ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: September 27, 2012
FINDINGS DATE: October 1, 2012

PROJECT ANALYST: Gregory F. Yakaboski
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. #: J-8813-12 / Hillcrest Home Health of the Triangle, LLC/ Develop a new Medicare-certified home health agency / Wake County
FID # 120220

J-8814-12 / HKZ Group, LLC/ Develop a new Medicare-certified home health agency / Wake County
FID # 120221

J-8817-12 / Roberson Herring Enterprises, LLC d/b/a AssistedCare of the Carolinas / Develop a new Medicare-certified home health agency / Wake County
FID # 120223

J-8819-12 / Maxim Healthcare Services, Inc./ Develop a new Medicare-certified home health agency / Wake County
FID # 120226

J-8821-12 / Oakland Home Care NC, LLC / Develop a new Medicare-certified home health agency / Wake County
FID # 120227

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

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

C – All Applicants

The 2012 State Medical Facilities Plan (2012 SMFP) includes a need methodology for determining the need for additional Medicare-certified home health agencies in North Carolina. Application of the need methodology in the 2012 SMFP identified a need for one new Medicare-certified home health agency in Wake County. Five applications were submitted to the Certificate of Need Section, each proposing to develop one Medicare-certified home health agency in Wake County. However, pursuant to the need determination, only one Medicare-certified home health agency may be approved in this review for Wake County. See the Summary following the Comparative Analysis for the decision.

Policy GEN-3 in the 2012 SMFP is applicable to this review. Policy GEN-3 states:

> *"A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area."*

HHH. Hillcrest Home Health of the Triangle, LLC (**HHH**) proposes to develop a Medicare-certified home health agency at 1130 Kildaire Farm Road, Cary, Wake County.

Need Determination – HHH does not propose to establish more than one new Medicare-certified home health agency in Wake County. Therefore, the application is conforming to the 2012 need determination for one new Medicare-certified home health agency in Wake County.

Policy GEN-3 – HHH describes how its proposal will promote safety and quality in Section II.7, pages 32-37, Exhibit F, Section II.1, pages 13-26, Section II.2, page 27, Section II.6, page 31. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

HHH describes how its proposal will promote equitable access in Section VI, pages 99-105. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

HHH describes how its proposal will maximize health care value for resources expended in Section III.1, pages 60-68, Section IV, pages 73-93, Section X, pages 122-128, and Section XIII, pages 137-148. The information provided by the applicant is reasonable, credible and

supports the determination that the applicant's proposal will maximize health care value for resources expended.

HHH adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize health care value for resources expended. Therefore, the application is consistent with Policy GEN-3.

In summary, the application is conforming to this criterion.

HKZ Group. HKZ Group, LLC (**HKZ Group**) proposes to develop a Medicare-certified home health agency at 8380 Six Forks Road, Raleigh, Wake County. Throughout the application the applicant refers to itself as either HKZ Group or HealthKeeperz of Wake.

Need Determination – HKZ Group does not propose to establish more than one new Medicare-certified home health agency in Wake County. Therefore, the application is conforming to the 2012 need determination for one new Medicare-certified home health agency in Wake County.

Policy GEN-3 – HKZ Group describes how its proposal will promote safety and quality in Section II.7, pages 19-21, Exhibit 5, Section II.1, pages 9-13, Section II.2, pages 14-16, Section II.6, page 18, and Section III.2, page 32. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

HKZ Group describes how its proposal will promote equitable access in Section VI, pages 66-73, and Section III.2, pages 32-35. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

HKZ Group describes how its proposal will maximize health care value for resources expended in Section III.1, pages 23-31, Section IV, pages 42-59, Section X, pages 85-88, and the Pro forma Section, pages 93-112. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

HKZ Group adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize health care value for resources expended. Therefore, the application is consistent with Policy GEN-3.

In summary, the application is conforming to this criterion.

Assisted Care. Roberson Herring Enterprises, LLC d/b/a AssistedCare of the Carolinas (**Assisted Care**) proposes to develop a Medicare-certified home health agency at 7714 Chapel Hill Road, Raleigh, Wake County.

Need Determination – AssistedCare does not propose to establish more than one new

Medicare-certified home health agency in Wake County. Therefore, the application is conforming to the 2012 need determination for one new Medicare-certified home health agency in Wake County.

Policy GEN-3 – AssistedCare describes how its proposal will promote safety and quality in Section II.7, pages 49-54, Exhibit 14, Section II.1, pages 18-35, Section II.2, pages 35-41, Section II.6, pages 48-49, and Section III.2, pages 81-83. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

AssistedCare describes how its proposal will promote equitable access in Section VI, pages 112-121, and Section III.2, pages 83-85. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

AssistedCare describes how its proposal will maximize health care value for resources expended in Section III.1, pages 56-79, Section IV, pages 94-98, Section X, pages 140-146, and the Financials Section, pages 152-166. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

AssistedCare adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize health care value for resources expended. Therefore, the application is consistent with Policy GEN-3.

In summary, the application is conforming to this criterion.

Maxim. Maxim Healthcare Services, Inc (**Maxim**) proposes to develop a Medicare-certified home health agency at 5510 Six Forks Road, Suite 125, Raleigh, Wake County.

Need Determination – Maxim does not propose to establish more than one new Medicare-certified home health agency in Wake County. Therefore, the application is conforming to the 2012 need determination for one new Medicare-certified home health agency in Wake County.

Policy GEN-3 – Maxim describes how its proposal will promote safety and quality in Section II.7, pages 26-32, Exhibit 11, Section II.1, pages 9-18, Section II.2, pages 18-22, Section II.6, page 25, and Section III.2, pages 51-58. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

Maxim describes how its proposal will promote equitable access in Section VI, pages 82-91, and Section III.2, pages 58-59. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

Maxim describes how its proposal will maximize health care value for resources expended in Section III.1, pages 37-50, Section IV, pages 63-76, Section X, pages 108-114, and Section XIII. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

Maxim adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize health care value for resources expended. Therefore, the application is consistent with Policy GEN-3.

In summary, the application is conforming to this criterion.

OHC. Oakland Home Care NC, LLC (**OHC**) proposes to develop a Medicare-certified home health agency at 2601 Weston Parkway, Suite 103, Cary, Wake County.

Need Determination – OHC does not propose to establish more than one new Medicare-certified home health agency in Wake County. Therefore, the application is conforming to the 2012 need determination for one new Medicare-certified home health agency in Wake County.

Policy GEN-3 – OHC describes how its proposal will promote safety and quality in Section II.7, pages 52-55, Exhibit 11, Section II.1, pages 17-46, Section II.2, pages 46-47, Section II.6, pages 50-52, and Section III.2, pages 85-86. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

OHC describes how its proposal will promote equitable access in Section VI, pages 118-126, and Section III.2, pages 84-85. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

OHC describes how its proposal will maximize health care value for resources expended in Section III.1, pages 60-81, Section IV, pages 93-109, Section X, pages 154-161, and the Pro formas, pages 167-219. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

OHC adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize health care value for resources expended. Therefore, the application is consistent with Policy GEN-3.

In summary, the application is conforming to this criterion.

Summary

All five applications are consistent with Policy GEN-3. All five applications are conforming to the need determination in the 2012 SMFP for one new Medicare-certified home health agency in Wake County. However, the limit on the number of home health agencies that may be approved in this review is one. Therefore, all five applications cannot be approved. See the Summary following the Comparative Analysis for the decision.

(2) Repealed effective July 1, 1987.

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

C – All Applicants

HHH proposes to develop a Medicare-certified home health agency at 1130 Kildaire Farm Road, Cary, Wake County. In Section I.9, page 9, the applicant states *"HHH is a wholly owned subsidiary of Hillcrest Convalescent Center and Hillcrest Convalescent Center is the sole member of the limited liability company."* Hillcrest Convalescent Center owns and operates a nursing facility in Durham. HHH does not own or operate any licensed home care agencies or Medicare-certified home health agencies in North Carolina.[1]

Population to be Served

HHH projects that 100% of its patients will be residents of Wake County. In Section III.4(c), page 71, the applicant states:

> *"HHH projects that 100.0 percent of its home health patients will reside in Wake County. This assumption is based on the patient need determination in the 2012 State Medical Facilities Plan on pages 249 to 314. This need methodology results in a deficit of Wake County home health patients served of 354 patients. The State Health Coordinating Council has identified a patient deficit of 275 as the threshold to require the addition of a Medicare-certified home health agency in a county."*

Note: the deficit of Wake County home health patients is 464, not 354. See the March 6, 2012 memorandum from the Medical Facilities Planning Branch (MFP), Division of Health Service Regulation (DHSR).

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[1] All Medicare-certified home health agencies are licensed as home care agencies. Some licensed home care agencies are also certified for Medicare reimbursement and are known as Medicare-certified home health agencies. A certificate of need is not required to obtain a license for a home care agency. A certificate of need is required before a licensed home care agency may obtain Medicare certification. HHH, HKZ Group, AssistedCare and OHC propose to develop a new licensed home care agency which will then obtain Medicare certification. Maxim already owns and operates a licensed home care agency in Wake County and proposes to obtain Medicare certification for that licensed home care agency.

HHH adequately identified the population to be served.

Need Analysis

In Section III.1(a), page 60, the applicant states:

> *"HHH proposed home health agency addresses two unmet needs:*
>
> - *The need for an additional Medicare-certified home health agency located in Wake County, and*
> - *The need to develop most* [sic] *efficient and cost-effective home health service in Wake County; fully aligned with the need of the local community."*

In assessing the need for the proposed project, HHH states in Section III, pages 60-64, that it looked at the factors summarized below.

"2012 State Medical Facilities Plan"

On page 60, HHH notes that the 2012 SMFP includes a need determination for one additional Medicare-certified home health agency in Wake County.

"2013 Wake County Home Health Patient Deficit"

On page 60, HHH states *"The State Medical Facilities Plan, the need methodology identifies a home health patient deficit of 354 home health patients in Wake County in 2013."* However, the deficit in Wake County is 464 home health patients, not 354. See the March 6, 2012 memorandum from MFP, DHSR. Thus, there is even more support for the need than what the applicant relied upon in its analysis.

"Wake County Population Growth and Aging"

On page 61, HHS states *"Based on the 2010 home health patients and the 2010 Wake County population, as identified in the 2012 State Medical Facilities Plan, the utilization of home health services increases in older age groups and will result in increased home health demand due to the increase in county population and the aging of the county population."*

"NCOSBM Projected Population Growth"

On page 61, HHH states the North Carolina Office of State Budget and Management *"projects that the 65-74 population will increase by 34.3 percent from 2011 to 2015, to become 6.3 percent of Wake County's total population"* and *"NCOSBM projects that the 75+ population will increase by 18.4 percent from 2011 to 2015, to become 3.9 percent of Wake County's total population."*

"Wake County Life Expectancy"

On page 63, HHH states *"As the tables for the NC State Center for Health Statistics indicate, a 70 year old male, Wake County resident in 1992 was expected to live an additional 12.5 years or until the age of 82.5 years; however, a 70 year old male, Wake County resident in 2008 is expected to live an additional 14.6 years or until the age of 84.6 years. This increase in life expectancy increases the likelihood of requiring some service of home health care."*

"Home Health Care Planning Improvement Act of 2011"

On page 63, HHH states the Home Health Care Planning Improvement Act of 2011 *"would allow nurse practitioners, clinical nurse specialists, and physician assistants to order home health services under Medicare in accordance with state law."*

"Physicians and Health care* [sic] *Provider Referrals"

On page 64, HHH states *"Physicians are typically involved in developing and monitoring plans from patient admission to discharge to home health care and are often a major source of home health referrals."* See the table on page 64 in which HHH identifies physicians (and other health care providers) and provides the number of estimated referrals by provider.

On pages 65-68, HHH describes the methodology it used to determine the *"Unmet Wake County Home Health Patient Need"*:

"Step 1 *Historical Wake County Home Health Patients and* [compound annual growth rate]*"*
"Step 2 *Projected Wake County Home Health Patients"*
"Step 3 *Historical Wake County Home Health Patient Use Rate and CAGR"*
"Step 4 *Projected Wake County Home Health Patient Use Rates"*
"Step 5 *Projected Wake County Population by Age Group"*
"Step 6 *Projected Wake County Home Health Patients"*
"Step 7 *Unmet Wake County Home Health Patient Need"*

On page 68, the applicant states *"HHH determined the number of home health patients that are projected to have a demand for home health services in the future, but cannot be served by existing home health providers by subtracting the Projected Wake County Home Health Patients (by Age Group) calculated in Step 2 from the Projected Wake County Home Health Patients (by use Rate) calculated in Step 6."*

Projected Utilization

In Section IV, pages 74-76, HHH provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 (FFY 2014)	30	91	121
Project Year 2 (FFY 2015)	269	269	538

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (FFY 2014)	112	112	112	14	12	112	475
Project Year 2 (FFY 2015)	501	502	502	33	30	502	2,070

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (FFY 2014)	689	131	527	30	14	157	1,548
Project Year 2 (FFY 2015)	4,165	782	3,159	177	86	934	9,303

The applicant describes the assumptions and methodology used to project utilization in Section IV.3, pages 77-93, which is summarized below.

1. Calculate unduplicated patient admissions. The applicant states that it based the number of unduplicated patient admissions on the estimated number of referrals in the letters it received from referral sources which are provided in Exhibit G. The applicant also assumes that it will take at least six months to obtain certification for the home care agency. HHH assumes it will serve very few Medicare patients and no Medicaid patients during Project Year 1 (FY 2014). See page 79 for the applicant's admissions by month during each of the first two project years.

2. Determine the number of readmissions. Based on discussion with its home health consultant, HHH projects no readmissions during Project Year 1 and only 9 Medicare readmissions during Project Year 2.

3. Determine the number of unduplicated patients by service discipline. In Project Year 1, HHH assumes that 25% of unduplicated patients will be admitted for nursing and 75% will be admitted for physical therapy. In Project Year 2, HHH assumes that 50% of unduplicated patients will be admitted for nursing and 50% will be admitted for physical therapy. HHH does not provide any additional information as to how it determined these percentages. Note: the number of unduplicated patients in Project

Year 2 as reported on page 83 includes the 9 readmissions which are not included in the table on page 80.

4. Determine unduplicated patients by payor category. The projected payor percentages are illustrated in the following table.

Payor	Project Year 1 (FY 2014)		Project Year 2 (FY 2015)	
	# of Patients	% of Total Patients	# of Patients	% of Total Patients
Medicare	14	11.6%	293	53.6%
Medicaid	0	0.0%	78	14.3%
Commercial	103	85.1%	156	28.5%
Indigent	0	0.0%	8	1.5%
Other	4	3.3%	12	2.2%
Total	**121**	**100.0%**	**547**	**100.0%**

HHH does not provide any additional information as to how it determined these percentages. However, the percentages in Project Year 2 are consistent with percentages reported by the 12 existing Medicare-certified home health agencies located in Wake County (Wake County agencies) as reported in their 2012 Annual Data Supplement to License Application (LRA).

5. Determine the number of "episodes" per Medicare patient. HHH states that, based on discussion with its home health consultant and data from the *"North Carolina Home Health database,"* it assumes 1.44 admissions per Medicare patient. The applicant states the Wake County average was 1.51 in FFY 2011 based on data provided by the 12 existing Wake County agencies in their 2012 LRA. The following table illustrates the number of episodes per Medicare patient.

	Project Year 1 (FY 2014)	Project Year 2 (FY 2015)
# of Medicare Patients (does not include readmissions)	14	293
Average # of episodes per Medicare Patient	1.44	1.44
Total Episodes	20	422

6. Determine the number of "episodes" by Medicare reimbursement type. HHH states that, based on discussion with its home health consultant and data from the *"North Carolina Home Health database,"* it assumes the following mix:

[2]	% of Total
Full Episode without Outliers	88.5%
Full Episode with Outliers	0.5%
Low-utilization Payment Adjustment (LUPA)	10.0%
Partial Episode Payment (PEP)	1.0%

The applicant states that the LUPA percentage for the six largest Wake County was 10.8% in FFY 2011 based on the data provided by those agencies in their 2012 LRA.

7. Determine the number of Medicare episodes and other patients by payor category. The applicant calculated the numbers in the following table by combining the results of Steps 4 and 6.

Medicare Episodes and other Patients by Payor

	Project Year 1 (FY 2014)	Project Year 2 (FY 2015)
Full Episode without Outliers	18	374
Full Episode with Outliers	0	2
Low-utilization Payment Adjustment (LUPA)	2	42
Partial Episode Payment (PEP)	0	4
Medicaid	0	78
Commercial	103	156
Indigent	0	8
Other	4	12
Total	**127**	**676**

8. Determine the average number of visits per episode by payor and average number of visits by service discipline by payor. HHH based the number of visits per episode and

[2] Medicare reimbursement is based on episodes of care rather than per visit. An episode of care, as defined by Medicare, is 60 days. In 2010, The Centers for Medicare and Medicaid Services website explained the home health prospective payment system (PPS) as follows: *"Under prospective payment, Medicare pays home health agencies (HHAs) a predetermined base payment. The payment is adjusted for the health condition and care needs of the beneficiary. The payment is also adjusted for the geographic differences in wages for HHAs across the country. The adjustment … is referred to as the case-mix adjustment. The home health PPS will provide HHAs with payments for each 60-day episode of care for each beneficiary. … While payment for each episode is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs."* The PPS has several categories of payment, including a regular 60-day episode, a case-mix adjustment, which is based upon the home health agency's assessment of the patient's functional status using OASIS (Outcome and Assessment Information Set). To determine the case-mix adjustment, patients are classified into a case-mix group called HHRG (Home Health Resource Group). Another category called LUPA (low-utilization payment adjustment) includes those patients who only require four or fewer visits. Outlier payment adjustments are made for those patients requiring costlier care. Finally, a PEP (partial episode payment) is made when a patient transfers to a different home health agency or is discharged and readmitted within a 60-day episode.

per patient on discussion with its home health consultant and data from the *"North Carolina Home Health database."* See page 86 for the applicant's table.

