>
	<i>Advanced</i>	<i>BAYADA</i>	<i>CenterWell</i>	<i>WF Baptist</i>	<i>CenterWell</i>	<i>Amedisys</i>		
Medicare	86.7%	51.7%	29.5%	29.7%	63.3%	42.9%	52.9%	83.5%
Medicaid	2.6%	1.8%	0.4%	0.4%	3.9%	0.0%	1.5%	9.0%
Commercial	7.8%	45.6%	70.0%	69.9%	32.8%	57.1%	44.6%	4.0%
Indigent	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	1.0%
Self-Pay	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Other	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.2%	2.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Project ID # G-012362-23, pp. 113-114.

Well Care’s inflated percentage of Medicaid patients served is unsupported. Well Care states on page 114 of its application that its projected payor mix is based on the following:

The projected payor mix is based on 1) a review of the historical payor mix of the existing Medicare-certified home health agencies serving Forsyth County, 2) Well Care’s experience in Forsyth County via Well Care Home Health of the Triad, Inc., 3) Well Care’s overall enterprise experience for home health services throughout North Carolina, 4) a review of demographic information for Forsyth County (described previously in Section C), and 5) Well Care’s assessment of the local need for access to home health services, particularly as it relates to medically underserved patients.

However, none of the factors provided in the application support the percentages chosen by the applicant. Well Care’s projections primarily rely on the experience of the six existing in-county providers to determine its projected payor mix. The average share of Medicaid patients for existing Forsyth home health agencies is 1.5 percent, and the highest percentage of Medicaid patients among the existing providers was only 3.9 percent, less than one-half of Well Care’s projected Medicaid percentage. Further, Well Care’s Medicare percentage is 58 percent greater

³ Project ID # G-012362-23, p. 114.

than the average among existing providers ($85.3 / 52.9 = 1.58$) and is higher than any other existing provider in Forsyth County with the exception of Advanced Home Health. Notably, Well Care fails to address its experience serving Forsyth County via Well Care Home Health of the Triad, Inc. Given its history in the service area, Well Care should have included its actual experience serving Forsyth County to determine, or at least validate, its projected payor mix. Well Care states it considered its internal Forsyth County data and its overall enterprise experience for home health services throughout North Carolina⁴ 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 existing Forsyth County Medicare-certified home health providers. Coincidentally, Well Care projects to serve fewer commercial patients than existing providers. In addition to calling into question the reasonableness of the assumptions in its application, 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 payor percentages will result in a more favorable ranking for these comparative factors; however, as discussed below, because its Medicare and Medicaid percentages are unreasonable, unsupported, and clearly derived to provide benefit in the comparative analysis, not based on the actual percentages likely to be served, Aveanna believes the Agency should determine the projections to be unreliable and not a reasonable basis for comparison.

Accordingly, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), (13a), and (13c).

2. Well Care's existing Davie County agency serves fewer Forsyth County patients today than it has historically, which exacerbates the unmet need in the service area.

In Well Care's Form C.5 Home Health Utilization - Assumptions and Methodology, Well Care makes an erroneous comparison of historical utilization for its Davie County agency from 2020 through 2022 (Table Q.8, page 135) with the historical utilization of home health services for Forsyth, Guilford, and Stokes counties from 2019 to 2021 (Table Q.2, page 132). This comparison is inconsistent and misleading. In fact, for the 2019-2021 time period, Well Care experienced a large decline in Forsyth County patients, from 1,280 patients in 2019 to 883 in 2021 (939 in 2022)⁵ and also experienced a decline in Stokes County, from 87 patients in 2019 to 44 patients in 2022.

⁴ Project ID # G-012362-23, p. 113.

⁵ Project ID # G-012362-23, p. 135.

**Table Q.2
Home Health Patients Served**

County	2019	2020	2021	2-YR CAGR
Forsyth	10,458	10,080	9,960	-2.4%
Guilford	13,087	12,812	12,280	-3.1%
Stokes	1,626	1,518	1,595	-1.0%

Source: 2021-2023 SMFP

Each of the counties experienced negative CAGRs during recent years, which is indicative of the need for an additional home health agency to meet the needs of unserved patients. As the population continues to rapidly grow and age, the need for access to experienced and high-quality home health services will become even greater.

The information in Table Q.2 reflects that the number of area residents served by existing agencies has declined as between 2019-2021 although total populations in these Counties has grown as discussed in Well Care’s explanation of Service Area Demographics (see pp. 58-59). In short, Table Q.2 shows that existing agencies are not providing levels of service consistent with the needs of the growing and aging population. While, on the whole, agencies serving the area cared for fewer patients in 2021 as compared to 2019, from its Davie County location, Well Care has served an increasing number of Forsyth and Guilford residents from 2020-2022. See Table Q.8. Well Care is not part of the problem but part of the solution: as explained throughout this Application, Well Care is striving to meet the unmet needs of area residents and its ability to do so will be greatly enhanced by establishing a Well Care agency location within Forsyth County.

Well Care argues that with regard to meeting the need of Forsyth County home health patients, “it is not part of the problem but part of the solution,”⁶ yet its existing agency serves fewer Forsyth County patients today than it has historically. Well Care has had the opportunity to serve Forsyth County patients in need of home health services through its Davie County agency, including the unmet need within Forsyth County, but has not done so. Furthermore, the number of Forsyth County patients served by Well Care’s Davie County agency has declined, meaning Forsyth County patients and providers are choosing Well Care less frequently.

Well Care Forsyth County Home Health Patients Served, 2019 - 2022

	2019	2020	2021	2022
Well Care Forsyth County Patients	1,280	775	883	939
Total Forsyth County Patients	10,458	10,080	9,960	10,422
Well Care Forsyth County Market Share	12.2%	7.7%	8.9%	9.0%

Source: DHSR Home Health Data by County of Patient Origin reports; Well Care application pages 132 and 135.