9. Determine the number of visits by service discipline by payor. The applicant calculated the numbers in the table on page 87 of the application by combining the results of Steps 7 and 8.

10. Determine the number of duplicated patients and visits. See pages 92-93 of the application.

Projected utilization is based on reasonable, credible and supported assumptions.

In summary, HHH adequately demonstrates the need to develop a Medicare-certified home health agency office in Wake County, including the extent to which medically underserved groups will have access to the proposed home health services. Therefore, the application is conforming to this criterion.

HKZ Group proposes to develop a new Medicare-certified home health agency at 8380 Six Forks Road, Raleigh, Wake County. HKZ Group does not own or operate any existing licensed home care agencies or Medicare-certified home health agencies in North Carolina. HealthKeeperz, Inc., which owns and operates three Medicare-certified home health agencies in Robeson, Scotland and Cumberland counties, will manage the proposed Wake County Medicare-certified home health agency.

Population to be Served

In Section III.4(c), page 40, the applicant states "*HealthKeeperz of Wake projects that 100% of its patients will be residents of Wake County."* HKZ Group adequately identified the population to be served.

Need Analysis

In assessing the need for the proposed project, HKZ Group states in Section III, pages 23-29, that it looked at the factors summarized below.

"Need For One New Medicare-Certified Home Health Agency in Wake County Identified by the 2012 SMFP"

On page 23, HKZ Group states *"Application of the home health methodology in Wake County resulted in a revised projected home health patient deficit in 2013 of 464. It is important to note that a projected deficit of 275 patients in a single county is the threshold for a new home health agency. Wake County's patient deficit in 2013 is 69% greater than the threshold for a new home health agency."*

"Projected Population Growth in Wake County"

On page 25, HKZ Group states *"Wake residents ages 65-74 and 75+ are projected to increase at a CAGR three times larger and two times larger, respectively, than the total county population. Residents in those two age groups will represent 10.5% of Wake County's population in 2016. Population growth in Wake County is an important indicator of a need for an additional Medicare-certified home health agency in Wake County."*

"Treating Patients at Home Improves Outcomes at a Significantly Lower Cost"

On pages 25-26, HKZ Group states:

> *"Home health care is one form of post-acute care, and is paid for by Medicare if a beneficiary is unable to leave home without significant assistance – a criteria called 'homebound.' … An in-depth study by Avalere Health published in May 2009 concluded that Medicare patients with diabetes, chronic obstructive pulmonary disease or congestive heart failure who used home healthcare within 3 months of being discharged from a hospital cost the Medicare program $1.71 billion less, and had 24,000 fewer re-hospitalizations than similar patients that used other forms of post-acute care over a two-year period. … Approximately 86 percent of the Medicare population has one chronic condition, 66 percent have two or more chronic conditions, and 40 percent have three or more chronic conditions. 'Given the size of the chronic care Medicare population, any serious effort to improve cost-effectiveness of Medicare benefits will have to grapple with these patients.'"*

"In-Home Visits to Discharged Patients Shows Statistically Significant Reductions in Re-Hospitalization"

On pages 26-27, HKZ Group states *"In a study published in the April 2011 issue of Health Affairs, researchers… identified nine interventions that demonstrated positive effects on measures related to hospital readmissions…Most of the interventions led to reductions in readmissions through at least thirty days after discharge. Many of the successful interventions shared similar features … including in-person home visits to discharged patients."* (Emphasis omitted.)

"Patients Prefer to Receive Treatment at Home Instead of Outside Surroundings"

On page 27, HKZ Group states *"A recent study by Genworth Financial showed that 80% of respondents preferred to receive treatment in the home instead of outside surroundings."* The applicant describes eight reasons why patients prefer treatment in the home on pages 27-28.

In Section III.1(b), pages 29-31, HKZ Group provides statistical data that it states substantiates the existence of an unmet need for the proposed Medicare-certified home health agency in Wake County which is summarized below.

"Increased Utilization of Home Health Services in Wake County"

On page 29, HKZ Group states that utilization of home health services by residents of Wake County has increased steadily since 2008. From 2008 to 2011, total unduplicated patients from Wake County receiving home health services increased by 6.14% on average annually. Furthermore, the applicant states *"As the population continues to grow and, in particular as the 65+ population increases, it is reasonable to assume that utilization of home health services in Wake County for Wake County residents also will continue to grow."*

"Projected Growth of Medicare Population in Wake County"

On page 30, HKZ Group states *"Medicare is the largest single payor of home health care services. In Wake County in 2011, 66.9% of all home health services provided were to Medicare beneficiaries. As the Medicare population continues to grow in Wake County, utilization of home health services also will increase in Wake County."*

Projected Utilization

In Section IV, pages 58-59, HKZ Group provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 (FFY 2014)	226	122	348
Project Year 2 (FY 2015)	320	172	493

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (FFY 2014)	296	78	232	16	26	48	696
Project Year 2 (FFY 2015)	419	111	328	22	37	68	985

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (FFY 2014)	2,734	364	1,904	90	40	540	5,672
Project Year 2 (FFY 2015)	3,869	515	2,695	127	57	764	8,028

The applicant describes the assumptions and methodology used to project utilization in Section IV.3, pages 43-59, which is summarized below.

1. Determine the total number of unduplicated patients to be served in Project Year 1. On pages 43-44, the applicant states that 16,928 Wake County residents are projected to need home health services in FFY 2013 and the deficit is 464 patients. The applicant's source is Table 12C in the 2012 SMFP. HKZ Group assumes that it will serve 75% of the 464 patients in FFY 2013, which is Project Year 1 for the proposed home health agency. The applicant notes that there are 12 existing Wake County agencies and they served 80% of all Wake County residents receiving home health services. The applicant states that on average, each existing Wake County agency served 871 Wake County residents, which is a 6.2% market share. HKZ Group states that its projected market share in Project Year 1 is less than 2.7%. The analyst calculated that it would be only 2.1% [348 / 16,928 = 2.1%].

2. Determine the total number of unduplicated patients to be served in Project Years 2 and 3. On pages 44-46, the applicant states that it assumes the number of unduplicated patients will increase 6.1% per year based on the average annual growth rate for Wake County unduplicated patients between 2008 and 2011. The applicant notes that this growth rate is twice as large as the rate of growth for the population of Wake County.

3. Calculate the number of unduplicated patients by qualifying discipline. On pages 46-47, the applicant states that it relied on the experience of the three existing home health agencies owned and operated by HealthKeeperz, Inc. (HealthKeeperz agencies) and the existing Wake County agencies to determine the number of unduplicated patients by qualifying discipline, which are nursing, physical therapy and speech therapy. HKZ Group assumes that 65% of unduplicated patients will be nursing and 35% will be physical therapy.

4. Calculate the number of duplicated patients. On pages 47-49, the applicant states that it reviewed data for the three existing HealthKeeperz agencies and the existing Wake County agencies to determine the ratio of duplicated patients to unduplicated patients. The applicant calculated a ratio of 2.5 for existing Wake County agencies and a ratio 1.2 to 1.5 for the three existing HealthKeeperz agencies. The applicant chose to use a ratio of 2.1.

5. Calculate total patient visits. On pages 49-51, the applicant states that it reviewed data for the three existing HealthKeeperz agencies and the existing Wake County agencies to determine the total number of visits per patient. The applicant calculated a ratio of 16.8 visits per patient for the existing Wake County agencies and a ratio of 16.3 visits per patient for the three existing HealthKeeperz agencies. The applicant chose to use a ratio of 16.3 visits per patient.

6. Calculate the percentage of duplicated patients by discipline. On pages 51-52, the applicant states that it reviewed data for the three existing HealthKeeperz agencies and the existing Wake County agencies to determine the percentage of duplicated patients by discipline. The applicant used the average of the two sets of existing home health agencies shown in the table on page 51.

7. Calculate the percentage of patient visits by discipline. On page 52, the applicant states that it reviewed data for the three existing HealthKeeperz agencies and the existing Wake County agencies to determine the percentage of patient visits by discipline. The applicant used the average of the two sets of existing home health agencies shown in the table on page 52.

8. Determine the number of duplicated patients and visits by discipline. On page 53, the applicant states it calculated the number of duplicated patients by discipline using the assumptions in Steps 4 and 6. The number of duplicated visits by discipline was determined by using the assumptions in Steps 5 and 7.

9. Determine the number of duplicated patient visits per discipline. On pages 53-54, the applicant states it calculated the number of duplicated patient visits per discipline using the assumptions in Step 8.

10. Determine the number of duplicated patients and visits by discipline by month for Project Years 1-3. See pages 54-55 of the application.

11. Determine the payor mix for unduplicated patients. On page 55, the applicant states that it reviewed data for the three existing HealthKeeperz agencies to determine the payor mix for unduplicated patients. The applicant states that data is not available for the existing Wake County agencies for unduplicated patients, which is correct. The only publicly available payor mix data is for visits, not unduplicated patients. The applicant assumes the unduplicated patient payor mix for the proposed home health agency in Wake County will be similar to that of the three existing HealthKeeperz agencies. The applicant notes that HKZ Group proposes to serve Medicaid incontinence patients which will result in a higher Medicaid percentage.

12. Determine the payor mix for duplicated patients. On pages 55-56, the applicant states that it reviewed data for the three existing HealthKeeperz agencies and the existing Wake County agencies to determine the payor mix for duplicated patients. The applicant assumes the unduplicated patient payor mix for the proposed home health agency in Wake County will be similar to that of the three existing HealthKeeperz agencies. The applicant notes that HKZ Group proposes to serve Medicaid incontinence patients which will result in a higher Medicaid percentage.

Projected utilization is based on reasonable, credible and supported assumptions.

In summary, HKZ Group adequately demonstrates the need to develop a Medicare-certified home health agency office in Wake County including the extent to which medically

underserved groups will have access to the proposed home health services. Therefore, the application is conforming to this criterion.

AssistedCare proposes to develop a new Medicare-certified home health agency at 7714 Chapel Hill Road, Raleigh, Wake County. AssistedCare does not own or operate any existing Medicare-certified home health agencies in North Carolina. AssistedCare Management Group, Inc., which manages an existing Medicare-certified home health agency in Brunswick County, will manage the proposed Wake County Medicare-certified home health agency.

Population to be Served

AssistedCare projects that 100% of its patients will be residents of Wake County. In Section III.4(a), page 89, the applicant states *"The need determination in the 2012 SMFP is for Wake County. Therefore, the proposed geographic service area for the proposed project is for [sic] Wake County in accordance with the need determination."* Assisted Care adequately identified the population to be served.

Need Analysis

In Section III.1(a), pages 56-61, AssistedCare provides what it describes as an "overview" of home health services.

On pages 61-67, AssistedCare describes the unmet need in Wake County for an additional home health agency which the applicant states is supported by the factors summarized below.

"2012 STATE MEDICAL FACILITIES PLAN"

On pages 61-62, AssistedCare states *"The State Medical Facilities Plan has determined that by 2013 there will be a need for one additional home health agency to served 464 residents in Wake County. ... In other words, the existing agencies cannot keep pace with the home health demand in Wake County; therefore, a need exists for one additional home health agency in the county."*

"LOWER THAN AVERAGE USE RATES"

On page 65, AssistedCare concludes *"Because the Wake County use rates overall are lower than the average Region J use rates, the methodology assumes that Wake County residents do not have sufficient access to home health services."*

"POPULATION GROWTH IN WAKE COUNTY"

On page 66, AssistedCare states *"In 2011, Wake County was the fastest growing county in North Carolina based on numerical growth. See OSBM population table in Exhibit 17. Between 2000 and 2010, the population of Wake County increased by more than 274,000 people. This growth is not expected to decrease. In fact, the OSBM projects Wake County's population to grow by more than 253,000 people in the next ten years."*

"AGING POPULATION IN WAKE COUNTY"

On page 66, AssistedCare states *"OSBM data projects the Wake County population over the age of 65 will grow by 95.4 percent between 2010 and 2020. That's approximately 165,000 people- almost double the over-65 population today. Statistically that is important because nearly two-thirds of home care recipients are over the age of 65 and home health use rates are much higher among those 65 and older."*

On pages 67-74, AssistedCare provides data regarding behavioral health patients and issues and explains why it believes that there is a need for additional behavioral home health services in Wake County. On pages 68-69, AssistedCare states:

> *"statistics that show that since 2009, Wake County has seen an increase in the number of adults requesting assistance for mental health services. At the same time, State funding for these services for fiscal year 2009-2010 was reduced. As a result of increased demand and reduced funding, inpatient psychiatric admissions, hospital emergency department utilization and crisis services have increased. Clearly, this is not the best way of dealing with behavioral health problems and families in crisis. ...*
>
> *In regard to senior adults, the community assessment indicates that one in four older adults, age 55 and older, in Wake County has a significant mental disorder. The most common mental disorders prevalent in seniors include depression, anxiety disorders, dementia/ Alzheimer's disease, and substance abuse."*

On page 74, AssistedCare states *"there is a great disparity between the number in need and the number actually served and the target percentage to be served."* (Emphasis omitted.)

On page 74, AssistedCare summarizes its discussion regarding the need for an additional home health agency in Wake County as follows:

- *"Wake County has the second highest home health utilization projected for 2013 of all North Carolina counties;*
- *Wake County's population is projected to grow by 27 percent in the next 10 years;*
- *Wake County's population is aging – nearly 165,000 people will be over the age of 65 in 2012 (an increase of 95.4 percent);*
- *People over the age of 65 utilize home health services at a higher rate than those under 65;*
- *In 2012, the number of women over the age of 65 in Wake County will be greater than the total population over the age of 65 in 2011;*
- *Women utilize home health services at a higher rate than men; and,*
- *Reductions in funding for mental health services will necessitate the use of alternatives, such as home health, for community-based behavioral health services."*

Projected Utilization

In Exhibit 28, AssistedCare provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 (CY 2013)	211	253	464
Project Year 2 (CY 2014)	227	273	500

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (CY 2013)	362	106	321	31	67	93	979
Project Year 2 (CY 2014)	390	114	346	33	72	100	1,055

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (CY 2013)	4,192	329	2,004	205	102	483	7,315
Project Year 2 (CY 2014)	4,518	355	2,160	221	110	520	7,885

The applicant describes the assumptions and methodology used to project unduplicated patients in Section III.1(b), pages 76-79, as follows:

- *"The 2012 SMFP projects a deficit of 464 Wake County patients in 2013 (year one) and allocates one home health agency to meet the unmet need. AssistedCare of the Carolinas proposes to meet the unmet need identified in the 2012 SMFP for Wake County by serving the 464-patient deficit.*
- *The 2012 SMFP projects that the volume of Wake County home health patients served by existing agencies will increase by eight percent per year overall, as shown on the following chart. AssistedCare of the Carolinas assumes that its patient volume also will grow by eight percent between year one and year two. ...*

AssistedCare of the Carolinas believes its projection of serving 464 patients in the first year of operation is reasonable based on the following factors:

- *At present, there are 12 home health agencies located in Wake County. These 12 agencies serve 79 percent of all Wake County home health patients. On average, those 12 agencies serve 893 Wake County patients a year, or have 6.6 percent market share each; the median number of Wake County patients served by these agencies is 640, or 4.73 percent market share. The 2012 SMFP standard*

methodology projects a total of 16,927 Wake County home health patients in 2013. If AssistedCare of the Carolinas were to assume that it would achieve the median market share of in-county agencies, it would serve 801 patients in 2013 [16,927 total projected Wake County patients x 4.73 percent market share = 801 patients]. Only four agencies serve fewer than 400 patients and one of the four is a specialty agency (Pediatric Services of America, Inc). ...

- *The only other county in North Carolina with a similar population to Wake County is Mecklenburg County. At present, there are 10 home health agencies located in Mecklenburg County. Those 10 agencies serve 96 percent of all Mecklenburg County home health patients. On average, those 10 agencies serve 1,429 Mecklenburg County patients a year, or have a 9.6 percent market share each; the median number of Mecklenburg County patients served by these agencies is 1,109, or 7.45 percent market share. If AssistedCare of the Carolinas were to assume that it would achieve the median market share of Mecklenburg in-county agencies, it would serve 1,261 patients in 2013 [16,927 total projected patients x 7.45 percent market share = 1,261 patients]. Only three Mecklenburg County agencies serve fewer than 400 patients; one is a specialty home health agency specifically to server non-English speaking, non-Hispanic patients (Personal Home Care of North Carolina, LLC) and one is a hospice/home health agency (Hospice & Palliative Care Charlotte Region). ... Please see Exhibit 23 for the analysis of home health agencies in Wake and Mecklenburg counties.*
- *The experience of the management entity, AssistedCare Home Health, in developing a new agency also supports these assumptions. In August 1997, AssistedCare Home Health opened its home health agency in Brunswick County. During the first year of its opening, from August 1997 through July 1998, AssistedCare Home Health served a total of 169 patients. The service area for AssistedCare Home Health is estimated to have had a weighted average population size of 109,354 residents during AssistedCare's first year of operation. AssistedCare Home Health therefore had a utilization rate of 15.45 patients per 10,000 service area residents in its first year of operation. If AssistedCare of the Carolinas were to assume the same utilization rate in Wake County, with a projected population size of 1,001,831 residents, AssistedCare of the Carolinas would serve approximately 1,548 Wake County patients (15.45/10,000 per person use rate x 1,001,831 people = 1,548 patients)."*

The applicant describes the assumptions and methodology used to project duplicated patients and visits in Section IV, pages 94-98, as follows:

"Total number of visits was based on the projected number of unduplicated patients by payor and average number of visits per patient by payor:

- *Patient payor mix and average number of visits per patient by payor were based on data from FY 2012 license renewal applications of Wake County home health agencies, of which 11 out of 12 agencies were currently available. ... Please see Exhibit 23 for data from these 11 license renewal applications. ...*
- *Medicare patients are assumed to receive an average of 18 visits per patient*

overall, based on the FY 2012 license renewal data of the 11 Wake County home health agencies previously discussed. ...