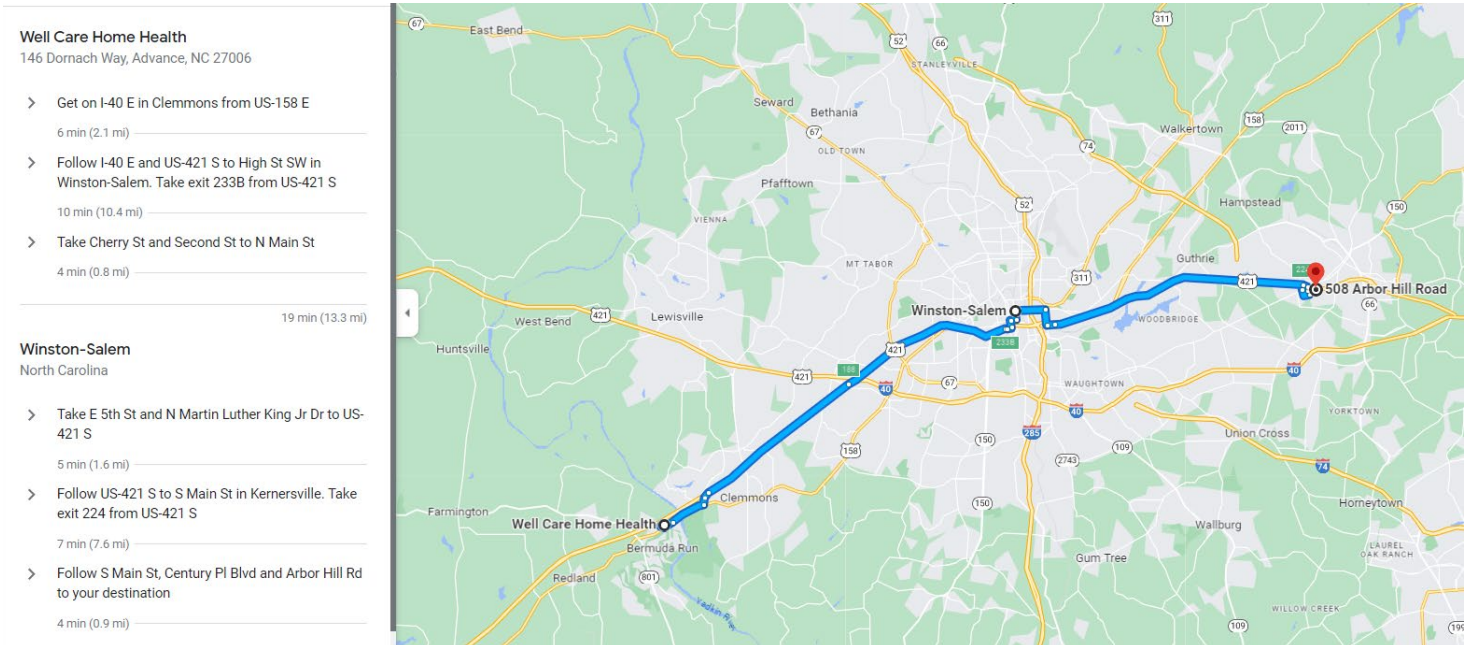
Thus, despite having the ability to serve nearly 1,300 Forsyth County patients as it has historically, referrers and patients are choosing other providers instead of Well Care. As such, Well Care has failed to show that it can meet the need of Forsyth County patients, despite being able to serve them from its Davie County office, and the approval of a Forsyth County agency for Well Care would unnecessarily duplicate its existing capabilities.

Accordingly, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (3), (5), and (6), as well as the performance standards in the rules for home health services.

3. Approval of the Well Care application would result in unnecessary duplication of services it already provides to Forsyth County patients and would have a negative impact on competition.

⁶ Ibid, p. 132.

In Section N.1 of its application, 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 Forsyth County (**emphasis added**).”⁷ Yet according to Google Maps and as shown in the map below, Well Care’s proposed location at 508 Arbor Hill Road in Kernersville is only three minutes closer to Winston-Salem, the population center of Forsyth County, than its existing Davie County agency office in Advance.



Source: Google Maps, Accessed May 24, 2023

Additionally, Well Care shows the incremental market shares for its proposed agency in Forsyth and adjacent counties in Tables Q.5-6. However, these tables omit the existing market share for Well Care’s Medicare-certified home health agency in Davie County. In FY 2021, Well Care’s Davie County agency served 8.9 percent of Forsyth County home health patients and 12.1 percent of Guilford County patients. Approving Well Care’s application will result in further consolidation of its market share in Forsyth County under the same circumstances in which Well Care has not been able to meet the needs of patients in Forsyth County requiring home health services, as discussed above.

Notably, Well Care projects to serve 2,500 unduplicated patients from Forsyth and Guilford Counties in PY3, yet it already served 883 Forsyth County patients in FY 2021 through its Davie County agency. Well Care projects that total home health patients in Forsyth County will remain flat in Table Q.3.⁸ Thus, the projected deficit would remain flat. The market shares in step 3 of Well Care’s Form C methodology represent more than 100 percent of the deficit for each county the proposed agency will serve, including

⁷ Project ID # O-012362-23, p. 119.

⁸ Ibid, p. 132.

Forsyth County. In Project Year 3 (PY3), Well Care projects that it will serve 541 patients, yet it expects the deficit to remain at 450.

Well Care’s Forsyth County Projected Deficit and Deficit Capture

Location	SFY2025	SFY2026	SFY2027
Forsyth County Projected Need Deficit	(450)	(450)	(450)
New Forsyth County Patients	338	439	541
Well Care’s Forsyth County Deficit Capture	75.0%	97.5%	120.2%
Guilford County Projected Need Deficit	(388)	(388)	(388)
New Guilford County Patients	194	318	441
Well Care’s Guilford County Deficit Capture	50.0%	81.9%	113.7%
Stokes County Projected Need Deficit	(39)	(39)	(39)
New Stokes County Patients	20	35	51
Well Care’s Stokes County Deficit Capture	50.0%	89.7%	130.8%
Total Projected Deficit	(877)	(877)	(877)
Total “New” Patients Served	551	792	1,033
Total Well Care Deficit Capture	62.8%	90.3%	117.8%
Additional Patients Beyond Deficit	(326)	(85)	156

Source: Table Q.4 p.133 and Table Q.7 p. 135

In order to achieve this volume, Well Care would need to serve patients that are already receiving care by an existing home health agency. Well Care will thus duplicate services already available from other providers, including its existing Davie County agency, and has not demonstrated that the proposed project will enable it to capture the patient population it projects to serve.

Therefore, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (3), (6), and (18a)

4. Well Care makes unreasonable assumptions for the volume expected to shift from its existing Davie County agency to its proposed Forsyth County agency.

In Project Year 1, Well Care expects to shift Forsyth County patients from its Davie County agency, which is Medicare certified and reimbursed, to its proposed Forsyth County agency, which will not receive reimbursement for the first six months of operation. Not only does this make little fiscal sense for Well Care, but it also could unnecessarily disrupt the continuity of care for those Forsyth County patients.

Furthermore, based on the shift percentages in Table Q.9 (p. 136), Well Care expects to shift 80.0 percent of its existing Forsyth County patients and only 50.0 percent of its existing Guilford County patients currently served by Well Care’s Davie County agency in Advance. Under this assumption, the staff working from the Davie location must drive past the proposed Forsyth County agency to serve patients in Guilford County. Realistically, one would expect Well Care to shift a greater percentage of existing Guilford County patients than existing Forsyth County patients from the Davie County agency to the proposed Forsyth County agency given the fact that all western Forsyth County is closer to the existing Davie County agency than to the proposed site. As such,

Well Care has overstated the percentage of Forsyth County patients expected to shift from its existing Davie County agency to the new Kernersville location.

Based on these issues, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (3), (5), and (6), as well as the performance standards in the rules for home health services.

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

Well Care utilizes two different time periods for receiving Medicare certification. According to the proposed timetable in Section P, Well Care will be Medicare-certified on January 1, 2025, six months after services are offered, and states in the Form F.2b assumptions on page 156 that “Well Care conservatively projects no Medicare or Medicaid reimbursement during the first six months of Project Year 1 until the agency is certified.” However, on page 153, Medicare and Medicaid charges are adjusted to represent 66 percent of charges, not the 50 percent reduction that would be required for a six-month period of no reimbursement. This adjustment reflects a four-month certification period, not the six-month assumption on page 152, and results in erroneous and overstated revenue for the proposed project. Consequently, its financial pro formas show overstated revenue, and the assumptions of working capital needs are understated.

As such, the Well Care application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

6. Well Care fails to project utilization for the first three full fiscal years of the proposed project.

Well Care states in Section P of its application that the proposed home health agency will operate on a Calendar Year (CY) fiscal year and that its proposed agency will be operational on July 1, 2024. As such, there will be a six-month interim period in 2024 and the first three project years will be CY 2025, 2026, and 2027; however, Well Care states incorrectly on page 130 that CY 2024 to CY 2026 will be the first three years of the proposed project. Notably, Well Care then proceeds to develop utilization projections for SFY 2025, 2026, and 2027 which only includes volume from July 1, 2024, through June 30, 2027, failing to account for the volume for the remaining six months of CY 2027, the third full fiscal year of Well Care’s proposed project. Moreover, even if the projected utilization was intended to represent CY 2025 through CY 2027, Well Care’s projections would still fail to account for the six month interim period in 2024.

As a result of this issue, Well Care is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (5), (6), and the performance standards in the rules for home health services.

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

Well Care’s initial operating costs are based on its Project Year 1 net loss of \$719,204. 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 on the actual start of

operations, as noted in the previous comment), and the working capital needed to support the loss during this period is significantly understated, as shown below.

Well Care IOE Recalculation Scenarios

	4 Month	6 Month
PY 1 Operating Expenses	\$2,450,020	\$2,450,020
# of Months	4	6
Operating Expenses for IOE period*	\$816,673	\$1,225,010
PY 1 Insurance, TriCare/VA, Self-Pay Gross Charges**	\$132,648	\$132,648
PY 1 Insurance, TriCare/VA, Self-Pay Gross Charges for IOE period***	\$44,216	\$66,324
Minimum IOE****	\$772,457	\$1,158,686

Source: Project ID # G-012362-23

*PY 1 Operating Expenses / 12 months x # 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

As shown above, 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 \$719,204. As a result, Well Care’s initial operating expenses are understated, and it has failed to demonstrate the availability of funds for the proposed project.

Therefore, Well Care’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(5).

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), as well as the performance standards in the rules for home health services.

Issue-Specific Comments

1. Novant does not demonstrate a need for the proposed services and does demonstrate it will address the unmet needs of Forsyth County home health patients.

Novant projects the need for home health services in Forsyth and Davidson counties to decrease. Novant’s application projects that Forsyth County home health patients will decline from 9,840 in 2024 to 9,398 in 2027, representing 442 fewer patients in 2027. Given the current need deficit of 450 home health patients as calculated in the 2023 SMFP, there would be virtually no need for another home health agency in 2027. The following table summarizes the need projections using Novant’s methodology, under which there would be no need for an additional certified home health agency by 2027, when the need deficit would be almost entirely offset by the decrease in Forsyth County patients utilizing home health services.

Forsyth County Need Deficit Using Novant’s Methodology

	2024	2025	2026	2027
Forsyth Home Health Patients Served	9,840	9,671	9,530	9,398
Decrease in Patients Served	--	169	310	442
2023 SMFP Need Deficit	(450)	(450)	(450)	(450)
Adjusted Need Deficit	(450)	(281)	(140)	(8)

Source: Project ID # G-012364-23, p. 131-133; 2023 SMFP, Table 12D.

Furthermore, the patient population that Novant’s proposed home health agency will serve does not reflect the overall need of Forsyth County. Novant states that the primary objective of its project is to serve the needs of hospitalized patients at Novant facilities that are clinically appropriate for post-acute care: “NHHF-F expects the majority of its home health patients will be those who receive care from Novant Health, either at one of its Forsyth County hospitals (NH Forsyth License or NH Medical Park) or from a Novant Health physician.”⁹ Novant goes further in identifying its patient population, stating “(c)ontinuity of care for patients discharged from an acute hospital improves outcomes and prevents unnecessary ED visits and hospital readmissions. This continuity of care is important and often lacking for many of the patients served by Novant Health...”¹⁰ While Novant describes the various ways its own acute care patients will benefit from the proposed project, there is no indication that other Forsyth County residents in need of home health services will have similar access.

In addition, on page 48, Novant includes a quote from a payor contracting administrator who states that “(m)any existing home health agencies in Forsyth County do not have contracts with some of the payors serving the market because reimbursement levels are too low or because the insurer has sufficient network adequacy; or they limit the number of patients they accept with non-traditional Medicare insurance or no insurance.” Presumably, this statement should be substantiated with a payor mix that includes relatively higher percentages of commercially insured patients and those enrolled in pay-per-visit plans. Yet in Form F.2b, Novant projects to have 85.3 percent Medicare and 3.4 percent Medicaid patients. Novant projects it will serve a total of six

⁹ Project ID # G-012364-23, p. 130.

¹⁰ Project ID # G-012364-23, p. 47.

charity care and reduced-cost patients in PY3, a figure that does not bolster the claim that Novant will expand access to low-income or uninsured patients.¹¹

As a result of these issues, Novant’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3) and (6).