- *Medicaid, private/commercial insurance, self pay / other, and charity care patients are assumed to receive an average of 11, 13, 10, and seven visits per patient, respectively, again based on the FY 2012 license renewal data of the 11 Wake County home health agencies previously discussed. ...*

Projected visits by discipline were based on AssistedCare Home Health's experience in its Brunswick County office ....

It should be noted that AssistedCare of the Carolina's projected percentage of total visits by discipline is also similar to the experiences of home health agencies in Wake County. Based on license renewal data for the 11 Wake County home health agencies listed on the previous page, the following chart illustrates the average percentages of visits by discipline ....

The most significant difference is a higher nursing percentage at AssistedCare and a lower certified nursing assistant percentage versus the average Wake County experience. AssistedCare of the Carolinas chose to use the experience of AssistedCare Home Health's Brunswick County office because it is more financially conservative (salary costs are higher for RNs than for CNAs). AssistedCare of the Carolinas certainly has experience to adjust its staffing and patient visit mix as needed for the patient population referred to its agency.

As shown in Exhibit 28, Table IV.1 and Table IV.2 project a total of 500 unduplicated patients and 7,885 visits in year two, and therefore AssistedCare of the Carolinas proposes to provide an average of 15.8 visits per patient, which is consistent with the Wake County agency average of 15.8 visits per patient based on the available license renewal data described previously. ... According to the most recently available data provided by CMS, the North Carolina home health median for all providers in FY 2010 was 17.5 visits per patient, which is higher than that projected by AssistedCare of the Carolinas. However, AssistedCare of the Carolinas believes it is more reasonable to base its visit assumptions on the specific experience of Wake County providers, which is more reflective of the local standard of care and the needs of the local population."

Projected utilization is based on reasonable, credible and supported assumptions.

In summary, AssistedCare adequately demonstrates the need to develop a Medicare-certified home health agency office in Wake County including the extent to which medically underserved groups will have access to the proposed home health services. Therefore, the application is conforming to this criterion.

Maxim proposes to develop a new Medicare-certified home health agency at 5510 Six Forks Road, Suite 125, Raleigh, Wake County. Maxim does not own and operate any Medicare-certified home health agencies in North Carolina but states that it owns 246 *"home health offices"* in other states. Maxim owns and operates an existing licensed home care agency in Wake County. Maxim proposes to obtain Medicare certification for this existing facility.

Population to be Served

In Section III.4(c), page 61, the applicant states projects that 100% of its patients will be residents of Wake County. On page 61, the applicant states *"Consistent with the service area definition in the 2012 State Medical Facilities Plan, Maxim identifies Wake County as the defined service area because this is the specific population that generated the need determination for one additional Medicare-certified home health agency."* Maxim adequately identified the population to be served.

Need Analysis

In assessing the need for the proposed project, Maxim states in Section III, pages 37-44, that it looked at the factors summarized below.

"2012 State Medical Facilities Plan"

On page 38, Maxim states *"The need methodology in the 2012 SMFP projects 16,574 potential people will be served by the existing home health agencies serving Wake County, compared to projected utilization of 16,928 people. Therefore, the 2012 SMFP projects a deficit of 354 home health patients in Wake County in 2013, thus there is a need for one additional Medicare-Certified home health agency."* However: the deficit in Wake County is 464 home health patients, not 354. See the March 6, 2012 memorandum from MFP, DHSR.

"Population"

On page 39, Maxim states that it obtained population projections from the NCOSBM. Moreover, Maxim states *"The population of Wake County is expected to increase by over 76,057, or 7.9 percent, between 2012 and 2015. By comparison, the entire State is projected to increase only 4.5 percent during the same time period. Thus, the need for an additional Medicare-certified home health agency is consistent with the continuing rapid population growth of Wake County."*

"Aging"

On pages 39-41, the applicant states:

> *"According to the UNC Institute on Aging, older adults are the fastest growing segment of North Carolina's population. The population of elderly people (65+) in the State will more than double between 2000 and 2030. ... The projected population growth rate for Wake County residents age 65 and older is more than two*

> *times greater than the projected population growth rate for the overall county. During the next five years, this 65+ population is projected to increase to 9.5% of the total population in Wake County. ... It is important to recognize the aging population in Wake County, due to the correlation of age and home health use. ... As indicated in the previous table, home health utilization rates increase as age increases. ... This is consistent with Maxim's experience providing home health services in Wake County. Additionally, the projected population age 65+ is projected to increase at a rate that is notably higher than the overall population growth rate for Wake County."*

"Home Health Use Rates"

On pages 43-44, Maxim provides tables illustrating historical home health use rates per 1,000 population for Wake County and statewide, which show that use rates have increased for the population age 65+ in Wake County. On page 44, Maxim states *"As home health utilization continues to increase in Wake County, the need for access to experienced and high quality home health services will become even greater. Maxim has provided nursing care in Wake County since 1993. Since then, Maxim has provided care to over 1,500 patients. Therefore, Maxim has established referral relationships in Wake County and vast experience providing home care services to local residents. Maxim possesses the corporate support and resources and is aware of local needs from a home health care perspective."*

Projected Utilization

In Section IV, pages 63-66, Maxim provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 (2013)	292	146	439
Project Year 2 (2014)	344	172	516

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (2013)	556	556	556	29	29	556	2,281
Project Year 2 (2014)	715	715	715	37	37	715	2,933

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (2013)	3,420	556	3,163	162	92	938	8,537
Project Year 2 (2014)	4,412	983	4,081	209	119	1,210	11,013

The applicant describes the assumptions and methodology used to project unduplicated patients in Section III.1, pages 45-50, as follows:

1. Project the number of Wake County home health patients. On page 45, Maxim states that the 2012 SMFP projects there will be 16,928 home health patients in Wake County in 2013 based on the methodology in the 2012 SMFP. Maxim states that the CAGR between 2007 and 2010 was 8% for Wake County. Maxim assumed the total number of home health patients in Wake County would continue to increase at the same rate the total population is projected to increase, which is 2.6%. In 2015, Maxim projects a total of 17,812 home health patients in Wake County.

2. Project Maxim's market share and unduplicated patients. On page 46, Maxim states that it assumes it will admit 8 unduplicated home health patients per week during the first 6 months of Project Year 1 and 9 unduplicated home health patients per week during months 7 through 12. Maxim assumes it will admit 10 unduplicated home health patients per week during Project Year 2. Maxim states that this results in admitting 439 unduplicated home health patients in Project Year 1 and 516 in Project Year 2. Maxim determined that that would represent a market share 2.6% in Project Year 1 and 3% in Project Year 2. Maxim compared its projections with the actual experience of existing Wake County agencies. See the table on page48. The average market share for the existing Wake County agencies was 6.6% in FY 2010.

3. Project unduplicated patients by admitting service discipline. On page 49, Maxim states it relied on its corporate experience in determining the number of unduplicated patients by admitting service discipline. Maxim assumes nursing will be 66.67% and physical therapy will be 33.3%.

The applicant describes the assumptions and methodology used to project duplicated patients and visits in Section IV, pages 67-76, as follows:

1. Project unduplicated patients by payor source. On page 67, Maxim states that the payor mix for unduplicated patients is based on its experience operating a home care agency in Wake County as well as a review of the payor mix for the existing Wake County agencies.

2. Project patient readmissions. On page 68, Maxim states that the number of readmissions (Medicare and Medicaid only) is based on its corporate experience. Maxim assumes 10% of Medicare and Medicaid patients will be readmitted.

3. Project Medicare episodes. On page 68, Maxim states that the number of episodes per Medicare admission is based on the experience of the existing Wake County agencies. See the table on page 69. The average is 1.37. Maxim used this average to project the number of episodes per Medicare admission.

4. Project Medicare episodes by reimbursement type. On page 70, Maxim states that Medicare episodes by reimbursement type is based on its corporate experience. See

the table on page 70. Full episodes without outliers are projected to be 87.5% of the total. Maxim projects no full episodes with outliers. Low-utilization payment adjustments (LUPAs) are projected to be 11.46% of the total and partial episode payments (PEPs) are projected to be 1.04% of the total.

5. Project visits by payor source. On page 71, Maxim states that visits by payor source is based on the experience of the existing Wake County agencies. Maxim states that the average number of visits per Medicare episode was 17.96. See the table on page 72. Visits for LUPAs and PEPs were based on Maxim's corporate experience because data is not available for the existing Wake County agencies. Maxim assumed only 10.77 visits per Medicaid patient.

6. Project visits by service discipline and payor source. On page 74, Maxim states that visits by service discipline and payor source are based on the experience of the existing Wake County agencies and its corporate experience where data was not available.

Projected utilization is based on reasonable, credible and supported assumptions.

In summary, Maxim adequately demonstrates the need to develop a Medicare-certified home health agency office in Wake County including the extent to which medically underserved groups will have access to the proposed home health services. Therefore, the application is conforming to this criterion.

OHC proposes to develop a new Medicare-certified home health agency at 2601 Weston Parkway Suite 103, Cary, Wake County. OHC does not own and operate any Medicare-certified home health agencies in North Carolina but does own one in Michigan.

Population to be Served

In Section III.4(c), page 88, the applicant provides projected patient origin for each of the first three operating years, as illustrated in the table below.

County	% of Total Unduplicated Patients
Wake	90.0%
Chatham	3.9%
Durham	1.1%
Johnston	5.0%
Total	100.0%

On page 87, OHC states *"Chatham, Durham, and Johnston Counties are all counties located in home health planning Region J that have an unmet need for home health services according to the 2012 SMFP home health methodology, and that are within a 60-minute drive time of the proposed location of OHC."* The Project Analyst reviewed the home health patient surpluses /deficits in the 2012 SMFP for Chatham, Durham and Johnston counties and compared them to the projected number of patients to be served in Project Year 2. In 2013, the 2012 SMFP projects a deficit of 3 patients in Durham County, a deficit of 140

patients in Johnston County and a surplus of 4 patients in Chatham County. (Note: in order to result in a "need determination" in the 2012 SMFP, the deficit had to equal or exceed 275 patients.) In Project Year 2, OHC proposes to serve 19 Chatham County patients, 8 Durham County patients and 28 Johnston County patients. OHC used the need methodology from the 2012 SMFP to project home health utilization beyond the planning horizon in the 2012 SMFP (2013). The results show that Chatham, Durham and Johnston counties will all have a deficit by 2015. See Exhibit 12. Furthermore, a review of the patient origin data for the existing Wake County agencies shows that 21% of the patients served by those agencies are not residents of Wake County. Existing Wake County agencies serve residents of Chatham, Durham and Johnston counties. OHC adequately identified the population to be served.

Need Analysis

In Section III.1(a), page 60, OHC states that it submitted its proposal in response to each of the following bullet points:

- *"The proposed home health agency responds to current and future unmet need in the service area. Components of the program respond to:*
- *A deficit in current home health agency capacity to respond to the number of patients in need of home health agency services in Wake County and the service area;*
- *The sustained growth in size and age of Wake County's population;*
- *Requests from referral sources;*
- *Continued growth in diversity of Wake County populations;*
- *Need to reduce costs associated with transitions between levels of healthcare;*
- *Need for a sustainable healthcare delivery system and the related cost savings associated with home health agency care;*
- *Need for competition;*
- *Need for Enhanced home health agency services.* [sic]
- *Need for Care Transitions"*

See pages 60-75 for the applicant's discussion regarding each of the bullet points above.

Projected Utilization

In Section IV, pages 94-95, OHC provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing *	Physical Therapy	Total
Project Year 1 (2013)	252	120	372
Project Year 2 (2014)	378	174	552

* On page 94, OHC states the total number of unduplicated nursing patients in Project Year 2 is 399. However, the correct total is 378.

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total*
Project Year 1 (2013)	457	457	457	47	17	457	1,892
Project Year 2 (2014)	735	735	735	85	32	735	3,057

* On page 95, OHC states the total number of duplicated patients in Project Year 1 is 457. However, the correct total is 1,892. Furthermore, OHC states the total number of duplicated patients in Project Year 2 is 735. However, the correct total is 3,057.

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 (2013)	2,486	628	2,204	148	86	1,160	6,712
Project Year 2 (2014)	4,193	1,063	3,728	250	154	1,943	11,331

The applicant describes the assumptions and methodology used to project unduplicated patients in Section IV, pages 96-109, as follows:

1. Determine unduplicated census. On page 96, OHC states that, during Project Year 1, it assumes the proposed Medicare-certified home health agency will admit five unduplicated patients per week in months one through three, seven unduplicated patients per week in months four through six, nine unduplicated patients in months seven through nine and ten unduplicated patients in months ten through twelve. In Project Year 2, OHC assumes it will admit 11 unduplicated patients per week in months one through six and 12 unduplicated patients per week in months seven through twelve.

2. Determine unduplicated clients by admitting service discipline. On page 97, OHC states it assumes that 68% of unduplicated patients will be nursing and 32 percent will be physical therapy. These percentages are based on OHC's experience and *"recently approved home health CONs."*

3. Determine unduplicated clients by payor. On page 98, OHC states that the payor mix for unduplicated patients is based on OHC's proposed services, recently approved home health certificate of need applications and the experience of the existing Wake County agencies.

4. Determine readmissions in the same year. On page 98, OHC states that it assumes no readmissions during the first six months of operation. Thereafter, OHC assumes a 10% readmission rate for Medicare and Medicaid patients only. See page 99 of the application for additional discussion regarding this assumption.

5. Determine Medicare episode starts. On page 99, OHC states it assumes 1.3 episodes per Medicare admission based on recently approved home health certificate of need applications and the experience of the existing Wake County agencies.

6. Determine Medicare episode start breakout by episode reimbursement type. On page 100, OHC states that Medicare episode start breakout by episode reimbursement type is based on OHC's experience, recently approved home health certificate of need applications, the experience of the existing Wake County agencies and state averages.

7. Determine total starts of care by payor reimbursement type. See page 101 of the application.

8. Determine visits per start of care by payor. On page 103, OHC states visits per start of care by payor is based on OHC's experience, recently approved home health certificate of need applications, local and state averages. See Exhibit 14.

9. Adjust visits per start of care for start date. See page 103 of the application.

10. Determine visits by discipline by Start of Care Type and Payor. See the tables on pages 104-107. On page 107, OHC states the percentages are based on the experience of the existing Medicare-certified home health agencies in Wake County and 2010 Medicare home health cost report data. See Exhibit 14.

11. Determine visits by discipline. See page 108 of the application.

12. Determine ratio of visits by discipline to total starts of care. See page 108 of the application.

13. Determine duplicate clients by discipline. See page 109 of the application.

Projected utilization is based on reasonable, credible and supported assumptions.

In summary, OHC adequately demonstrates the need to develop a Medicare-certified home health agency office in Wake County including the extent to which medically underserved groups will have access to the proposed services. Therefore, the application is conforming to this criterion.

(3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA – All Applications

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

C – All Applicants

HHH. In Section II.5, pages 29-30, the applicant describes the alternatives it considered, which include:

1) Maintain the status quo. HHH states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposal because the 2012 SMFP identifies a need for an additional home health agency in Wake County.
2) Construct a new building for the proposed home health agency. HHH states that it considered constructing a new building but determined that this alternative would be more costly than leasing space in an existing building.
3) Locate the agency in a different location within Wake County. HHH states that where a home health agency is located is not a factor in terms of access by patients or staff. HHS states its proposed location is an effective alternative because the lease payment is lower than it would be in some other parts of the county, the building is newer and ideally situated for future expansion.
4) Joint venture. HHH states that it deemed a joint venture to be not feasible.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Wake County. Consequently, the application is conforming to this criterion.

HKZ Group. In Section II.5, pages 17-18, the applicant describes the alternatives it considered, which include:

1) Maintain the status quo. HKZ Group states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposal because the 2012 SMFP identifies a need for an additional home health agency in Wake County.

2) Joint venture. HKZ Group states that a joint venture *"adds administrative complexities, a different service delivery philosophy and management style, and operational protocols."* For these reasons, this alternative was not considered to be the least costly or most effective.
3) Locate the agency in a different location within Wake County. HKZ Group states that the proposed north Raleigh locations are *"centrally located, easily accessible from I-40, I-540, and I-440, and have 24/7 security for staff who work evenings and weekends."* For these reasons, HKZ Group concluded that the proposed north Raleigh locations represent the most effective alternative.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Wake County. Consequently, the application is conforming to this criterion.

AssistedCare. In Section II.5, pages 44-48, the applicant describes the alternatives it considered, which include:

1. Maintain the status quo. AssistedCare states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposal because the 2012 SMFP identifies a need for an additional home health agency in Wake County.
2. Develop a home care agency and offer behavioral health services without developing a Medicare-certified home health agency. AssistedCare states *"there is a distinct added benefit for patients who receive home health care from agency staff with behavioral health experience. ... Many patients admitted to home health care today have dual diagnoses – medical and behavioral – sometimes known, sometimes unknown. When undiagnosed behavioral health patients become noncompliant or otherwise compromise their care because of underlying behavioral health issues, staff that are trained to identify and care for patients with behavioral health issues have the skills and resources to provide such care."*
3. Develop separate agency offices. AssistedCare states that its member / managers could have submitted separate proposals, like they did in 2010. AssistedCare states that a combined proposal is "stronger."

Furthermore, the application is conforming to all applicable statutory review criteria. The application is not conforming to one of the regulatory review criteria but a condition could be imposed that would make the application conforming, and thus, the application could be approved. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Wake County. Consequently, the application is conforming to this criterion.

Maxim. In Section II.5, page 23-24, the applicant describes the alternatives it considered, which include:

1. Maintain status quo. Maxim states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposal because the 2012 SMFP identifies a need for an additional home health agency in Wake County.
2. Joint venture. Maxim determined that this alternative would not be an effective alternative. One, Maxim notes that the existing licensed home care agency is already operational. On page 24, Maxim states *"a joint venture would combine two organizations that may have different definitions of quality patient care and/or community services. Maxim prides itself on continually improving its patient services and would find it difficult to be proactive in providing patient care if it had to constantly receive feedback from a second organization. In addition, governance and operation of such a joint venture facility could be inefficient and less responsive to market conditions and needs."*
3. Locate the proposed Medicare-certified home health agency in a different location from the existing licensed home care agency. Maxim determined that this would not be a cost effective alternative since the existing licensed home care agency is easily accessible to staff and obtaining Medicare certification for the existing licensed home care agency will enable Maxim to utilize economies of scale to manage costs.