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

The 2023 SMFP projects a total of 10,193 home health patients in Forsyth County in 2024, 9,743 of which will be served by existing providers, resulting in a deficit of 450 patients.¹² Novant expects to significantly exceed these volumes. As shown on page 133 of its application, Novant projects a decline in the number of unduplicated Forsyth County residents receiving home health services each year from 2025 through 2027 (Project Years 1- 3), yet projects it will exceed the 325 patient performance standard threshold before the end of the project interim year in 2024. According to Step 7 of its utilization methodology, Novant projects to serve 347 Forsyth County home health patients in just six months of 2024, and will increase to 780 Forsyth County patients in Project Year 1. By Project Year 3, Novant projects to serve 947 patients in Forsyth County, representing more than double the unmet need calculated by the 2023 SMFP. Thus, more than one-half of Novant’s patients in PY3 will shift from existing home health providers to the proposed new agency.

Novant’s Forsyth County Projected Deficit and Deficit Capture

<i>Location</i>	<i>2024* Interim Year</i>	<i>CY2025 (PY1)</i>	<i>CY2026 (PY2)</i>	<i>CY2027 (PY3)</i>
2023 SMFP Projected Need Deficit	(450)	(450)	(450)	(450)
Novant Expected Forsyth County Patients	347	780	864	947
Novant’s % of Need Deficit	77.1%	173.3%	192.0%	210.4%
Market Capture in Addition to Need Deficit	(103)	330	414	497

Source: Table Q.4 p.133 and Table Q.7 p. 135

*Interim Year includes Novant’s projections for July 1, 2024 through December 31, 2024.

Based on its assumption that Forsyth County home health patients will decrease from CY 2024 to CY 2027, 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. Rather than develop projections based on the unmet need for home health services identified in the 2023 SMFP, Novant instead chose to project utilization based on residents discharged from Novant Health’s Forsyth County hospitals to home health services. Further, Novant’s proposed project will have a negative impact on competition because if there are fewer total Forsyth County home health patients to serve each year from 2024 through 2027, then the growth in patients served by Novant Health’s Forsyth County home health agency will come at the expense of existing home health agencies serving Forsyth County. Novant’s plan to refer discharged acute care patients from its Forsyth County hospitals to the proposed Novant-

¹¹ Project ID # G-012364-23, p. 111.

¹² 2023 SMFP, Table 12D: 2024 Need Projections for Medicare-Certified Home Health Agencies or Offices, p. 248.

owned home health agency rather than existing home health agencies serving Forsyth County will result in fewer patients for existing providers.

Thus, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (6), and (18a), as well as the performance standards in the rules for home health services.

3. Novant’s application directly contradicts its comments against a competitor in the Brunswick County Home Health Agency review.

In its comments against a competitor in the Brunswick County Home Health Agency review for the CONs filed in February 2023, Novant argued the competitor’s application should be found non-conforming with Criterion (13)c because “limited access to home care services for charity care patients will perpetuate and exacerbate the difficulty Novant Health’s Coastal Region hospitals have in discharging non-Medicare and underserved patient populations to home health services.” Notably, in its application to develop a new Medicare-certified home health agency in Forsyth County, Novant projects to serve only five charity care patients in Project Years 1 and 2 and six in Project Year 3. Given the arguments made by Novant in the Brunswick County Home Health Agency review, Novant directly contradicts the very standard it argues that other agencies should be held to. While Aveanna does not concede that Novant’s standard should be applied unilaterally, including the incorrect conclusion that applications should be compared under various statutory review criteria, Aveanna does contend that Novant, which already has a broad footprint across the state, should hold itself to the standards it seeks to impose on other applicants, particularly as Novant Health Forsyth Medical Center serves as an important referral source for existing home health agencies serving Forsyth County patients.

3. The proposed new 3HC HHA is projected to serve far fewer charity care patients than other applicants. Novant Health projects its proposed new HHA, NHHC-B, will serve 26, 32, and 36 charity care patients in its first three years of operation, respectively, while 3HC projects it will serve only 2, 3, and 4 charity care patients in its first three years of operation, respectively. Compare Novant Health Application, p. 96 with 3HC Application, p. 94. This limited access to 3HC home care services for charity care patients will perpetuate and exacerbate the difficulty Novant Health’s Coastal Region hospitals have in discharging non-Medicare and underserved patient populations to home health services, resulting in increased costs to Novant Health hospitals and the healthcare system overall. Accordingly, the 3HC Application should be found nonconforming with Criterion (13)c.

Source: Novant Comments on Project ID # O-012318-23, page 18.

Based on its own standards, the Novant application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (13c).

Issue-Specific Comments

1. PHC’s projected patient origin is unreasonable and unsupported.

PHC projects that 100 percent of its patients will reside in Forsyth County, which is unreasonable based on its own experience in other counties as well as that of existing Forsyth County providers. First, this assumption does not align with the historical patient origin of its existing home health locations. As shown in the table below, in FY 2021, only 69.4 percent of PHC’s existing home health patients served by its Mecklenburg County Medicare-certified home health agency were residents of Mecklenburg County. PHC’s percentage of in-county patients is overstated relative to its existing operations. It is unrealistic and unreasonable to assume that 100 percent of the patient population PHC projects to serve will be Forsyth County residents.

PHC Mecklenburg County Agency FY 2021 Patient Origin Percentages

<i>Agency Location</i>	<i>In-County</i>	<i>Out-Of-County</i>	<i>Total Patients</i>	<i>In-County Percentage</i>
Mecklenburg	634	280	914	69.4%

Source: 2023 SMFP, Chapter 12 Home Health Patient Origin Report.

Furthermore, none of the home health agencies located in Forsyth County serve exclusively Forsyth patients. The percentages for these existing agencies range from 23.4% to 74.1% with a combined average of 61.0%, as summarized in the following table. PHC fails to support its patient origin with either internal data or comparable historical data for existing Forsyth County providers.

Forsyth County Medicare-Certified Home Health Agency FY 2021 Patient Origin Percentages

<i>License #</i>	<i>Agency</i>	<i>Forsyth County Patients</i>	<i>Total Patients</i>	<i>Forsyth County Percentage</i>
HC0499	Advanced Home Health	1,573	2,546	61.8%
HC1304	Amedisys Home Health of Winston-Salem	588	797	73.8%
HC0005	BAYADA	1,279	1,873	68.3%
HC1886	Interim HealthCare of the Triad, Inc.	342	1,459	23.4%
HC0567^	CenterWell Home Health	1,717	2,316	74.1%
HC4901	PruittHealth @ Home – Forsyth	149	216	69.0%
HC0409	Wake Forest Baptist Home Health	757	1,285	58.9%
--	Combined Total	6,405	10,492	61.0%

Source: 2023 SMFP

^ CenterWell has four licenses for Medicare-certified home health agencies based in Forsyth County: HC0567, HC0231, HC1210, and HC1131.

In addition to applying an unsupported assumption for this methodology, PHC’s patient origin will have a direct impact on a comparative analysis with other applications. 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 either the count of patients or percentage of patients. PHC’s omission of out-of-county patients directly impacts this comparative factor, as

this unrealistic assumption for patient origin will improve its ranking with regard to the percentage of Forsyth County patients.

Based on this issue, the PHC application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), and its projected patient origin should not be considered in the comparative analysis.

2. PHC’s unmet need projection in Forsyth County, the basis of its volume projection, is unsupported and inflated and results in unreasonable and overstated volume projections.

The 2023 SMFP projects a total of 10,193 home health patients in Forsyth County in 2024, 9,743 of which will be served by existing providers, resulting in a deficit of 450 patients.¹³ Despite showing that use rate trends are declining in two major categories, particularly patients ages 75 and older,¹⁴ PHC incorporates use rates that are the average of federal fiscal years 2019-2022. This results in overstated patient need. In Step 3 of its methodology, PHC projects that the number of Forsyth County home health patients served by existing home health agencies will remain constant through Project Year 3, thereby artificially inflating the projected need deficit.¹⁵ In fact, according to Table 6 on page 127 of PHC’s application, PHC projects a total unmet need of 828 in FY 2024, nearly double the projected need deficit of 450 patients in Chapter 12 of the 2023 SMFP, and a projected need deficit of 1,661 by FY 2027, more than triple the SMFP need deficit, as shown in the table below.

PHC’s Forsyth County Projected Deficit and Deficit Capture

Location	2024	2025	2026	2027
PHC Projected Home Health Patient Demand*	11,249	11,530	11,798	12,082
Home Health Patients Served**	10,421	10,421	10,421	10,421
PHC Projected Need Deficit	828	1,109	1,377	1,661
PHC Projected Home Health Patients	455	832	1,170	1,578
PHC Projected Deficit Capture Percentage	55%	75%	85%	95%

*Grown at 2019-2022 historical CAGR presented in Step 1 of methodology (p. 123)

** Assumes no growth in patient utilization by existing home health agencies

Moreover, in Project Year 3, PHC projects to serve 1,578 unduplicated Forsyth County home health patients, a figure nearly five times the 325 patient threshold. Based on the assumptions used by PHC to project utilization of its proposed Forsyth County home health agency, PHC projects to serve more Forsyth County patients in Project Year 3 than all but one existing home health agency currently serving Forsyth County. By using PHC’s methodology, it would have a market share of 13.1 percent in PY3, representing a share that is higher than all but two existing agencies. If PHC were to serve all 450 patients that represent the need deficit, it would have a market share of 3.7 percent ($450 / 12,082 = 3.72\%$). It is unrealistic to expect a new agency to capture such high volume in its initial startup period. PHC’s application significantly overstates the projected patient need deficit throughout the first three years of its proposed project, and unrealistically assumes that the number of Forsyth County home health patients receiving care from existing agencies will remain constant from 2022 through 2027. As such, PHC’s volume is

¹³ 2023 SMFP, Table 12D: 2024 Need Projections for Medicare-Certified Home Health Agencies or Offices, p. 248.

¹⁴ Project ID # G-012356-23, Exhibit C.5.

¹⁵ Project ID # G-012356-23, Section Q Form C Methodology, Table 5, p. 126.

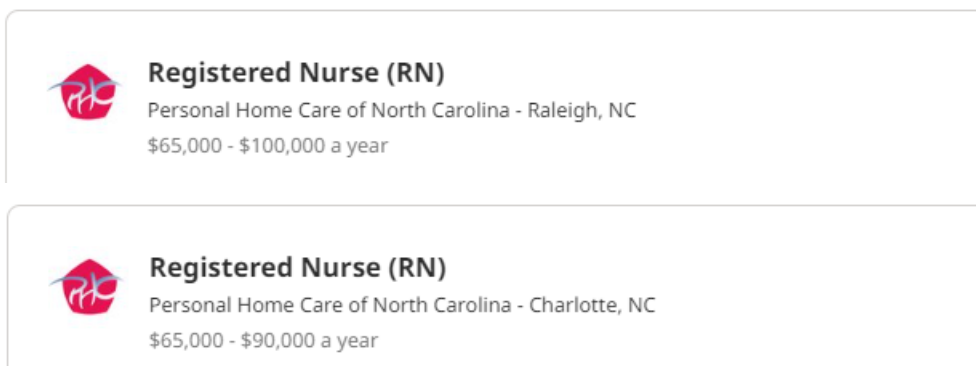
based on its unreasonable market share projection as discussed above and represents an unnecessary duplication of existing home health agency services.

The PHC application is non-conforming with N.C. Gen. Stat. § 131E-183(a)(3), (6), and (18a), as well as the performance standards in the rules for home health services.

3. PHC's staff salaries are inflated due to the comparative factors.

Historically, in its comparative analysis in competitive reviews for home health services, 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.¹⁶ PHC's proposed salaries are unrealistically higher than other applicants and are inconsistent with the salaries it offers in more competitive markets. Aveanna suspects that PHC's staffing salaries are inflated in order to compare favorably against other applicants in the comparative analysis, as there is no other basis for the projections.

Specifically, as shown in the screenshot images below, PHC's current job postings on Indeed.com for RN positions at its Wake County home health agency in Raleigh and its Mecklenburg County Medicare-certified home health agency in Charlotte have posted salary ranges of \$65,000 - \$100,000 and \$65,000 - \$90,000, respectively.¹⁷ PHC states in its application it expects to pay RNs at its proposed Forsyth County agency an average salary of \$100,000 per year,¹⁸ equal to the maximum salary at its Wake County agency and \$10,000 more than the maximum for the same position at PHC's Mecklenburg County agency. Wake and Mecklenburg counties are two of the most populous and metropolitan counties in North Carolina, and it follows that employers must offer higher salaries in these markets to attract and retain workers. Yet PHC assumes that it will pay home health clinicians significantly more in Forsyth County than it pays its employees in Wake and Mecklenburg counties. There are no reasonable assumptions provided in the application to support these projections; thus, one must conclude that this is a means to appear more effective for this factor in the Agency's review of competing applications.