Furthermore, the application is conforming to all applicable statutory and regulatory review criteria, and thus, the application is approvable. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Wake County. Consequently, the application is conforming to this criterion.

OHC. In Section II.5, pages 49-50, the applicant describes the alternatives it considered, which include:

1. Maintain status quo. OHC states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposal because the 2012 SMFP identifies a need for an additional home health agency in Wake County.
2. Joint venture. On page 49, OHC states *"forming a joint venture outside of the Singh corporate structure would change a successful ownership organization, add administrative layers to the existing structure and possibly bring less experienced providers."* For these reasons, OHC determined that a joint venture was not the least costly or most effective alternative.
3. Offer only *"basic"* home health services. On page 50, OHC states that, based on data from a market survey, the residents of the proposed service area do not have sufficient access to "chronic disease management, medication management, and wound care." See Exhibit 5. For these reasons, OHC determined that the proposed

home health agency should offer "enhanced" home health services.

Furthermore, the application is conforming to all applicable statutory review criteria. The application is not conforming to one of the regulatory review criteria but a condition could be imposed that would make the application conforming, and thus, the application could be approved. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Wake County. Consequently, the application is conforming to this criterion.

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

C – All Applicants

Each application was evaluated to determine whether the applicant adequately demonstrated that:

1) Funds are available for the capital and working capital needs of the project, if any.
2) The financial feasibility of the proposal is based upon reasonable projections of revenues and operating costs for the provision of Medicare-certified home health services.

The majority of home health visits are reimbursed by Medicare. Medicare reimbursement is based on episodes of care rather than per visit. An episode of care, as defined by Medicare, is 60 days. In 2010, The Centers for Medicare and Medicaid Services website explained the home health prospective payment system (PPS) as follows:

> *"Under prospective payment, Medicare pays home health agencies (HHAs) a predetermined base payment. The payment is adjusted for the health condition and care needs of the beneficiary. The payment is also adjusted for the geographic differences in wages for HHAs across the country. The adjustment … is referred to as the case-mix adjustment. The home health PPS will provide HHAs with payments for each 60-day episode of care for each beneficiary. … While payment for each episode is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs."*[3]

The PPS has several categories of payment, including a regular 60-day episode, a case-mix adjustment, which is based upon the home health agency's assessment of the patient's

[3] For more information see http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/HomeHlthProsPaymt.pdf

functional status using OASIS (Outcome and Assessment Information Set). To determine the case-mix adjustment, patients are classified into a case-mix group called HHRG (Home Health Resource Group). Another category called LUPA (low-utilization payment adjustment) includes those patients who only require four or fewer visits. Outlier payment adjustments are made for those patients requiring costlier care. Finally, a PEP (partial episode payment) is made when a patient transfers to a different home health agency or is discharged and readmitted within a 60-day episode.

To determine if the applicant demonstrated that its proposal is financially feasible, including the reasonableness of revenues and operating costs, the Project Analyst analyzed the following for each applicant:

- Net revenue in Project Years 1 and 2
- Operating costs in Project Year 2
    - Average total cost per visit
    - Average direct cost per visit (costs attributed to direct patient care)
    - Average administrative cost per visit (costs not attributed to direct patient care)
- Medicare reimbursement (how it was projected by the applicant)
- Adequacy of staffing

HHH

Availability of Funds – In Section VIII.1, page 116, HHH projects the total capital cost of the proposed project will be $98,900, which consists of $22,000 for computer equipment, $7,500 for office equipment, $20,000 for furniture, $40,000 for consultant fees, and $9,400 for contingency. In Section VIII.2, page 118, the applicant states the capital cost will be funded with cash transferred from Hillcrest Convalescent Center, Inc. (Hillcrest). In Section I, page 9, the applicant states that *"HHH is a wholly owned subsidiary of Hillcrest Convalescent Center and Hillcrest Convalescent Center is the sole member of the limited liability company."*

In Section IX, page 120, HHH projects start-up expenses of $117,000 and $300,00 in initial operating expenses, for a total working capital requirement of $417,000 ($117,000 + $300,00 = $417,000). The applicant states the total working capital will also be funded with cash transferred from Hillcrest. The initial operating period is the timeframe from the initial licensure of the agency until cash in-flow exceeds cash out-flow. In Section IX.2, page 120, the applicant states the initial operating period for the proposed facility is 18 months. In the Section XIII, page 141, the applicant provides a statement of cash flows, which shows $344,832 in total cash receipts in the third quarter of Project Year 2 (FY 2014), and total cash payments of $319,571, resulting in a positive cash flow of $25,261. The statement of cash flows shows a positive cash flow in the third quarter of the second year of the project.

Exhibit T contains a letter from the CFO/Assistant Administrator of Hillcrest, which states:

> *"Hillcrest Convalescent Center, Inc. (Hillcrest) will transfer $100,000 to Hillcrest Home Health of the Triangle, LLC (HHH), for the sole purpose of funding the*

development of a Medicare-certified home health agency in Cary, Wake County. Hillcrest will provide the funds through Cash and Cash Equivalents as identified in the Financial Statements, page 2, in Exhibit R. [Should say Exhibit U]

Hillcrest Convalescent Center, Inc. (Hillcrest) will transfer $425,000 to Hillcrest Home Health of the Triangle, LLC (HHH), for the sole purpose of funding the initial start-up and operating expenses associated with the development of a Medicare-certified home health agency in Care, Wake County. Hillcrest will provide the funds through Cash and Cash Equivalents as identified in the Financial Statements, page 2, in Exhibit R. [Should say Exhibit U]

Please accept my assurance that the anticipated $525,000 [$100,000 + $425,000] will be paid from these identified funds for this project."

Exhibit U contains the audited financial statements of Hillcrest. As of September 30, 2011, Hillcrest had $1,989,243 in cash and cash equivalents, $18,818,340 in total assets, and $2,119,638 in net assets (total assets less total liabilities).

HHH adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenue – The following table summarizes HHH's projected revenues and operating costs during each of the first two operating years, as provided in the Financials Section (Form B) of the application:

HHH	Project Year 1	Project Year 2
A. Gross Patient Revenue *	$202,811	$1,438,903
B. Charity Care Donation		$11,300
C. Bad Debt Deduction	$4,558	$7,119
D. Contractual Allowance	$15,193	$23,730
E. 1st Year Non-Billable Medicare Services	$50,877	
F. Medicaid Allowance		$32,471
G. Net Revenue [A – (B + C +D + E + F)]	$132,182	$1,364,283
H. Total Operating Costs	$300,617	$1,322,332
I. Net Income (Loss) (G - H) **	($168,435)	$41,951

* For Project Years 1 and 2, Gross Patient Revenue does not include Total Projected Supply Revenue of $5,554 and $35,091, respectively.

** On page 140 of the pro formas, total operating costs are reported to be $1,290,118 which is not correct. Total operating costs add up to $1,322,332. Thus, the reported Net Income of $74,165 is also not correct. The correct Net Income is $41,951.

As shown above, total operating costs exceed net revenue in Project Year 1 and net revenue exceeds total operating costs in Project Year 2.

Operating Costs – The following tables illustrate:

1) Average total operating cost per visit in Project Year 2
2) Average direct care cost per visit in Project Year 2
3) Average administrative cost per visit in Project Year 2

HHH
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
9,303	$1,322,332	$142.14

HHH
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per visit
9,303	$808,481	$86.90

HHH
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Total Administrative Costs	Average Administrative Cost per visit
9,303	$513,851	$55.23

HHH adequately demonstrates that projected revenues and operating costs are reasonable, credible and supported.

Medicare Reimbursement – In Section IV, pages 73-93, Section X, pages 126-127 and the pro formas, pages 139, 141-143, HHH provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable, credible and supported.

Adequacy of Staffing – HHH proposed sufficient staffing for the number of visits projected to be performed per day by discipline, including on-call coverage. See discussion in Criterion (7) which is incorporated hereby as if fully set forth herein. The applicant budgets a sufficient amount for the proposed staffing levels.

In summary, HHH adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project. HHH adequately demonstrated that the financial feasibility of the project is based upon reasonable and supported projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

HKZ Group

Availability of Funds – In Section VIII.1, page 80, HKZ Group projects the total capital cost of the proposed project will be $62,400, which consists of $9,900 for movable equipment, $10,000 for furniture and $42,500 for consultant fees. In Section VIII.2, page 81, the applicant states the capital cost will be funded from a line of credit.

In Section IX, page 114, HKZ Group projects start-up expenses of $122,366 and $37,710 in initial operating expenses, for a total working capital requirement of $160,076 ($122,366 + $37,710 = $160,076). The initial operating period is the timeframe from the initial licensure of the agency until cash in-flow exceeds cash out-flow. In Section IX.2, page 83, the applicant states the initial operating period for the proposed project is nine months. In Section XIII, HKZ Group provides a statement of cash flows, which shows $237,108 in total cash receipts in the first quarter of Project Year 1 (October 1, 2013 to September 30, 2014), and total cash payments of $233,483, resulting in a positive cash flow of $3,625. The statement of cash flows shows a positive cash flow in the sixth month of the project. The applicant states the total working capital will be funded from a line of credit.

Exhibit 15 contains a letter from the Executive Vice President, Credit Administrator of the Lumbee Guaranty Bank which states:

> *"We have examined the financial position of HealthKeeperz, Inc in relation to the proposed financing of a Medicare-certified Home Health Agency in Wake County, NC. Based on the financial condition of your company and its principals, as well as the long positive banking relationship we have had, we would be willing to provide financing for this project as follows:*
>
> *Purpose:* *To fund initial capital and operating expenditures*
> *Rate:* *A variable rate of Prime + 0.00%, equal to 3.25%*
> *Repayment:* *A revolving line of credit with interest payments due monthly and renewable annually*
> *Amount:* *$250,000"*

Exhibit 15 also contains a letter from the President of HealthKeeperz, Inc. which states:

> *"This letter is to advise you HealthKeeperz, Inc. will establish the proposed line of credit of $250,000 with Lumbee Bank in Pembroke, NC. which is adequate to fund the anticipated equity for the capital costs of $62,400, the working capital of approximately $160,076 which includes $122,366 for start-up costs as needed for the above referenced application. Documentation from the bank is included in the HKZ Group LLC Certificate of Need Application.*
>
> *HealthKeeperz, Inc. will provide HKZ Group LLC the funds necessary to meet the capital and borrowing expenses required for the development, start up and initial operation of the HKZ Group LLC home health agency in Wake County. The terms of the line of credit from the Lumbee Bank will be applicable to HKZ Group LLC.*

> *Please accept this letter as our commitment to financing the proposed project. As a sister organization, we look forward to working with HKZ Group LLC and are confident the development of the proposed project will result in a long tem successful enterprise."*

HKZ Group adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenue – The following table summarizes HKZ Group's projected revenues and operating costs during each of the first two operating years, as provided in the Financials Section (Form B) of the application:

HKZ Group	**Project Year 1**	**Project Year 2**
A. Gross Patient Revenue	$818,508	$1,161,499
B. Charity Care Deduction	$2,676	$3,797
C. Bad Debt Deduction	$2,676	$3,797
D. Medicare Contractual Adjustment	$156,330	$221,663
E. Medicaid Contractual Adjustment	$27,921	$39,737
F. Other Contractual Adjustments	$14,242	$20,209
G. Net Revenue [A – (B + C + D + E + F)]	$927,324	$1,315,622
H. Total Operating Costs	$887,729	$1,290,589
I. Net Income (G - H)	$39,585	$25,033

As shown above, projected net revenue exceeds total operating costs in Project Year 1 and Project Year 2.

Operating Costs – The following tables illustrate:

1) Average total operating cost per visit in Project Year 2
2) Average direct care cost per visit in Project Year 2
3) Average administrative cost per visit in Project Year 2

HKZ Group
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
8,028	$1,290,589	$160.76

HKZ Group
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per visit
8,028	$704,054	$87.70

HKZ Group
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per visit
8,028	$586,535	$73.06

HKZ Group adequately demonstrates that projected revenues and operating costs are reasonable, credible and supported.

Medicare Reimbursement – In Section IV, pages 42-59, Exhibit 8, and the pro formas, pages 108-112, HKZ Group provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable, credible and supported.

Adequacy of Staffing – HKZ Group proposed sufficient staffing for the number of visits projected to be performed per day by discipline, including on-call coverage. See Criterion (7) for discussion which is incorporated hereby as if fully set forth herein. The applicant budgets a sufficient amount for the proposed staffing levels.

In summary, HKZ Group adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

AssistedCare

Availability of Funds – In Section VIII.1, page 133, AssistedCare projects the total capital cost of the proposed project will be $31,874, which consists of $27,710 for movable equipment, $4,164 for furniture. In Section VIII.2, page 134, the applicant states the capital cost will be funded with owner's equity.

In Section IX, page 138, AssistedCare projects start-up expenses of $69,539 and $449,221 in initial operating expenses, for a total working capital requirement of $518,760 ($69,539 + $449,221 = $518,760). The applicant states the total working capital will be funded with unrestricted cash of an owner.

Exhibit 34 contains a letter from C. Saunders Roberson, Jr., Member/Manager of Roberson Herring Enterprises, LLC which states,

> *"As a member/manager of Roberson Herring Enterprises, LLC, d/b/a AssistedCare of the Carolinas, I am committed to funding the capital needs and the initial operating expenses of the proposed project to develop a home health agency in Wake County, North Carolina. The estimated capital costs are $31,874 and the initial operating expenses are expected to be $518,760 for a total project cost of $550,634.*
>
> *As documented in my financial statements included in the application, I have sufficient funds to provide funding for this project as proposed. The contributed funds will be placed as reserves in the account of Roberson Herring Enterprises, LLC, d/b/a AssistedCare of the Carolinas."*

Exhibit 34 also contains a second letter from member/managers C. Saunders Roberson, Jr. and Russell Herring of Roberson Herring Enterprises, LLC which states in part

> *"Following the receipt of the funds from Mr. Roberson, Roberson Herring Enterprises, LLC d/b/a AssistedCare of the Carolinas will use the funds to develop the proposed Wake County home health agency as described in its certificate of need application submitted on April 16, 2012."*

Further, Exhibit 34 contains the unaudited Net Worth Report of Mr. and Mrs. C. Saunders Roberson, Jr. As of February 15, 2012, Mr. and Mrs. C. Saunders Roberson, Jr. had Cash and Bank Accounts totaling $807,496 and Total Net Assets of $26,362,592.08.

AssistedCare adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenue – The following table summarizes AssistedCare's projected revenues and operating costs during each of the first two operating years, as provided in the Financials Section (Form B) of the application:

AssistedCare	Project Year 1	Project Year 2
A. Gross Patient Revenue	$1,301,284	$1,402,546
B. Charity Care Deduction	$1,863	$2,008
C. Bad Debt Deduction	$17,914	$19,308
D. Contractual Allowances	$153,273	$165,200
E. Net Revenue [A – (B + C + D)]	$1,128,234	$1,216,030
F. Total Operating Costs	$1,008,587	$1,082,616
G. Net Income (E - F)	$119,646	$133,414

As shown above, net revenue exceeds total operating costs in Project Year 1 and Project Year 2.

Operating Costs – The following tables illustrate:

1) Average total operating cost per visit in Project Year 2
2) Average direct care cost per visit in Project Year 2
3) Average administrative cost per visit in Project Year 2

AssistedCare
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
7,885	$1,082,616	$137.30

AssistedCare
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per visit
7,885	$731,757	$92.80

AssistedCare
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per visit
7,885	$350,858	$44.50

AssistedCare adequately demonstrates that projected revenues and operating costs are reasonable, credible and supported.

Medicare Reimbursement – In Section IV, pages 94-98, Exhibit 28, and the pro formas, pages 153, 156-160, AssistedCare provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable, credible and supported.

Adequacy of Staffing – AssistedCare proposed sufficient staffing for the number of visits projected to be performed per day by discipline, including on-call coverage. See Criterion

(7) for discussion which is incorporated hereby as if fully set forth herein. The applicant budgets a sufficient amount for the proposed staffing levels.

In summary, AssistedCare adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

Maxim

Availability of Funds – In Section VIII.1, page102, Maxim projects the total capital cost of the proposed project will be $50,000, which consists of $6,000 for movable equipment, $4,000 for furniture, and $40,000 for consultant fees. In Section VIII.2, page 103, the applicant states the capital cost will be funded with the accumulated reserves.

In Section IX, page 106, Maxim projects no start-up expenses and no initial operating expenses. On page 106, the applicant states *"Maxim already operates a licensed home care agency in Raleigh, and thus will have no start-up expenses associated with the proposed Medicare certification as a home health agency."* Maxim's assumptions that it would have no start-up expenses and no initial operating expenses are reasonable under the circumstances. Maxim already operates the existing licensed home care agency which will obtain Medicare certification.

Exhibit 15 contains a letter from Maxim's Chief Financial Officer & Chief Strategy Officer, which states,

> *"As shown on our financial statements, Maxim Healthcare Services, Inc. d/b/a Maxim, has sufficient reserves to fund the project costs associated with the certificate of need application to develop a Medicare-certified Home Health Agency in Wake County. The total capital and working capital cost of the project is estimated at less than $500,000. Maxim will fund the proposed project through accumulated reserves. Upon approval of this project, the available funds will be used for the proposed project.*
>
> *As a financial officer of Maxim Healthcare Services, I am authorized to commit all funds necessary for the development and operation of this project."*

Maxim adequately demonstrated the availability of sufficient funds for the capital needs of the project.