¹⁶ See 2017 Mecklenburg County Home Health Agency Findings, p. 49.

¹⁷ Source: <https://www.indeed.com/cmp/Personal-Home-Care-of-North-Carolina/jobs?jk=98660e23b38aaec&start=0>

¹⁸ Project ID # G-012356-23, Section Q Form H Assumptions, p. 153.

4. PHC’s payor mix assumptions are unsupported and unreasonable.

PHC provides a description of its payor mix methodology in Step 7 of its Form C Assumptions and Methodology.¹⁹ PHC projects that 20.0 percent of patients served at its proposed Forsyth home health agency will be Medicaid patients, yet it fails to support this assumption and even notes that Medicaid patients have historically represented only a small percentage of patients served by existing Forsyth County home health agencies. In Exhibit C.5, PHC presents a table showing that the 10 existing Forsyth County home health providers served 196 Medicaid and 104 Medicaid HMO patients, for a total of 300 Medicaid patients. PHC projects it will serve 316 Medicaid patients in PY3, more than the existing 10 agencies combined. PHC’s Medicaid patient population is unsupported and overstated.

Further, PHC assumes 72.7 percent of its patients will be Medicare patients; however, PHC does not justify how it will be able to capture a greater percentage than the 52.9 percent served by the existing providers, especially considering PHC projects a percentage of Medicaid patients that is more than five times higher than the highest Medicaid percentage among existing Forsyth County providers. PHC’s selected payor mix along with the existing in-county providers for Forsyth County is shown below.

Payor	HC0499	HC0005	HC0567	HC0409	HC0231	HC1304	Existing Total	PHC Selected
	Advanced	Bayada	CenterWell	WF Baptist	CenterWell	Amedisys		
Medicare	86.7%	51.7%	29.5%	29.7%	63.3%	42.9%	52.9%	72.7%
Medicaid	2.6%	1.8%	0.4%	0.4%	3.9%	0.0%	1.5%	20.0%
Commercial	7.8%	45.6%	70.0%	69.9%	32.8%	57.1%	44.6%	2.5%
Indigent	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	1.7%
Self-Pay	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
Other	0.0%	0.8%	0.0%	0.0%	0.0%	0.0%	0.2%	3.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2022 LRAs and Project ID # G-012356-23, p. 130.

PHC’s inflated percentage of Medicaid patients served is unsupported. PHC does not provide a reasonable basis for the assumption it will serve over five times the highest percentage of Medicaid patients at any existing Forsyth County agency. In addition to raising doubts about the reasonableness of its application’s assumptions, PHC’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.

PHC’s unreasonable payor mix brings into question the validity of its volume projections for Medicaid patients, as well as whether its financial projections are based upon reasonable assumptions of charges and revenue.

Accordingly, PHC’s application is non-conforming with N.C. Gen. Stat. § 131E-183(a) (5) and (13), as well as 10A NCAC 14C .2003(c).

¹⁹ Project ID # G-012356-23, p. 130.

Comparative Analysis for Forsyth County Medicare-Certified Home Health Agency

Aveanna (Project ID # G-12369-23), Well Care (Project ID # G-012362-23), Novant Health (Project ID # G-012364-23), and PHC (Project ID # G-012356-23) each propose to develop an additional certified home health agency in response to the 2023 SMFP need determination for Forsyth County. Given that all four applicants propose to meet the need for additional home health services in Forsyth County, only one can be approved.

To determine the comparative factors that are applicable in this review, Aveanna 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, Aveanna 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 Patients²⁰
- 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

Aveanna 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 does not conform 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, as discussed in the previous section. In contrast, Aveanna's application conforms with all applicable statutory and regulatory review criteria. Therefore, regarding conformity with statutory and regulatory review criteria, the Aveanna application is the most effective alternative.

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

²⁰ 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.

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 served Forsyth County patients. The applicants for a Medicare-certified home health agency in Forsyth County include one provider, Well Care, that currently serves Forsyth County patients, and three providers that did not serve patients from Forsyth County: Aveanna, Novant, and PHC.

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

<i>Agency Location</i>	<i>Home Health Agency</i>	<i>Forsyth County Patients Served</i>	<i>FFY 2021 Market Share</i>
Forsyth	CenterWell Home Health*	1,717	17.2%
Forsyth	Advanced Home Health	1,573	15.8%
Forsyth	BAYADA Home Health Care, Inc.	1,279	12.8%
Forsyth	Wake Forest Baptist Health Care at Home, LLC	757	7.6%
Forsyth	Amedisys Home Health of Winston-Salem	588	5.9%
Forsyth	Interim HealthCare of the Triad, Inc	342	3.4%
Forsyth	PruittHealth @ Home - Forsyth	149	1.5%
Agencies Located in Forsyth County		6,405	64.3%
Davidson	Medi Home Health Agency	1,012	10.2%
Davie	Well Care Home Health of the Triad, Inc.	883	8.9%
Davidson	Enhabit Home Health	681	6.8%
Guilford	SunCrest Home Health	283	2.8%
Yadkin	Yadkin Valley Home Health	278	2.8%
Other Counties	Other Providers^	418	4.2%
Agencies Located Outside of Forsyth County		3,555	35.7%
Forsyth County Total		9,960	100.0%

Source: 2023 SMFP; Chapter 12 Home Health Data by County of Patient Origin – 2021 Data.

*Includes CenterWell Home Health’s four Medicare-certified home health agencies in Forsyth County: HC0567, HC0231, HC1210, and HC 1131.

^Other Providers includes 12 home health agencies located outside of Forsyth County that served less than 2 percent of Forsyth County home health patients in FFY 2021.

As shown in the table above, Well Care had the fifth-highest market share for Forsyth County home health providers in FFY 2021, with 8.9 percent of Forsyth County patients. Residents of Forsyth County already have access to services provided by Well Care through Well Care’s existing Davie County agency located near the southwest border of Forsyth County.