Net Revenues – The following table summarizes Maxim's projected revenues and operating costs during each of the first two operating years, as provided in the Financials Section (Form B) of the application:

Maxim	Project Year 1	Project Year 2
A. Gross Patient Revenue	$1,000,669	$1,648,795
B. Charity Care Deduction	$9,006	$14,839
C. Bad Debt Deduction	$16,922	$19,908
D. Commercial Contractual Allowances	$10,153	$11,945
E. Medicare Contractual Allowances	$24,727	$43,098
F. Medicaid Contractual Allowances	$4,386	$5,390
G. Net Revenue [A – (B + C + D + E + F)]	$935,475	$1,553,615
H. Total Operating Costs	$920,474	$1,172,376
I. Net Income (G - H)	$15,001	$381,239

As shown above, net revenue exceeds total operating costs in Project Year 1 and Project Year 2.

Operating Costs – The following tables illustrate:

1) Average total operating cost per visit in Project Year 2
2) Average direct care cost per visit in Project Year 2
3) Average administrative cost per visit in Project Year 2

Maxim
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
11,013	$1,172,376	$106.45

Maxim
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per visit
11,013	$843,041	$76.55

Maxim
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per visit
11,013	$329,334	$29.90

Maxim adequately demonstrates that projected revenues and operating costs are reasonable, credible and supported.

Medicare Reimbursement – In Section IV, pages 63-76, Section X, page 113 and From B and the Financial Assumptions page the pro formas in Section XIII, Maxim provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable, credible and supported.

Adequacy of Staffing – Maxim proposed sufficient staffing for the number of visits projected to be performed per day by discipline, including on-call coverage. See Criterion (7) for discussion which is incorporated hereby as if fully set forth herein. The applicant budgets a sufficient amount for the proposed staffing levels.

In summary, Maxim adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

OHC

Availability of Funds – In Section VIII.1, page 147, OHC projects the total capital cost of the proposed project will be $143,819, which consists of $8,000 for fixed equipment, $46,260 for movable equipment, $15,800 for furniture, and $55,000 for consultant fees. In Section VIII.2, page 148, the applicant states the capital cost will be funded with an existing line of credit.

In Section IX, page 152, OHC projects start-up expenses of $144,620 and $350,232 in initial operating expenses, for a total working capital requirement of $494,852 ($144,420 + $350,232 = $494,852). The applicant states the total working capital will also be funded with an existing line of credit. The initial operating period is the timeframe from the initial licensure of the agency until cash in-flow exceeds cash out-flow. In Section IX.2, page 152, the applicant states the initial operating period for the proposed project is 8 months. In the Section XIII, page 182, the applicant provides a statement of cash flows, which shows $300,682 total cash receipts in the third quarter of Project Year 1 (CY 2013, and total cash payments of $281,254, resulting in a positive cash flow of $19,428. The statement of cash flows shows a positive cash flow in the third quarter of the second year of the project.

Exhibit 24 contains a letter from the Vice President of Comerica Bank which states:

> *"Please be advised that Singh Development LLC and its related entities, including Oakland Home Care NC, LLC, have $10,000,000.00 in an open line of credit availability and access to deposits held at Comerica Bank in excess of $2,000,000.00 with which to fund any required fixed and working capital obligations."*

The applicant adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenues – The following table summarizes OHC's projected revenues and operating costs during each of the first two operating years, as provided in the Financials Section (Form B) of the application:

OHC	Project Year 1	Project Year 2
A. Gross Patient Revenue	$1,043,846	$1,853,725
B. Charity Care Deduction	$7,980	$13,356
C. Bad Debt Deduction	$9,033	$14,306
D. Medicare Contractual Allowances	$19,522	$77,787
E. Medicaid Contractual Allowances	$43,608	$84,838
F. Other Contractual Allowances	$12,989	$24,299
G. Net Revenue [A – (B + C + D + E + F)]	$950,714	$1,639,140
H. Total Operating Costs	$1,165,387	$1,616,215
I. Net Income (G - H)	($214,673)	$22,925

As shown above, total operating costs exceed net revenue in Project Year 1 and net revenue exceeds total operating costs in Project Year 2.

Operating Costs – The following tables illustrate:

1) Average total operating cost per visit in Project Year 2
2) Average direct care cost per visit in Project Year 2
3) Average administrative cost per visit in Project Year 2

OHC
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
11,331	$1,616,215	$142.64

OHC
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per visit
11,331	$996,556	$87.95

OHC
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per visit
11,331	$619,658	$54.69

OHC adequately demonstrates that projected revenues and operating costs are reasonable, credible and supported.

Medicare Reimbursement – In Section IV, pages 93-109, Section X, pages 126-127 and the pro formas, pages 168, 171-172, 175, 178-180, 192-196, 199-203, 206-217, OHC provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable, credible and supported.

Adequacy of Staffing – OHC proposed sufficient staffing for the number of visits projected to be performed per day by discipline, including on-call coverage. See Criterion (7) for discussion which is incorporated hereby as if fully set forth herein. The applicant budgets a sufficient amount for the proposed staffing levels.

In summary, OHC adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project and adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is conforming to this criterion.

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

C – All Applicants

HHH adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Wake County based on the following analysis:

1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Wake County in 2013 in addition to the existing agencies serving Wake County residents. See Table 12C on page 313 of the 2012 SMFP and the March 6, 2012 memorandum from MFP, DHSR. HHH submitted its application in response to the need determination in the 2012 SMFP.
2) HHH adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Wake County is needed in addition to the existing agencies. See Sections III, IV and VI of HHH's application.

Consequently, the application is conforming to this criterion.

HKZ Group adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Wake County based on the following analysis:

1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Wake County in 2013 in addition to the existing agencies serving Wake County residents. See Table 12C on page 313 of the 2012 SMFP and the March 6, 2012 memorandum from MFP, DHSR. HKZ Group submitted its application in response to the need determination in the 2012 SMFP.
2) HKZ Group adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Wake County is needed in addition to the existing agencies. See Sections III, IV and VI of HKZ Group's application.

Consequently, the application is conforming to this criterion.

AssistedCare adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Wake County based on the following analysis:

1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Wake County in 2013 in addition to the existing agencies serving Wake County residents. See Table 12C on page 313 of the 2012 SMFP and the March 6, 2012 memorandum from MFP, DHSR. AssistedCare submitted its application in response to the need determination in the 2012 SMFP.
2) AssistedCare adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Wake County is needed in addition to the existing agencies. See Sections III, IV and VI of AssistedCare's application.

Consequently, the application is conforming to this criterion.

Maxim adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Wake County based on the following analysis:

1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Wake County in 2013 in addition to the existing agencies serving Wake County residents. See Table 12C on page 313 of the 2012 SMFP and the March 6, 2012 memorandum from MFP, DHSR. Maxim submitted its application in response to the need determination in the 2012 SMFP.
2) Maxim adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Wake County is needed in addition to the existing agencies. See Sections III, IV and VI of Maxim's application.

Consequently, the application is conforming to this criterion.

OHC adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Wake County based on the following analysis:

1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Wake County in 2013 in addition to the existing agencies serving Wake County residents. See Table 12C on page 313 of the 2012 SMFP and the March 6, 2012 memorandum from MFP, DHSR. OHC submitted its application in response to the need determination in the 2012 SMFP.
2) OHC adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Wake County is needed in addition to the

existing agencies. See Sections III, IV and VI of OHC's application.

Consequently, the application is conforming to this criterion.

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

C – All Applications

HHH. In Section VII.2, pages 107-110, the applicant provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

HHH	Full-Time Equivalent (FTE) Positions Project Year 1	FTEs Project Year 2
Administrator	0.25	1.00
OASIS Coordinator	0.25	1.00
Registered Nurse (RN) (w/Case Mgmt Duties)	0.50	3.00
Receptionist / Scheduler	0.50	1.00
Billing Assistant	0.25	1.00
Medical Records Clerk	0.25	1.00
Certified Nursing Assistant II (CNA II)	0.11	0.64
Licensed Practical Nurse (LPN)	0.28	1.92
Medical Social Worker	0.04	0.22
Physical Therapist	0.36	2.58
Occupational Therapist	0.10	0.58
Speech Therapist	0.02	0.14
Marketing Liaison	0.00	1.00
Nursing Director	0.00	1.00
Total	2.91	16.08

HHH does not propose to use contract staff for the proposed project.

In Section VII.3, page 110, HHH provides the assumptions it used in projecting staffing levels for its patient care staff, which are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day*
RN (w/case mgmt duties)	20.0	4.0
CAN II	30.0	6.0
LPN	25.0	5.0
Physical Therapist	30.0	6.0
Occupational Therapist	28.0	5.6
Speech Therapist	27.0	5.4
Medical Social Worker	8.0	1.6

* Calculated by the project analyst (# of equivalent visits per week /5 days per week = # of visits per day).

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 114, the applicant states:

"HHH will have full-time staff during the week and on-call staff available during the weekend and after hours.

HHH will operate by having an on-call roster for administrative and nursing after-hours. After-hours calls are answered via cell phone. As an additional back-up, HHH's member owner, Hillcrest, employs a registered nurse supervisor available via landline (local call in Wake County) on available 24 hours a day/7 days a week who can facilitate additional support services, if necessary.

The staffing plan in VII.2 provides additional FTE time for coverage for on-call, vacations, holiday, and sick time. HHH has computed weekend and evening differential in its pay calculation."

To determine if HHH's proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in the total work days required to complete the visits. The resulting quotient was divided by 260 work days per year (2,080 work hours per year per FTE position / 8 hours per day = 260 work days per year). This results in the number of required FTE positions. The number of required FTE positions was then compared to the number of projected FTE positions provided by the applicant in Section VII of the application. This calculation was performed for each discipline and is illustrated in the following table:

Discipline	**Projected Visits Project Year 2 (Section IV) (A)**	**Visits per Day Project Year 2 (Section VII) (B)**	**Required FTE Positions* [(A)(B)] / 260**	**Projected FTE Positions Project Year 2 (Section VII)**
RN (w/case mgmt duties) / LPN**	4,165	4.0	4.00	4.92
CNA II	934	6.0	0.60	0.64
Physical Therapist	3,159	6.0	2.03	2.58
Occupational Therapist	782	5.6	0.54	0.58
Speech Therapist	177	5.4	0.13	0.14
Medical Social Workers	86	1.6	0.21	0.22

* Calculated by the project analyst.

** In Section VII, page 108, HHH projects 4.0 RN visits per day and 5.0 LPN visits per day. The applicant did not provide a ratio of RN visits to LPN visits. For purposes of the table above, the project analyst combined RN and LPN and assumed 4.0 visits per day and projected 4.92 FTE positions (3.0 RN FTE positions + 1.92 LPN FTE positions = 4.92 FTE positions) as provided on page 108 of the application.

As shown in the table above, HHH's projected FTEs in Project Year 2 are equal to or exceed the required FTEs as calculated by the project analyst using the applicant's assumptions.

In summary, the applicant proposes adequate staffing for the visits it projects to perform during the first two operating years. Additionally, HHH has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

HKZ Group. In Section VII., pages 78-79, HKZ Group provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

HKZ Group	FTEs Project Year 1	FTEs Project Year 2
Administrator	1.00	1.0
Secretary / Clerk	1.00	1.0
RN	2.00	3.0
LPN	1.00	1.0
CAN	1.00	1.0
Medical Records	0.00	1.0
Physical Therapist	0.75	1.5
Community Relation Representative	0.50	0.5
Total	7.25	10.0

In Section VII.5, page 75, the applicant states *"HealthKeeperz of Wake has discussed using contract services for Project Year 1 with Supplemental Healthcare, Achieving Better Communications, LLC, and CoreMedical Group. As needed, HealthKeeperz of Wake will utilize these entities for RNs, LPNs, physical therapist assistants, speech therapists, medical social workers and occupational therapists."* In Section VII.5(b), page 76, the applicant states *"Additionally, under the Management Agreement, HealthKeeperz, Inc. agrees to provide medical social worker services and nutritionist services as needed."*

In Table VII.2, pages 78-79, the applicant indicates that it intends to use contract staff for medical social workers, physical therapists, occupational therapists and speech therapists.

In Section VII.3, page 74, HKZ Group provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day*
RN	25.0	5.0
LPN / LVN	29.5	5.9
Home Care Aide	26.0	5.2
Physical Therapist	27.0	5.4
Occupational Therapist	26.5	5.3
Social Worker	17.5	3.5

* Calculated by the Project Analyst (# visits per day x 5 days per week = # of equivalent visits per week).

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 77, the applicant states,

> *"On-call coverage will be provided for patient care on a 24-hour on-call basis. The Baylor Plan will be used to staff HealthKeeperz of Wake for patient care on Friday through Sunday. There will be 1 FTE position to staff HealthKeeperz of Wake for patient care on Friday through Sunday. The staffing proposed in Table VII.2 will be sufficient to meet this need."*

To determine if the HKZ Group's proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in

the total work days required to complete the visits. The resulting quotient was divided by 260 work days per year (2,080 work hours per year per FTE position / 8 hours per day = 260 work days per year). This results in the number of required FTE positions. The number of required FTE positions was then compared to the number of projected FTE positions provided by the applicant in Section VII of the application. This calculation was performed for each discipline and is illustrated in the following table:

Discipline	**Projected Visits Project Year 2 (Sections IV) (A)**	**Visits per Day Project Year 2 (Section VII) (B)**	**Required FTE Positions* [(A)(B)] / 260**	**Projected FTE Positions Project Year 2 (Section VII)**
RN/ LPN/ LVN	3,869	5.0	2.980	4.0
Home Care Aide	764	5.2	0.565	1.0
Physical Therapist	2,695	5.4	1.920	1.5
Occupational Therapist	515	5.3	0.370	Contracted
Speech Therapist	127	Did not provide		Contracted
Social Worker	57	3.5	0.060	Contracted

* Calculated by the project analyst.

** In Section VII, page 74, HKZ Group projects 5.0 RN visits per day and 5.9 LPN/LVN visits per day. The applicant did not provide a ratio of RN visits to LPN / LVN visits. For purposes of the table above, the project analyst combined RN and LPN and assumed 5.0 visits per day and projected 4.0 FTE positions (3.0 RN FTE positions + 1.0 LPN FTE positions = 4.0 FTE positions) as provided on page 79 of the application.

As illustrated in the table above, HKZ Group's projected FTE positions in Project Year 2 for nursing and home care aide FTE positions exceed the required FTE positions as calculated by the Project Analyst except for the physical therapist. The applicant projects fewer FTE physical therapist positions than the required FTE positions as calculated by the Project Analyst. However, on page 79, the applicant also projects an hourly rate for a contracted physical therapist, and, as discussed above, the applicant states that it would hire a physical therapist on a contract basis as needed. In the table above, the applicant did not provide the number of contract FTE positions for occupational therapists, speech therapists, medical social workers and physical therapists. Contract employees are compensated on a per visit basis. Thus, it is not necessary to provide a specific number of FTE positions. The hourly rate for the projected contract employees is $75 per visit as stated on page 79 of the application. On pages 108-112 of the pro formas, HKZ Group projects charges of greater than $75 per visit for the services to be contracted.

In summary, HKZ Group proposes adequate staffing for the visits it projects to perform during the first two operating years. Additionally, HKZ Group has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

AssistedCare. In Section VII, pages 129-130, AssistedCare provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

AssistedCare	FTEs Project Year 1	FTEs Project Year 2
Clinical / Operations Manager	1.0	1.0
Medical Records Coordinator / Team Assistant	1.0	1.0
RN	3.4	3.4
LPN	0.2	0.3
CAN	0.4	0.4
Medical Social Worker	0.2	0.2
Physical Therapist	1.3	1.5
Licensed Physical Therapy Assistant	0.4	0.4
Occupational Therapist	0.4	0.4
Speech Therapist	0.2	0.2
Total	8.5	8.8

AssistedCare does not propose to use contract staff for the proposed project. (See page 124 of the application.)

In Section VII.3, page 122, AssistedCare provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day*
Nursing	25.0	5.0
Physical Therapist	25.0	5.0
Occupational Therapist	25.0	5.0
Speech Therapist	25.0	5.0
Home Health Aide	30.0	6.0
Medical Social Worker	17.5	3.5

* Calculated by the Project Analyst (# of equivalent visits per week/5 days per week = # of visits per day).

Regarding staffing for weekend and on-call coverage, in Section VII.7, pages 126-127, the applicant states there will be an on-call nursing staff 24 hours a day, 7 days a week.

To determine if AssistedCare's proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in the total work days required to complete the visits. The resulting quotient was divided by 260 work days per year (2,080 work hours per year per FTE position / 8 hours per day = 260 work days per year). This results in the number of required FTE positions. The number of required FTE positions was then compared to the number of projected FTE positions provided by the applicant in Section VII of the application. This calculation was performed for each discipline and is illustrated in the following table.

Discipline	Projected Visits Project Year 2 (Section IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
Nursing	4,518	5.0	3.48	3.7
Physical Therapist	2,160	5.0	1.66	1.5
Occupational Therapist	355	5.0	.27	0.4
Speech Therapist	221	5.0	0.17	0.2
Home Health Aide	520	6.0	0.33	0.4
Medical Social Worker	110	3.5	0.12	0.2

* Calculated by the project analyst.

As shown in the table above, AssistedCare's projected FTE positions in Project Year 2 are equal to or exceed the required FTE positions as calculated by the project analyst except for the physical therapist position. The applicant projects 1.5 FTE physical therapist positions which is 0.16 of FTE position less than the projected required 1.66 FTE physical therapist positions. On page 130, the applicant states that the average salary for a full time physical therapist is $83,945. To hire the equivalent of 0.16 of a FTE physical therapist position would cost the applicant $13,431.20 ($83,945 x 0.16 = $13,431.20). In the pro formas on page 155, the applicant projects $133,414 in net income for Project Year 2. AssistedCare projects sufficient net income to hire 0.16 of a FTE physical therapist position.

In summary, AssistedCare proposes adequate staffing for the visits it projects to perform during the first two operating years. Additionally, AssistedCare has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

Maxim. In Section VII.2, pages 94-95, Maxim provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Maxim	FTEs Project Year 1	FTEs Project Year 2
Administrator	0.33	0.33
Secretary / Clerk	0.20	0.20
Other Admin. (MOB)	0.50	0.50
Clinical Team Leader	0.40	0.40
RN (Care Provider)	2.40	3.10
CAN	0.70	0.90
Medical Social Worker	0.10	0.13
Physical Therapist	2.50	3.15
Occupational Therapist	0.60	0.80
Speech Therapist	0.12	0.16
Total	7.85	9.67

Maxim does not propose to use contract staff for the proposed project (see application page 98).