Aveanna, Novant, and PHC all have existing Medicare-certified home health agencies in North Carolina that do not currently serve Forsyth County or the surrounding area. The approval of a new home health provider to serve residents of Forsyth County is a more effective alternative to promote competition in the service area than approving a provider that currently serves Forsyth County through an existing home

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

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.”²¹ Thus, the service area for this review is Forsyth 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.”²²

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

Access by Service Area Residents – Project Year 3

Rank	Applicant	Total Unduplicated Patients	Service Area Residents to be Served	% of Patients from Forsyth County
1	Aveanna	568	457	80.5%
2	Novant Health	1,202	947	78.8%
3	Well Care*	2,539	1,293	50.9%
4	PHC	1,578	1,578	100.0%

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

*Well Care is an existing home health provider already serving Forsyth County patients. “Service Area Residents Served” figures for Well Care represent the incremental volume of Forsyth patients in Well Care’s proposed project, with Forsyth patients already served by its existing licensed Davie County agency excluded.

Although Aveanna projects to serve the lowest number of Forsyth County residents in PY 3, of the four applicants, Aveanna is the only applicant to project to serve a number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. Further, the applications all use different methodologies to project patient volume, and as noted above, Aveanna believes that the methodologies used by the other applicants are not reasonable and well-supported. As such, Aveanna believes that the most effective method of comparing service to Forsyth County patients is to compare the percentage of patients from Forsyth County. As discussed previously, PHC’s projections to serve 100.0 percent Forsyth County residents are unrealistic and unsupported, as is the total number of patients it projects to serve in PY3. Further, both Novant and Well Care have overstated the number of service area patients projected to be served, and as such are non-conforming with various review criteria. Aveanna projects that four of every five patients to be served by Aveanna-Forsyth in PY3 will be Forsyth County residents, the highest percentage of all four applicants. Therefore, Aveanna is the only conforming applicant and is therefore the most effective applicant for this factor.

Access by Underserved Groups

²¹ 2023 SMFP, Chapter 12: Home Health, Definitions, p. 213.

²² See Mecklenburg County Home Health Required State Agency Findings, September 21, 2021, p. 89.

Projected Access by Medicare Recipients

Aveanna 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. Aveanna compares favorably to the competing home health applications for Forsyth County.

Projected Access by Medicare Recipients – Project Year 3

Rank	Applicant	Duplicated Medicare Patients	Total Duplicated Patients	Duplicated Medicare Patients as a % of Total
1	Aveanna	668	863	77%
2	Well Care*	3,975	8,036	49%
3	Novant Health	1,420	3,819	37%
4	PHC	1,354	5,475	25%

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 Forsyth agency.

Although Aveanna projects to serve the lowest number of duplicated Medicare patients in PY3, Aveanna is the only applicant to project to serve a number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. As discussed above, the applications filed by PHC and Well Care are both non-conforming with various statutory review criteria as their payor mixes are unsupported and not based upon reasonable assumptions. With respect to the remaining applicants, Aveanna projects to serve a higher percentage of duplicated Medicare patients than Novant, whose projections include patients currently served by existing providers as a result of its overstated projected patient volumes. Therefore, Aveanna is the only conforming applicant and is the most effective applicant for this factor.

Projected Access by Medicaid Recipients

Aveanna 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

Rank	Applicant	Unduplicated Medicaid Patients	Total Unduplicated Patients	Unduplicated Medicaid Patients as a % of Total
1	PHC	316	1,578	20.0%
2	Well Care*	229	2,539	9.0%
3	Novant Health	41	1,202	3.4%
4	Aveanna	11	568	2.0%

Source: Form C.5 of the respective applications.

* **NOTE:** Includes patient volume from applicant’s existing licensed agency in Davie County that will shift to the Forsyth agency.

As discussed above, the applications filed by PHC and Well Care are both non-conforming with statutory review criteria as their payor mixes are unsupported and not based upon reasonable assumptions. With respect to the remaining applicants, Aveanna and Novant are the only two applicants to project comparable, realistic Medicaid percentages based on the historical experience of the existing agencies in Forsyth County. Although Novant projects to serve a higher percentage of unduplicated Medicaid patients than Aveanna, Novant’s proposed project is non-conforming with statutory review criteria as it does not demonstrate an improvement in access for underserved groups, nor will the project expand coverage to serve patients enrolled in insurance plans that currently restrict them from receiving care from existing home health providers. Therefore, Aveanna is the only conforming applicant and is 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 historically 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.²³

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	Novant	1,202	27,471	22.9
2	PHC	1,578	34,884	22.1
3	Well Care	2,539	54,642	21.5
4	Aveanna	568	10,414	18.3

Source: Form C.5 of the respective applications.

Although Aveanna projects to serve the fewest unduplicated patients of the four applicants, Aveanna is the only applicant that projects it will serve a number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. As discussed previously, PHC’s projections are overstated, unrealistic and unsupported. Further, as described above, both Novant and Well Care have overstated their projected number of service area patients, and as such are non-conforming with statutory and regulatory review criteria. By overstating the projected total unduplicated patients to be served, PHC, Novant, and Well Care have also overstated the total visits and the average number of visits per unduplicated patient. Therefore, Aveanna is the only conforming applicant and is the most effective applicant for this factor.

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.²⁴

²³ See 2021 Mecklenburg County Home Health Agency Review Findings, p. 91.

²⁴ See 2021 Mecklenburg County Home Health Agency Review Findings, p. 92.

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	PHC	\$4,280,598	34,884	\$123
2	Well Care	\$6,779,521	54,642	\$124
3	Novant	\$4,861,647	27,471	\$177
4	Aveanna	\$1,911,124	10,414	\$184

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

Aveanna projects the highest average net revenue per visit of the four applicants. However, Aveanna is the only applicant with a projected number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. As discussed previously, PHC’s projections are overstated, unrealistic and unsupported, as they inflate the percentage of Medicaid patients which effectively reduces their average net revenue per visit. Further, as noted above, both Novant and Well Care have overstated the projected number of service area patients to be served, and as such are non-conforming with statutory and regulatory review criteria. By overstating the projected total unduplicated patients to be served, PHC, Novant, and Well Care have also overstated total visits and the average number of visits, thereby lowering the average net revenue per visit. Aveanna projects the lowest total net revenue of the four applicants and is the only conforming applicant; thus, it is the most effective applicant for this factor.

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).