In Section VII.3, pages 96-97, Maxim provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day*
RN	28.0	5.6
CAN	28.0	5.6
Physical Therapist	25.0	5.6
Occupational Therapist	25.0	5.0
Speech Therapist	25.0	5.0
Medical Social Worker	17.5	3.5

* Calculated by the Project Analyst (# of equivalent visits per week /5 days per week = # of visits per day).

Regarding staffing for weekend and on-call coverage, in Section VII.7, pages 99-100, the applicant states "All Maxim home health agencies (including the Wake County agency) provide coverage 24 hours a day, seven days per week."

To determine if Maxim's proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in the total work days required to complete the visits. The resulting quotient was divided by 260 work days per year (2,080 work hours per year per FTE position / 8 hours per day = 260 work days per year). This results in the number of required FTE positions. The number of required FTE positions was then compared to the number of projected FTE positions provided by the applicant in Section VII of the application. This calculation was performed for each discipline and is illustrated in the following table.

Discipline	Projected Visits Project Year 2 (Sections IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
RN	4,412	5.6	3.03	3.10
CAN	1,210	5.6	0.83	0.90
Physical Therapist	4,081	5.0	3.14	3.15
Occupational Therapist	983	5.0	0.76	0.8
Speech Therapist	209	5.0	0.16	0.16
Medical Social Worker	119	3.5	0.13	0.13

* Calculated by the Project Analyst.

As shown in the table above, Maxim's projected FTE positions in Project Year 2 are equal to or exceed the required FTE positions as calculated by the project analyst.

In summary, Maxim proposes adequate staffing for the visits it projects to perform during the first two operating years. Additionally, Maxim has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

OHC. In Section VII, pages 142-143, OHC provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

OHC	FTEs Project Year 1	FTEs Project Year 2
Administrator	1.0	1.0
Secretary / Clerk	1.0	1.0
Other Admin. (MOB)	1.0	1.0
Nurse Supervisor (Patient Care Coordinator)	1.0	1.0
RN (Care Provider)	1.2	2.1
LPN	0.7	1.2
CAN	0.9	1.5
Other (OASIS Coordinator)	1.0	1.0
Other (Marketer)	0.5	1.0
Total *	8.3	10.8

* On page 142, OHC reports that the total number of FTE positions in Project Year 1 is 8.4. However, the correct total is 8.3.

In Section VII, pages 128 and 142-145, OHC states that the following services will be contracted: Medical Social Worker, Occupational Therapist, Physical Therapist and Speech Therapist. In Section VII, page 145, the applicant states that the hourly contract fee amount in Year 2 will be $153 per hour for medical social work, $91.80 per hour for physical therapy, $91.80 per hour for occupational therapy, and $91.80 per hour for speech therapy.

In Section VII.3, pages 127-129, OHC provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day*
RN	25.00	5.00
LPN	29.15	5.83
Home Health Aide	26.90	5.38
Physical Therapist	25.00	5.00
Speech Therapist	3.50	0.70
Medical Social Worker	2.00	0.40
Occupational Therapist	25.00	5.00

* Calculated by the Project Analyst (# of equivalent visits per week /5 days per week = # of visits per day).

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 139, the applicant states *"OHC will provide coverage 24 hours a day, seven days per week."*

To determine if OHC's proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in the total work days required to complete the visits. The resulting quotient was divided by 260 work days per year (2,080 work hours per year per FTE position / 8 hours per day = 260 work days per year). This results in the number of required FTE positions. The number of required FTE positions was then compared to the number of projected FTE positions provided by the applicant in Section VII of the application. This calculation was performed for each discipline and is illustrated in the following table.

Discipline	Projected Visits Project Year 2 (Section IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
RN / LPN	4,193	5.00	3.23	3.3
Home Health Aide	1,943	5.38	1.39	1.5
Physical Therapist	3,728	5.00	2.87	None Projected
Speech Therapist	250	0.70	1.37	None Projected
Occupational Therapist	1,063	5.00	0.82	None Projected
Medical Social Worker	154	0.40	1.48	None Projected

* Calculated by the Project Analyst.

** In Section VII, page 127, OHC projects 5.0 RN visits per day and 5.83 LPN visits per day. The applicant did not provide a ratio of RN visits to LPN visits. For purposes of the table above, the Project Analyst combined RN and LPN and assumed 5.0 visits per day and projected 3.3 FTE positions (2.1 RN FTE positions + 1.2 LPN FTE positions = 3.3 FTE positions) as provided on page 143 of the application.

As illustrated in the table above, OHC's projected FTE positions in Project Year 2 for nursing and home health aide FTE positions exceed the required FTE positions as calculated by the project analyst. In the table above, the applicant did not provide the number of contract FTE positions for physical therapists, occupational therapists, speech therapists and medical social workers. Contract employees are compensated on a per visit basis. Thus, it is not necessary to provide a specific number of FTE positions. On page 145, the OHC provides the hourly contract fee and the projected total number of contract visits per year for the physical therapists, occupational therapists, speech therapists and medical social workers. In Form B of the pro formas, pages 168-169, OHC budgeted sufficient funds to cover the total of the hourly contract fees multiplied by the projected total number of contract visits for each of the four service disciplined projected to use contract employees.

In summary, OHC proposes adequate staffing for the visits it projects to perform during the first two operating years. Additionally, OHC has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

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

C – All Applicants

HHH. In Section VII.5, page 112, the applicant states it does not propose to contract for direct patient care services. Exhibit G contains letters of support and referral letters for the proposal from health care providers. In Section V.2, page 95, the applicant discusses anticipated referral sources. HHH adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

HKZ Group. In Section VII.5, page 75-76, the applicant states it will contract for speech therapy, physical therapy, occupational therapy, and medical social work. Exhibit 12 contains:

1) A letter of intent from Supplemental Healthcare for staffing services (nursing and allied health).
2) A letter of intent from CoreMedical Group for staffing services (nursing, therapists, medical social workers, dietary and pharmacy).
3) A letter of intent from a speech language pathologist with Achieving Better Communication, LLC.

Exhibits 6 and 7 contain letters of support for the proposal from health care providers and a list of health care providers contacted. In Sections V.2 and V.3, the applicant discusses anticipated referral sources. HKZ Group adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

AssistedCare. In Section VII.5, page 124, the applicant states it does not propose to contract for direct patient care services. Exhibit 5 contains letters of support for the proposal from health care providers and a list of health care providers contacted. In Sections V.2 and V.3, the applicant discusses anticipated referral sources. Assisted Care adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Maxim. In Section VII.5, page 98, the applicant states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, the applicant discusses anticipated referral sources. Exhibit 18 contains letters of support for the proposal from health care providers and a list of healthcare providers contacted. Maxim adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

OHC. In Section VII.5, pages 128 and 145, the applicant states it will contract for speech therapy, physical therapy, occupational therapy and medical social work. In Section V.2 and V.3, pages 111-112, the applicant discusses anticipated referral sources. Exhibit 6 contains letters of intent for each of the following services: 1) dental; 2) dietician; 3) durable medical equipment; 4) interpreter; 5) physician consultation; 6) medical director; 7) medical social work; 8) payroll; 9) pharmacy; 10) psychiatric; 11) physical, occupational and speech therapy; and 12) staffing. Exhibits 3, 4, 5 and 16 contain documentation showing that health care providers and others were contacted regarding the proposal. OHC adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

(9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA – All Applicants

(10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers: (i) would be available under a contract of at least 5 years duration; (ii)would be available and conveniently accessible through physicians and other health professionals associated with the HMO; (iii) would cost no more than if the services were provided by the HMO; and (iv) would be available in a manner which is administratively feasible to the HMO.

NA – All Applicants

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA – All Applicants

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

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C – Maxim
NA – All Other Applicants

Maxim operates an existing licensed home care agency in Wake County. In Section VI.11, page 90, Maxim provides the FY 2011 payor mix for the existing licensed home care agency, as shown in the table below.

Payor	Visits as a Percentage of Total Visits
Commercial Insurance	40%
Medicaid	60%
Total	100%

As shown in the table above, during FY 2011, 60% of Maxim's home care patients were Medicaid recipients. Note: Maxim's existing licensed home care agency is not currently certified for Medicare reimbursement.

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY 2009, respectively. The data in the table were obtained on September 27, 2012. More current data, particularly with regard to the estimated uninsured percentages, were not available.

	Total # of Medicaid Eligible as % of Total Population	Total # of Medicaid Eligibles Age 21 and older as % of Total Population	% Uninsured CY 2009 (Estimate by Cecil G. Sheps Center)
Wake County	10.0%	3.4%	18.4%
Statewide	17%	6.7%	19.7%

Source: DMA Website: http://www.ncdhhs.gov/dma/pub/index.htm

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicant demonstrates that it provides adequate access to medically underserved groups. Therefore, the application is conforming to this criterion.

None of the other applicants operates an existing Medicare-certified home health agency or an existing licensed home care agency in Wake County. Furthermore, none of the other applicants have an affiliation with an existing Medicare-certified home health agency that serves a substantial number of Wake County residents out of an office located in another county.

(b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C – All Applicants

HHH. In Section VI.9, page 104, the applicant states *"HHH does not have any civil rights equal access complaints filed against any of its facilities or agencies."* In Section VI.10, page 104, the applicant states, *"HHH does not have any obligation under any applicable regulations to provide uncompensated care, community service, or access by minorities and handicapped persons; however, HHH will provide uncompensated care, community service, and access by minorities and handicapped persons at its proposed Medicare-certified home health agency in Wake County."* The application is conforming to this criterion.

HKZ Group. In Section VI.9, page 72, the applicant states *"HealthKeeperz of Wake is not an existing home health agency. Healthkeeperz, Inc.* [the company that will manage the proposed home health agency] *has not had any civil rights equal access complaints filed against its existing home health agencies in North Carolina in the last five years."* In Section VI.10, page 73, the applicant states, *"HealthKeeperz of Wake has no obligation under any applicable regulations to provide uncompensated care, community service or access by minorities and handicapped persons."* The application is conforming to this criterion.

AssistedCare. In Section VI.9, page 119, the applicant states *"AssistedCare of the Carolinas does not own any home health agencies in North Carolina or any other states. No civil rights equal access complaints have been filed against existing home health agencies owned by the applicant's related entities in North Carolina during*

the past five years." In Section VI.10, page 119, the applicant states *"None of the applicant's related entities has an obligation to provide uncompensated care or community service under any applicable regulations; however, as discussed in the response to VI.3, AssistedCare of the Carolinas is committed to serving all patients regardless of race, color, creed, sex, age, sexual orientation, handicap (mental or physical), communicable disease, or place of national origin."* The application is conforming to this criterion.

Maxim. In Section VI.9, page 89, the applicant states *"Maxim has not had any civil rights equal access complaints filed against its North Carolina home health agencies in the last five years."* In Section VI.10, page 89, the applicant states *"Maxim is not obligated under federal regulations to provide uncompensated care, community service, or access by minorities or handicapped persons. Maxim provides uncompensated care, community service and other services to the local community, as previously described in Section VI. Maxim does not discriminate based on race, creed, color, sex, age, religion, national origin, medical condition, disability, veteran status, sexual orientation, genetic information or ability to pay."* The application is conforming to this criterion.

OHC. In Section VI.9, page 124, the applicant states *"OHC is not an existing agency. Additionally, no civil rights equal access complaints that* [sic] *have been filed against any of the companies owned by the OHC members/owners in North Carolina in the last five years."* In Section VI.10, page 124, the applicant states it *"has no obligation, but still willingly provides uncompensated care, community service, and access to minorities and handicapped persons."* The application is conforming to this criterion.

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

C – All Applicants

The following table illustrates the FFY 2011 payor mix for the existing Medicare-certified home health agencies located in Wake County (Wake County agencies), as reported in their 2012 LRAs.

Existing Medicare-Certified Home Health Agencies Located in Wake County	Percent of Total Visits	
	Medicare	Medicaid
Medi Home Health	92.1%	5.9%
Bayada	91.6%	0.0%
Heartland	90.2%	2.8%
Horizons	89.8%	3.4%
Intrepid	80.8%	13.0%
Gentiva	79.3%	3.3%
WakeMed Home Health	70.0%	12.8%
Liberty	67.8%	2.4%
Rex Home Services	57.1%	2.2%
At Home	57.0%	15.5%
Professional Nursing	33.5%	46.0%
Pediatric Services	0.0%	75.2%
Average *	74.0%	6.3%
Average (excluding Pediatric Services) *	74.1%	6.2%
Average (excluding Pediatric Services and Professional Nursing) *	74.4%	5.9%

* This was not calculated by adding up the percentages for each agency and dividing by 12 (there are 12 agencies listed in the table). It is a "weighted average." For example, to calculate the Average Medicare percentages, the total visits provided by each agency were added together (A), the Medicare visits provided by each agency were added together (B) and then B was divided by A. The Average Medicaid percentages were calculated in the same manner. A weighted average gives more "weight" to those agencies that provided more visits. The total number of visits provided by the agencies listed in the table varies considerably, just like the Medicare and Medicaid percentages.

As shown in the table above, the weighted average Medicare percentage for all Wake County agencies was 74% in FFY 2011 and the weighted average Medicaid percentage was 6.3%. The Medicare percentage ranges from a low of 0% to a high of 92.1%. The Medicaid percentages range from a low of 0% to 75.2%. An average was calculated excluding Pediatric Services and an average was calculated excluding both Pediatric Services and Professional Nursing. These agencies were excluded because: 1) Pediatric Services serves only children and would not be expected to serve Medicare recipients; and 2) Professional Nursing's payor mix is very dissimilar from the 10 agencies that serve both children and adults. However, because neither agency served very many clients in comparison to the other agencies, excluding these agencies has very little impact on the average.

HHH. In Section IV, page 87, and Section VI.12, page 105, the applicant provides the following projected payor mix for Project Year 2.

Payor	Unduplicated Patients as a % of Total Unduplicated Patients (from Section VI.12, page 105)	Visits as a % of Total Visits (from Section IV, page 87)
Medicare	52.8%	64.7%
Medicaid	14.5%	13.1%
Commercial	29.0%	19.7%
Indigent	1.5%	1.0%
Other	2.2%	1.5%
Total	100.0%	100.0%

* The Project Analyst assumes that rounding may be responsible for the totals not equaling 100%.

The projected Medicare percentage for visits is comparable to the percentage reported by two of the existing Wake County agencies (WakeMed Home Health and Liberty). The projected Medicaid percentage for visits is comparable to the percentage reported by two of the existing Wake County agencies (WakeMed Home Health and Intrepid).

The applicant demonstrated that the elderly and medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

HKZ Group. In Section IV, page 55, and Section VI.12, page 73, the applicant provides the following projected payor mix for Project Year 2.

Payor	Unduplicated Patients as a % of Total Unduplicated Patients (from Section IV, page 55)	Visits as a % of Total Visits (from Section VI.12, page 73)
Medicare	58.5%	69.7%
Medicaid	28.8%	14.8%
Commercial	7.4%	14.5%
Private Pay	0.0%	1.0%
VA and Tricare *	5.3%	0.0%
Total	100.0%	100.0%

* For visits, VA and Tricare are included in Commercial which is called Private Insurance in Section IV, page55.

The projected Medicare percentage for visits is comparable to the percentage reported by two of the existing Wake County agencies (WakeMed Home Health and Liberty). The projected Medicaid percentage for visits is comparable to the percentage reported by three of the existing Wake County agencies (WakeMed Home Health, Intrepid and At Home).

The applicant demonstrated that the elderly and medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

AssistedCare. In Section IV, page 96, and Section VI.12, page 121, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Unduplicated Patients as a % of Total Unduplicated Patients** (from Section IV, page 95)	**Visits as a % of Total Visits** (from Section VI.12, page 121)
Medicare	65.4%	65.4%
Medicaid	10.2%	10.2%
Private Pay / Commercial	21.5%	21.5%
Charity	0.3%	0.3%
Self Pay / Other	2.6%	2.6%
Total	100.0%	100.0%

The projected Medicare percentage for visits is comparable to the percentage reported by three of the existing Wake County agencies (Liberty, Rex Home Services and At Home). The projected Medicaid percentage for visits is comparable to the percentage reported by two of the existing Wake County agencies (WakeMed Home Health and Intrepid).

The applicant demonstrated that the elderly and medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

Maxim. In Section IV, page 67, and Section VI.12, page 91, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Unduplicated Patients as a % of Total Unduplicated Patients** (from Section IV, page 67)	**Visits as a % of Total Visits** (from Section VI.12, page 91)
Medicare	74.0%	84.8%
Medicaid	13.3%	7.4%
Commercial	11.8%	7.4%
Self Pay/Indigent/Charity	0.9%	0.4%
Total	100.0%	100.0%

The projected Medicare percentage for visits is comparable to the percentage reported by four of the existing Wake County agencies (Heartland, Horizons, Intrepid and Gentiva). The projected Medicaid percentage for visits is comparable to the weighted average for the existing Wake County agencies.

The applicant demonstrated that the elderly and medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

OHC. In Section IV, page 97, and Section VI.12, page 91, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Unduplicated Patients as a % of Total Unduplicated Patients** (from Section IV, page 97)	**Visits as a % of Total Visits** (from Section VI, page 91)
Medicare	74.0%	79.99%
Medicaid	14.0%	12.99%
Commercial	9.0%	5.32%
Private Pay	1.5%	0.85%
Charity	1.5%	0.85%
Total	100.0%	100.0%

The projected Medicare percentage for visits is comparable to the percentage reported by two of the existing Wake County agencies (Intrepid and Gentiva). The projected Medicaid percentage for visits is comparable to the percentage reported by three of the existing Wake County agencies (At Home, Intrepid and WakeMed Home Health).

The applicant demonstrated that the elderly and medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

(d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C – All Applicants

HHH. In Section VI.8(a), page 103, HHH identifies the range of means by which a person will have access to its services. The applicant adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

HKZ Group. In Section VI.8 (a), page 72, HKZ Group identifies the range of means by which a person will have access to its services. The applicant adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

AssistedCare. In Section VI.8 (a), page 117, AssistedCare identifies the range of means by which a person will have access to its services. The applicant adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

Maxim. In Section VI.8(a), page 85, Maxim identifies the range of means by which a person will have access to its services. The applicant adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

OHC. In Section VI.8(a), page 123, OHC identifies the range of means by which a person will have access to its services. The applicant adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

(14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C – All Applications

HHH. In Section V.1, page 94, the applicant states

"HHH has offered its home health agency to local health professional training programs as a training site. HHH has contacted to [sic] the following health training programs:

NC State University
Meredith College
Shaw University
Wake Technical Community College
Durham Technical Community College"

Exhibit Q contains copies of the letters sent to the schools listed above which express an interest in offering the proposed facility as a clinical training site. The applicant adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

HKZ Group. In Section V.1, page 60, the applicant states that it has an existing professional training relationship with UNC-Pembroke to provide training for health professionals within home health disciplines and intends to establish similar relationships with clinical programs in Wake County and surrounding counties. HKZ Group states it has "*attempted to reach representatives at Wake Tech and NCCU as documented in the outreach summary included in Exhibit 6. Contact has been made with representatives of the Barton College Nursing Department, and interest was expressed in using HealthKeeperz of Wake for clinical placement. HealthKeeperz of Wake will continue to reach out to educational and training programs to health meet* [sic] *the clinical needs of students in those programs.*" The applicant adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

AssistedCare. In Section V.1, pages 99, the applicant states *"AssistedCare of the Carolinas has sent letters to eight program administrators in six institutions in the area indicating AssistedCare of the Carolinas' intent to submit a certificate of need application for a new home health agency office in Wake County and stating its desire to offer the new agency as a training site for students of the various institutions."* Exhibit 29 contains copies of the letters sent to area health professional training programs expressing an interest in offering the proposed facility as a training site. The applicant adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Maxim. In Section V.1, page 77, the applicant states *"Maxim is committed to establishing and maintaining collaborative relationships with local and regional health professional training programs. The proposed Medicare-certified Home Health Agency in Wake County will be available to all area schools and training programs, as necessary. Maxim has received a letter from Wake Tech Community College regarding the development of a training program for the proposed project."* Exhibit 10 contains a copy of the letter from Wake Tech. The applicant adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

OHC. In Section V.1, page 110, the applicant states:

> *"OCH is committed to assisting health professional programs meet their clinical training needs when such assistance is requested. The applicants have contacted several Wake County area health professional training programs to offer the proposed facility as a clinical training site. The programs contacted include:*
>
> *UNC School of Nursing*
> *UNC Division of Physical Therapy*
> *UNC Division of Occupational Science*
> *UNC Division of Speech and Hearing Services*
> *UNC School of Social Work*
> *Duke University School of Nursing*
> *Duke University Department of Physical and Occupational Therapy*
> *Duke University Department of Clinical Social Work*
> *NCCU Department of Nursing*
> *NCCU Department of Social Work*
> *Durham Technical Community College Nursing Program*
> *Durham Technical Community College Practical Nursing Program*
> *Wake Technical Community College Nursing Program*
> *Watts School of Nursing"*

Exhibit 15 contains copies of the letters sent to the schools listed above expressing an interest in offering the proposed facility as a clinical training site. The applicant adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C – All Applicants

HHH does not currently own or operate a Medicare-certified home health agency in Wake County or anywhere else in the State. See Section V.7, page 98, where HHH specifically discusses the impact of its proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, IV, V, VI and VII. The information provided by HHH in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to home health services in Wake County. This determination is based on the information in the application, and the following analysis:

- HHH adequately demonstrates the need to develop a new Medicare-certified home health agency in Wake County and that the proposal is a cost-effective alternative to meet the need.
- HHH proposes to provide quality services.
- HHH proposes to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

HKZ Group does not currently own or operate a Medicare-certified home health agency in Wake County or anywhere else in the State. The proposed management company, HealthKeeperz, Inc., does own and operate three Medicare-certified home health agencies in Robeson, Scotland and Cumberland counties. See Section V.7, pages 63-65, where HKZ Group specifically discusses the impact of its proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, IV, V, VI and VII. The information provided by HKZ Group in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to home health services in Wake County. This determination is based on the information in the application, and the following analysis:

- HKZ Group adequately demonstrates the need to develop a new Medicare-certified home health agency in Wake County and that the proposal is a cost-effective alternative to meet the need.
- HKZ Group proposes to provide quality services.
- HKZ Group proposes to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

AssistedCare does not currently own or operate a Medicare-certified home health agency in Wake County or anywhere else in the State. The proposed management company, AssistedCare Management Group, Inc., does manage an existing Medicare-certified home health agency in Brunswick County. See Section V.7, pages 104-111, where AssistedCare specifically discusses the impact of its proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, IV, V, VI and VII. The information provided by AssistedCare in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to home health services in Wake County. This determination is based on the information in the application, and the following analysis:

- AssistedCare adequately demonstrates the need to develop a new Medicare-certified home health agency in Wake County and that the proposal is a cost-effective alternative to meet the need.
- AssistedCare proposes to provide quality services.
- AssistedCare proposes to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

Maxim does not own or operate any existing Medicare-certified home health agencies in North Carolina. It does own and operate them in other states. Maxim does currently own and operate 17 licensed home care agencies in North Carolina, including one in Wake County. See Section V.7, pages 80-81, where Maxim specifically discusses the impact of its proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, IV, V, VI and VII. The information provided by Maxim in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to home health services in Wake County. This determination is based on the information in the application, and the following analysis:

- Maxim adequately demonstrates the need to develop a new Medicare-certified home health agency in Wake County and that the proposal is a cost-effective alternative to meet the need.
- Maxim proposes to provide quality services.
- Maxim proposes to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

OHC does not own or operate any existing Medicare-certified home health agencies in North Carolina but it does own one in Michigan. See Section V.7, pages 115-117, where OHC specifically discusses the impact of its proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. See also Sections II, III, IV, V, VI and VII. The information provided by OHC in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to home health services in Wake County. This determination is based on the information in the application, and the following analysis:

- OHC adequately demonstrates the need to develop a new Medicare-certified home health agency in Wake County and that the proposal is a cost-effective alternative to meet the need.
- OHC proposes to provide quality services.
- OHC proposes to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

(20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C – Maxim
NA – All Other Applicants

Maxim currently owns and operates a licensed home care agency in Wake County. The agency is not Medicare-certified. According to the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, there were no incidents during the 18 months immediately preceding the date of this decision which resulted in any of the following actions: provisional license; suspension of services; intent to revoke license; or revocation of license. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

(b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NC

AssistedCare
OHC

C – All Other Applicants

The proposals submitted by AssistedCare and OHC are not conforming to all applicable Criteria and Standards for Home Health Services promulgated in 10A NCAC 14C .2000.

The proposals submitted by all the other applicants are conforming with all applicable Criteria and Standards for Home Health Services promulgated in 10A NCAC 14C .2000.

The specific criteria are discussed below.

SECTION .2000 CRITERIA AND STANDARDS FOR HOME HEALTH SERVICES

10A NCAC 14C .2002 INFORMATION REQUIRED OF APPLICANT

.2002(a) An applicant shall identify:
(1) the counties that are proposed to be served by the new office;

-C- **HHH** projects to serve residents of Wake County.
-C- **HKZ Group** projects to serve residents of Wake County.
-C- **AssistedCare** projects to serve residents of Wake County.
-C- **Maxim** projects to serve residents of Wake County.
-C- **OHC** projects to serve residents of Wake, Chatham, Durham and Johnston counties.

(2) the proposed types of services to be provided, including a description of each discipline;

-C- **HHH**. In Section II.1, pages 15-26, and Section II.8, pages 40-51, the applicant describes the services it proposes to offer by each discipline.
-C- **HKZ Group**. In Section II.1, pages 9-13, the applicant describes the services it proposes to offer by each discipline.
-C- **AssistedCare**. In Section II.1, pages 8-34, the applicant describes the services it proposes to offer by each discipline.

-C- **Maxim**. In Section II.1, pages 9-17, the applicant describes the services it proposes to offer by each discipline.

-C- **OHC**. In Section II.1, pages 17-44, the applicant describes the services it proposes to offer by each discipline.

(3) the projected total unduplicated patient count of the new office for each of the first two years of operation;

-C- **HHH**. In Section II.8, page 52, the applicant projects to serve 121 unduplicated patients in Year 1 and 538 unduplicated patients in Year 2.

-C- **HKZ Group**. In Section IV., page 58, the applicant projects to serve 348 unduplicated patients in Year 1 and 492 unduplicated patients in Year 2.

-C- **AssistedCare**. In Exhibit 28, Table IV.1, page 358 of the exhibits, the applicant projects to serve 464 unduplicated patients in Year 1 and 500 unduplicated patients in Year 2.

-C- **Maxim**. In Section IV.1, pages 63-64, the applicant projects to serve 439 unduplicated patients in Year 1 and 516 unduplicated patients in Year 2.

-C- **OHC**. In Section IV.3, pages 94-95, the applicant projects to serve 372 unduplicated patients in Year 1 and 573 unduplicated patients in Year 2.

(4) the projected number of patients to be served per service discipline for each of the first two years of operation;

-C- **HHH**. In Section II.8, page 52, the applicant provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

-C- **HKZ Group**. In Section IV, page 59, the applicant provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

-C- **AssistedCare**. In Exhibit 28, Table IV.2, page 359 of the exhibits, the applicant provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

-C- **Maxim**. In Section IV, page 65, the applicant provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

-C- **OHC**. In Section IV, page 95, the applicant provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

(5) the projected number of visits by service discipline for each of the first two years of operation;

-C- **HHH**. In Section II.8, page 52, the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.

-C- **HKZ Group**. In Section IV, page 59, the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.

-C- **AssistedCare**. In Exhibit 28, Table IV.2, page 359 of the exhibits the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.

-C- **Maxim**. In Section IV, page 65, the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.

-C- **OHC**. In Section IV, page 95, the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.

(6) within each service discipline, the average number of patient visits per day that are anticipated to be performed by each staff person;

-C- **HHH**. In Section II.8, page 53, the applicant provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

-C- **HKZ Group**. In Section VII, pages 74, 78, 79, the applicant provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

-C- **AssistedCare**. In Section VII, page122, the applicant provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

-C- **Maxim**. In Section VII.3, page 96, the applicant provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

-C- **OHC**. In Section VII, pages 127-128 and pages 144-145, the applicant provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

(7) the projected average annual cost per visit for each service discipline;

-C- **HHH**. In Section X.1, page 122, the applicant provides the projected average annual cost per visit for each proposed service discipline.

-C- **HKZ Group**. In Section X.1, page 85, the applicant provides the projected average annual cost per visit for each proposed service discipline.

-C- **AssistedCare**. In Section X.1, page 140, the applicant provides the projected average annual cost per visit for each proposed service discipline.

-C- **Maxim**. In Section X.1, page 108, the applicant provides the projected average annual cost per visit for each proposed service discipline.

-C- **OHC**. In Section X.1, page 154, the applicant provides the projected average annual cost per visit for each proposed service discipline.

(8) the projected charge by payor source for each service discipline;

-C- **HHH**. In Section X.2, page 123, the applicant provides the projected charge by payor source for each proposed service discipline.

-C- **HKZ Group**. In Section X.2, page 85, the applicant provides the projected charge by payor source for each proposed service discipline.

-C- **AssistedCare**. In Section X.2, page 141, the applicant provides the projected charge by payor source for each proposed service discipline.

-C- **Maxim**. In Section X.2, page 109, the applicant provides the projected charge by payor source for each proposed service discipline.

-C- **OHC**. In Section X.2, page 156, the applicant provides the projected charge by payor source for each proposed service discipline.

(9) the names of the anticipated sources of referrals; and

-C- **HHH**. In Section V.2, page 95, and Exhibit G, the applicant identifies anticipated referral sources. Exhibit G contains letters of support and referral letters.

-C- **HKZ Group**. In Sections V.2 and V.3, pages 61-62, and Exhibits 6 and 7, the applicant identifies anticipated referral sources. Exhibits 6 and 7 contain letters of support for the proposal from health care providers and a list of health care providers contacted.

-C- **AssistedCare**. In Sections V.2 and V.3, pages 100-102, and Exhibit 5, the applicant identifies anticipated referral sources. Exhibit 5 contains letters of support for the proposal from health care providers and a list of health care providers contacted.

-C- **Maxim**. In Sections V.2 and V.3, page 78, and Exhibit 18, the applicant identifies anticipated referral sources. Exhibit 18 contains letters of support for the proposal from health care providers and a list of health care providers contacted.

-C- **OHC**. In Sections V.2 and V.3, pages 111-112, and Exhibits 4, 5, 6 and 16, the applicant identifies anticipated referral sources. Exhibits 4, 5, 6 and 16 contain letters of support for the proposal from health care providers, a list of health care providers contacted and a survey of local providers.

(10) documentation of attempts made to establish working relationships with the sources of referrals.

-C- **HHH**. In Sections V.2 and V.3, pages 95-96, and Section VI.8, pages 103-104, the applicant discusses potential referral sources and its attempts to establish working relationships with them. Exhibit G contains documentation of attempts to establish working relationships with sources of referrals.

-C- **HKZ Group**. In Sections V.2 and V.3, pages 61-62, and Section VI.8, page 72, the applicant discusses potential referral sources and its attempts to establish working relationships with them. Exhibits 6 and 7 contain documentation of attempts to establish working relationships with sources of referrals.

-C- **AssistedCare**. In Section V.2 and V.3, pages 100-102, and Section VI.8, pages 117-119, the applicant discusses potential referral sources and its attempts to establish working relationships with them. Exhibit 30 contains documentation of attempts to establish working relationships with sources of referrals.

-C- **Maxim**. In Sections V.2 and V.3, page 78, and Section VI.8, pages 85-88, the applicant notes that it operates an existing licensed home care agency that has served over 1,500 patients and describes its existing working relationships with referral sources. Exhibit 18 contains documentation of attempts to establish working relationships with sources of referrals for the proposed Medicare-certified home health agency.

-C- **OHC**. In Sections V.2 and V.3, pages 111-112, and Section VI.8, page 123-124, the applicant discusses its attempts to establish working relationships with referral sources. Exhibits 3, 4, 5, 6 and 16 contain documentation of attempts to establish working relationships with sources of referrals.

All assumptions, including the specific methodology by which patient utilization and costs are projected, shall be clearly stated.

-C- **HHH**. The applicant provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro formas. All assumptions are clearly stated.

-C- **HKZ Group**. The applicant provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro formas. All assumptions are clearly stated.

-C- **AssistedCare**. The applicant provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro formas. All assumptions are clearly stated.

-C- **Maxim**. The applicant provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro formas. All assumptions are clearly stated.

-C- **OHC**. The applicant provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro formas. All assumptions are clearly stated.

.2002(b) An applicant shall specify the proposed site on which the office is proposed to be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify an alternate site. The applicant shall provide documentation from the owner of the sites or a realtor that the proposed and alternate site(s) are available for acquisition.

-C- **HHH**. In Section II.8, page 56, and Section XI, pages 129-135, the applicant identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibits H and I contain documentation that both sites are available.

-C- **HKZ Group**. In Section X1, pages 89-90, the applicant identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibit 16 contains documentation that both sites are available.

-NC- **AssistedCare**. In Section XI, pages 83, the applicant identifies only one site for the proposed Medicare-certified home health agency. Exhibit 35 contains documentation that that site is available. The applicant did not provide documentation that the proposed site is *"owned by or under the control of the applicant"* and did not identify an alternate site. Therefore, the application is nonconforming with this Rule.

-C- **Maxim**. In Section XI, page 115, the applicant identifies only one site for the proposed Medicare-certified home health agency. Exhibit 2 contains the executed lease for the existing licensed home care agency. Maxim adequately demonstrates that the proposed site is *"under the control of the applicant."*

-NC- **OHC**. In Section XI, pages 162-163, the applicant identifies only one site for the proposed Medicare-certified home health agency. Exhibit 8 contains documentation that the site is available. The applicant did not provide documentation that the proposed site is *"owned by or under the control of the applicant"* and did not identify an alternate site. Therefore, the application is nonconforming with this Rule.

.2002(c) An applicant proposing to establish a new home health agency pursuant to a need determination in the Sate [sic] *Medical Facilities Plan to meet the special needs of the non-English speaking, non-Hispanic population shall provide the following additional information:*

(1) for each staff person in the proposed home health agency, identify the foreign language in which the person is fluent to document the home health agency will have employees fluent in multiple foreign languages other than Spanish, including Russian;

(2) description of the manner in which the proposed home health agency will actively market and provide its services to non-English speaking, non-Hispanic persons; and

(3) documentation that the proposed home health agency will accept referrals of non-English speaking, non-Hispanic persons from other home health agencies and entities, within Medicare Conditions of Participation and North Carolina licensure rules.

-NA- **None of the applicants** propose to establish a new Medicare-certified home health agency pursuant to a need determination in the State Medical Facilities Plan to meet the special needs of the non-English speaking, non-Hispanic population.

10A NCAC 14C .2003 PERFORMANCE STANDARDS

An applicant shall project, in the third year of operation, an annual unduplicated patient caseload for the county in which the facility will be located that meets or exceeds the minimum need used in the applicable State Medical Facilities Plan to justify the establishment of a new home health agency office in that county. An applicant shall not be required to meet this performance standard if the home health agency office need determination in the applicable State Medical Facilities Plan was not based on application of the standard methodology for a Medicare-certified home health agency office.