Average Net Revenue per Unduplicated Patient – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Total Net Revenue</i>	<i>Total Unduplicated Patients</i>	<i>Average Net Revenue per Unduplicated Patient</i>
1	Well Care	\$6,779,521	2,539	\$2,670
2	PHC	\$4,280,598	1,578	\$2,713
3	Aveanna	\$1,911,124	568	\$3,365
4	Novant	\$4,861,647	1202	\$4,045

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

Aveanna projects the highest average net revenue per unduplicated patient of the four applicants. However, Aveanna is the only applicant with a projected number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. As discussed previously, PHC’s projections are overstated, unrealistic and unsupported, as they inflate the percentage of Medicaid patients which effectively reduces their average net revenue per unduplicated patient. Further, as noted above, both Novant and Well Care have overstated the projected number of service area patients to be served, and as such are non-conforming with statutory and regulatory review criteria. By overstating the projected total unduplicated patients to be served, PHC, Novant, and Well Care have also overstated total visits and the average number of visits, thereby reducing their average net revenue per unduplicated

patient. Aveanna projects the lowest total net revenue of the four applicants and is the only conforming applicant and is thus most effective applicant for this factor.

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.”²⁵

Average Operating Expense per Patient Visit – Project Year 3

<i>Rank</i>	<i>Applicant</i>	<i>Total Operating Expenses</i>	<i>Total Visits</i>	<i>Average Operating Expense per Visit</i>
1	Well Care	\$5,488,448	54,642	\$100
2	PHC	\$3,674,049	34,884	\$105
3	Novant	\$4,608,143	27,471	\$168
4	Aveanna	\$1,775,038	10,414	\$170

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

Aveanna projects the highest average operating expense per visit of the four applicants. However, Aveanna is the only applicant that projects a number of Forsyth County home health patients that is reasonable and consistent with the need determination in the 2023 SMFP. As a result, Aveanna’s fixed costs are distributed across a smaller patient population compared to the overstated volume of each of the other applicants, making the average operating expense per visit appear to be relatively higher. As discussed previously, PHC’s projections are overstated, unrealistic and unsupported, as they inflate the percentage of Medicaid patients which effectively reduces their average net revenue per unduplicated patient. Further, as noted above, both Novant and Well Care have overstated the projected number of service area patients, and as such are non-conforming with statutory and regulatory review criteria. By overstating the projected total unduplicated patients to be served, PHC, Novant, and Well Care also overstated the total visits and the average number of visits thereby reducing their average operating expense per visit. Well Care, despite having significantly higher salaries, has calculated that it will have the lowest average operating expense per visit. Since labor represents the biggest operating cost for home health providers, this raises questions about how Well Care is reducing patient care costs in other areas to achieve this value. Aveanna projects the lowest total operating expenses of the four applicants and is the only conforming applicant; thus, it is the most effective applicant for this factor.

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

²⁵ See 2021 Mecklenburg County Home Health Agency Review Findings, p. 93.

Rank	Applicant	Average Net Revenue per Visit	Average Operating Expense per Visit	Ratio
1	Novant	\$177	\$168	1.06
2	Aveanna	\$184	\$170	1.08
3	Personal Home Care	\$123	\$105	1.17
4	Well Care	\$124	\$100	1.24

Novant has the lowest ratio of average net revenue per visit to average operating expense per visit in Project Year 3, with Aveanna ranking second with a slightly higher ratio of 1.08. Aveanna’s projections for patient visit volumes, average net revenue, and total operating cost apply realistic and supported assumptions. In contrast, Novant has unreasonable volume projections that result in an understated ratio. PHC and Well Care have unreasonable volume and reimbursement projections, therefore the ratio of average net revenue per visit to average total operating expense per visit is understated. Aveanna is the only conforming applicant and is thus the most effective applicant 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.²⁶ 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

Rank	Applicant	Registered Nurse
1	Well Care	\$102,485
2	Personal Home Care	\$100,000
3	Novant	\$83,581
4	Aveanna	\$77,446

Rank	Applicant	Licensed Practical Nurse
1	Well Care	\$67,719
2	Personal Home Care	\$64,000
3	Novant	N/A
4	Aveanna	N/A

Rank	Applicant	Home Health Aide
1	Aveanna	\$47,741
2	Well Care	\$44,290
3	Personal Home Care	\$44,000
4	Novant	\$36,866

Source: Form H of the respective applications.

²⁶ See 2017 Mecklenburg County Home Health Agency Findings, p. 49.

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 Aveanna, the annual base salary of \$77,446 for a Registered Nurse represents the average for the position at Aveanna's Cumberland County agency and incorporates all levels of experience. An RN with three years of experience would earn a higher base salary, along with hiring bonuses and market adjustments that are not reflected in the Form H figure.

There is variability in the rankings by the different position types. Aveanna has the highest average salary for home health aides, but the lowest salary for Registered Nurses. Additionally, not all applicants will employ licensed practical nurses. Moreover, as noted previously, other applicants, particularly PHC, have projected unreasonably high salaries that are not consistent with their historical wages. For these reasons, as well as the need to consider other forms of compensation besides base salary, this factor should be deemed inconclusive.

Summary of Comparative Analysis

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

Comparative Factor	Aveanna	Well Care	Novant Health	PHC
Conformity with Review Criteria	Conforming	Non-Conforming	Non-Conforming	Non-Conforming
Competition (Access to a New Provider)	More Effective	Less Effective	More Effective but Non-Conforming	More Effective but Non-Conforming
Access by Service Area Residents	More Effective	Less Effective	Less Effective	More Effective, but Non-Conforming
Access by Underserved Groups – Duplicated Medicare Patients	Effective	More Effective, but Non-Conforming	Less Effective	Less Effective
Access by Underserved Groups – Duplicated Medicare Patients as % of Total Duplicated Patients	More Effective	More Effective but Non-Conforming	Less Effective	Less Effective
Access by Underserved Groups – Unduplicated Medicaid Patients	Effective	More Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Access by Underserved Groups – Unduplicated Medicaid Patients as % of Total Unduplicated Patients	Effective	More Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Average Number of Visits per Unduplicated Patient	Effective	More Effective, but Non-Conforming	More Effective, but Non-Conforming	More Effective, but Non-Conforming

Projected Average Net Revenue per Visit	Effective	More Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Projected Average Net Revenue per Unduplicated Patient	Effective	More Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Projected Average Operating Expense per Visit	Effective	Effective, but Non-Conforming	Less Effective	More Effective, but Non-Conforming
Ratio of Net Rev/Visit to Avg. Operating Expense/Visit	More Effective	Less Effective	More Effective, but Non-Conforming	Less Effective
Base Salaries for Nurses and Home Health Aides	Inconclusive	Inconclusive	Inconclusive	Inconclusive

To summarize the comparative factor review, Aveanna believes that not all comparative factors have equal weight in the review. In this review, given the existing dynamics of the Forsyth County home health market and the applicants in the review, Aveanna believes the Access for Service Area residents and Competition factors are more important factors.

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

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