-C- **HHH**. In Section II.8, page 58, and Section IV, page 74, the applicant provides the number of unduplicated patients it projects to serve in Project Year 1 (121) and Project Year 2 (538). However, HHH did not provide the number of unduplicated patients it projects to serve in Project Year 3. Since HHH projects to serve substantially more than 275 unduplicated patients in Project Year 2, the Project Analyst assumes HHH will serve at least 275 unduplicated patients in Project Year 3.

-C- **HKZ Group**. In Section IV, page 58, the applicant projects to serve 523 unduplicated patients in the third year of operation, which exceeds the minimum need of 275 patients used in the 2012 State Medical Facilities Plan.

-C- **AssistedCare**. In Section IV.3, page 95, the applicant projects to serve 539 unduplicated patients in the third year of operation, which exceeds the minimum need of 275 patients used in the 2012 State Medical Facilities Plan.

-C- **Maxim**. In Section II., pages 35-36, the applicant projects to serve 529 unduplicated patients in the third year of operation, which exceeds the minimum need of 275 patients used in the 2012 State Medical Facilities Plan.

-C- **OHC**. In Section II, page 59, the applicant projects to serve 552 unduplicated patients in the third year of operation, which exceeds the minimum need of 275 patients used in the 2012 State Medical Facilities Plan.

10A NCAC 14C .2005 STAFFING AND STAFF TRAINING

.2005(a) An applicant shall demonstrate that proposed staffing for the home health agency office will meet the staffing requirements as contained in 10A NCAC 13J which is incorporated by reference including all subsequent amendments. A copy of 10A NCAC 13J may be obtained from the Division of Health Service Regulation, Medical Facilities Licensure Section at a cost of two dollars and sixty cents ($2.60).

-C- **HHH**. In Section II.8, page 59, the applicant states *"Please refer to Section VII for details regarding proposed agency staffing. HHH will meet all relevant licensure requirements regarding staffing."* Exhibit J contains copies of job descriptions. Exhibit K contains a copy of an In-service Education Policy and a list of continuing education / in-service topics. Exhibit E contains a copy of 10A NCAC 13J.

-C- **HKZ Group**. In response to this rule, in Section II.8, page 22, the applicant references Table VII.2, pages 78-79. Section VII requests proposed staffing for each of the first two years of operation.

-C- **AssistedCare**. In response to this rule, in Section II.8, page 55, the applicant references Table VII.2, pages 129-130. Section VII requests proposed staffing for each of the first two years of operation.

-C- **Maxim**. In Section II.8, page 36, the applicant states *"The proposed new Medicare-certified Wake County home health agency office will meet the staffing requirements as contained in 10A NCAC 13J. Please refer to Section VII for details regarding agency staffing."*

-C- **OHC**. In Section II.8, page 59, the applicant states *"Please see the responses in Section VII, questions 1-9, that demonstrate the proposed office will meet the staffing requirements as contained in 10A NCAC 13J."*

.2005(b) An applicant shall provide copies of letters of interest, preliminary agreements, or executed contractual arrangements between the proposed home health agency office and each health care provider with which the home health agency office plans to contract for the provision of home health services in each of the counties proposed to be served by the new office.

-NA- **HHH**. In Section VII.5, page 112, the applicant states *"HHH does not propose to utilize contracts* [sic] *services for its personnel."*

-C- **HKZ Group**. In Section VII.5(a), page 75, the applicant states *"HealthKeeperz of Wake has discussed using contract services for Project Year 1 with Supplemental Healthcare, Achieving Better Communications, LLC, and CoreMedical Group. As needed HealthKeeperz of Wake will utilize these entities for RNs, LPNs, physical therapists, physical therapist assistants, speech therapists, medical social workers and occupational therapists."* In Section VII.5(b), page 76, the applicant states *"Additionally, under the Management Agreement, HealthKeeperz, Inc., agrees to provide medical social worker services and nutritionist services as needed."* Exhibit 12 contains copies of letters of interest from the proposed health care providers with which HKZ Group plans to contract for the provision of home health services. Exhibit 2 contains a copy of the management agreement.

-NA- **AssistedCare**. In Section VII.5, page 124, the applicant states *"AssistedCare of the Carolinas does not plan to contract services for home health. All care will be provided through agency staff."*

-NA- **Maxim**. In Section VII.5, page 98, the applicant states *"Maxim does not propose to contract for personnel to provide direct patient care services for its Wake County Medicare-certified home health agency."*

-C- **OHC**. In Section VII.3, page128, the applicant states that it will contract for medical social workers, speech and language pathologists, physical therapists and occupational therapists. In Section VII.5, page 133, the applicant provides a list of contractors it plans to contract with for the provision of home health services. Exhibit 6 contains copies of letters of interest from the proposed providers with which OHC plans to contract for the provision of home health services.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2012 SMFP, no more than one new Medicare-certified home health agency may be approved for Wake County in this review. Because each applicant proposes to develop a new Medicare-certified home health agency in Wake County, all five applicants cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, the Project Analyst also conducted a comparative analysis of the proposals.

For the reasons set forth below and in the remainder of the findings, the application submitted by Maxim is approved and all other applications are disapproved.

Projected Access by Medicare Recipients

For each applicant in this review, the following table compares: a) the total number of unduplicated patients in Project Year 2; b) the number of unduplicated Medicare patients in Project Year 2; and c) unduplicated Medicare patients as a percentage of total unduplicated patients.

	Project Year 2		
	Total Number of Unduplicated Patients	Number of Unduplicated Medicare Patients	Unduplicated Medicare Patients as a Percentage of Total Unduplicated Patients
OHC	552	408	73.9%
Maxim	516	382	74.0%
AssistedCare	500	327	65.4%
HKZ Group	493	288	58.5%
HHH	538	284	52.7%

As shown in the table above, OHC projects to serve the highest number of unduplicated Medicare patients in Project Year 2 and OHC and Maxim project comparable percentages of unduplicated Medicare patients as a percentage of total unduplicated patients in Project Year 2 which are higher than the other three applicants.

The percentages projected by OHC and Maxim are equal to the weighted average Medicare percentage for the 12 existing Medicare-certified home health agencies located in Wake County (Wake County agencies) (74%).

The following table illustrates the FFY 2011 payor mix for the existing Wake County agencies, as reported in their 2012 LRAs.

FFY 2011 Existing Medicare-Certified Home Health Agencies Located in Wake County	Medicare Visits as a Percent of Total Visits
Medi Home Health	92.1%
Bayada	91.6%
Heartland	90.2%
Horizons	89.8%
Intrepid	80.8%
Gentiva	79.3%
WakeMed Home Health	70.0%
Liberty	67.8%
Rex Home Services	57.1%
At Home	57.0%
Professional Nursing	33.5%
Pediatric Services	0.0%
Average *	74.0%
Average (excluding Pediatric Services) *	74.1%
Average (excluding Pediatric Services and Professional Nursing) *	74.4%

* This was not calculated by adding up the percentages for each agency and dividing by 12 (there are 12 agencies listed in the table). It is a "weighted average." For example, to calculate the Average Medicare percentages, the total visits provided by each agency were added together (A), the Medicare visits provided by each agency were added together (B) and then B was divided by A. A weighted average gives more "weight" to those agencies that provided more visits. The total number of visits provided by the agencies listed in the table varies considerably, just like the Medicare percentages.

As shown in the table above, the weighted average Medicare percentage for all Wake County agencies was 74% in FFY 2011. The Medicare percentage ranges from a low of 0% to a high of 92.1%. An average was calculated excluding Pediatric Services and an average was calculated excluding both Pediatric Services and Professional Nursing. These agencies were excluded because: 1) Pediatric Services serves only children and would not be expected to serve Medicare recipients; and 2) Professional Nursing's payor mix is very dissimilar from the 10 agencies that serve both children and adults. However, because neither agency served very many clients in comparison to the other agencies, excluding these agencies has very little impact on the average.

The applications submitted by OHC and Maxim are the most effective alternatives with regard to projected access by Medicare recipients.

Projected Access by Medicaid Recipients

For each applicant in this review, the following table compares: a) the total number of unduplicated patients in Project Year 2; b) the number of unduplicated Medicaid patients in Project Year 2; and c) unduplicated Medicaid patients as a percentage of total patients.

	Project Year 2		
	Total Number of Unduplicated Patients	**Number of Unduplicated Medicaid Patients**	**Unduplicated Medicaid Patients as a Percentage of Total Patients**
HKZ Group	493	141	28.8%
HHH	538	78	14.5%
OHC	552	77	13.9%
Maxim	516	69	13.4%
AssistedCare	500	51	10.2%

As shown in the table above, HKZ Group projects to serve the highest number of unduplicated Medicaid recipients and the highest percentage unduplicated Medicaid patients as a percentage of total unduplicated patients in Project Year 2.

The percentage projected by HKZ Group is significantly higher than the weighted average for all existing Wake County agencies (28.8% compared to only 9.6%). HKZ Group based its projected Medicaid percentage on its experience in Robeson, Scotland and Cumberland counties where the demographics may be different from Wake County, particularly with regard to income levels.

The following table illustrates the Medicaid percentage for the existing Wake County agencies, as reported in their 2012 LRAs.

FFY 2011 Existing Medicare-Certified Home Health Agencies Located in Wake County	Medicaid Patients as a Percent of Total Patients
Pediatric Services	73.1%
Professional Nursing	42.7%
Intrepid	24.9%
Medi Home Health	14.9%
WakeMed Home Health	14.0%
At Home	12.7%
Gentiva	5.2%
Heartland	5.1%
Horizons	4.1%
Liberty	3.0%
Rex Home Services	2.4%
Bayada	0.0%
Average *	9.6%
Average (excluding Pediatric Services) *	9.4%
Average (excluding Pediatric Services and Professional Nursing) *	9.2%

* This was not calculated by adding up the percentages for each agency and dividing by 12 (there are 12 agencies listed in the table). It is a "weighted average." For example, to calculate the Average Medicaid percentages, the total visits provided by each agency were added together (A), the Medicaid visits provided by each agency were added together (B) and then B was divided by A. A weighted average gives more "weight" to those agencies that provided more visits. The total number of visits provided by the agencies listed in the table varies considerably, just like the Medicaid percentages.

As shown in the table above, the weighted average Medicaid percentage for all Wake County agencies was 9.6%. The Medicaid percentages range from a low of 0% to 73.1%. An average was calculated excluding Pediatric Services and an average was calculated excluding both Pediatric Services and Professional Nursing. These agencies were excluded because: 1) Pediatric Services serves only children; and 2) Professional Nursing's payor mix is very dissimilar from the 10 agencies that serve both children and adults. However, because neither agency served very many clients in comparison to the other agencies, excluding these agencies has very little impact on the average.

HKZ Group projects the highest percentage of all the applicants and that percentage is approximately twice that of the percentages projected by HHH, OHC and Maxim. Only two existing Wake County agencies reported a Medicaid percentage greater than that projected by HKZ Group, and one of those serves only children.

However, the percentages projected by HHH, OHC and Maxim exceed the weighted average for all Wake County agencies. Only four existing Wake County agencies reported a Medicaid percentage higher than the percentage projected by HHH and OHC and one of those agencies serves only children. Only five existing Wake County agencies reported a Medicaid percentage higher than the percentage projected by Maxim and one of those agencies serves only children.

Thus, although the application submitted by HKZ Group is the most effective alternative in this review with regard to access by Medicaid recipients, the applications submitted by HHH, OHC and Maxim would be effective alternatives.

Average Number of Visits per Unduplicated Patient

The majority of home health care services are covered by Medicare, which does not reimburse on a per visit basis. Rather, Medicare reimburses on a per episode basis. Thus, there is a financial disincentive to providing more visits per Medicare episode. The following table shows the average number of visits per unduplicated patient projected by each applicant in Project Year 2.

	Project Year 2		
	# of Unduplicated Patients	**Projected # of Visits**	**Average # of Visits per Patient**
Maxim	516	11,013	21.34
OHC	552	11,331	20.52
HHH	538	9,303	17.29
HKZ Group	493	8,028	16.28
AssistedCare	500	7,885	15.77

As shown in the table above, Maxim projects the highest average number of visits per unduplicated patient in Project Year 2. Therefore, the application submitted by Maxim is the most effective alternative with regard to the projected number of visits to be provided per unduplicated patient.

Average Net Patient Revenue per Visit

Average net revenue per visit in Project Year 2 was calculated by dividing projected net revenue from Form B by the projected number of visits from Section IV, as shown in the table below.

	Project Year 2		
	Total # of Visits	**Net Patient Revenue**	**Average Net Patient Revenue per Visit**
Maxim	11,013	$1,553,615	$141.07
OHC	11,331	$1,639,140	$144.66
HHH	9,303	$1,364,283	$146.65
AssistedCare	7,885	$1,216,030	$154.22
HKZ Group	8,028	$1,315,622	$163.88

As shown in the table above, Maxim projects the lowest average net revenue per visit in Project Year 2. Therefore, the application submitted by Maxim is the most effective alternative with regard to projected average net revenue per visit.

Average Net Revenue per Unduplicated Patient

Average net revenue per unduplicated patient in Project Year 2 was calculated by dividing projected net revenue from Form B by the projected number of unduplicated patients from Section IV, as shown in the table below.

	Project Year 2		
	# of Unduplicated Patients	**Net Patient Revenue**	**Average Net Patient Revenue per Unduplicated Patient**
AssistedCare	500	$1,216,030	$2,432.06
HHH	538	$1,364,283	$2,535.84
HKZ Group	493	$1,315,622	$2,668.60
OHC	552	$1,639,140	$2,969.46
Maxim	516	$1,553,615	$3,010.88

As shown in the table above, AssistedCare projects the lowest average net revenue per unduplicated patient in Project Year 2. Therefore, the application submitted by AssistedCare is the most effective alternative with regard to average net revenue per unduplicated patient.

Average Total Operating Cost per Visit

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

	Project Year 2		
	Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
Maxim	11,013	$1,172,376	$106.45
AssistedCare	7,885	$1,082,616	$137.30
HHH	9,303	$1,322,332	$142.14
OHC	11,331	$1,616,215	$142.64
HKZ Group	8,028	$1,290,589	$160.76

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

Average Direct Care Operating Cost per Visit

The average direct care operating cost per visit in Project Year 2 was calculated by dividing projected direct care expenses from Form B by the total number of home health visits from Section IV, as shown in the table below.

	Project Year 2		
	Total # of Visits	Total Direct Care Costs	Average Direct Care Operating Cost per Visit
Maxim	11,013	$843,041	$76.55
HHH	9,303	$808,481	$86.90
HKZ Group	8,028	$704,054	$87.70
OHC	11,331	$996,556	$87.95
AssistedCare	7,885	$731,757	$92.80

As shown in the table above, Maxim projects the lowest average direct care operating cost per visit in the second operating year. Therefore, the application submitted by Maxim is the most effective alternative with regard to the average direct care operating cost per visit.

Average Administrative Operating Cost per Visit

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

	Project Year 2		
	Total # of Visits	Administrative Costs	Average Administrative Operating Cost per visit
Maxim	11,013	$329,334	$29.90
AssistedCare	7,885	$350,858	$44.50
OHC	11,331	$619,658	$54.69
HHH	9,303	$513,851	$55.23
HKZ Group	8,028	$586,535	$73.06

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

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

The ratios in the table below were calculated by dividing the average net revenue per visit in Project Year 2 by the average total operating cost per visit in Project Year 2.

	Project Year 2		
	Average Net Revenue per Visit (B)	Average Total Operating Cost per Visit* (C)	Ratio of Average Net Revenue to Average Total Operating Cost per Visit (B / C)
OHC	$144.66	$142.64	1.01
HKZ Group	$163.88	$160.76	1.02
HHH	$146.64	$142.14	1.03
AssistedCare	$154.22	$137.30	1.12
Maxim	$141.07	$106.45	1.33

As shown in the table above, OHC, HKZ Group and HHH project comparable ratios of net revenue to average total operating cost per visit in Project Year 2 and their ratios are lower than the other two applicants. Therefore, the applications submitted by OHC, HKZ Group and HHH are the most effective alternatives with regard to the ratio of net revenue per visit to average total operating cost per visit.

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

The percentages in the table below were calculated by dividing the average direct care cost per visit in Project Year 2 by the average total operating cost per visit in Project Year 2.

	Project Year 2		
	Average Total Operating Cost per Visit (A)	Average Direct Care Operating Cost per Visit (B)	Average Direct Care Operating Cost as a % of Average Total Cost per Visit (B / A)
Maxim	$106.45	$76.55	72.0%
AssistedCare	$137.30	$92.80	67.6%
OHC	$142.64	$87.95	61.7%
HHH	$142.14	$86.90	61.1%
HKZ Group	$160.76	$87.70	54.6%

As shown in the table above, Maxim projects the highest percentage of average direct operating cost per visit to average total operating cost per visit in Project Year 2. Therefore, the application submitted by Maxim is the most effective alternative with regard to the ratio of average direct operating cost per visit to average total operating cost per visit.

Nursing and Home Health Aide Salaries in Project Year 2

All five applicants propose to provide nursing and home health aide services with staff that are employees of the proposed home health agency. The tables below compare the proposed annual salary for registered nurses, licensed practical nurses and home health aides in Project Year 2.

	Registered Nurse
AssistedCare	$71,070
OHC	$69,360
HHH	$68,690
Maxim	$67,650
HKZ Group	$66,950

	Licensed Practical Nurse
OHC	$55,080
HKZ Group	$48,410
HHH	$44,534
AssistedCare	$42,848
Maxim	NA

	Home Health Aide
Maxim	$32,800
HKZ Group	$30,900
OHC	$30,090
AssistedCare	$29,870
HHH	$24,426

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

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

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

SUMMARY

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

- Maxim projects the highest percentage of unduplicated Medicare patients as a percentage of total unduplicated patients in Project Year 2. See Comparative Analysis for discussion.
- Maxim projects the highest average number of visits per unduplicated patient. See Comparative Analysis for discussion.
- Maxim projects the lowest average net revenue per visit. See Comparative Analysis for discussion.
- Maxim projects the lowest average total operating cost per visit. See Comparative Analysis for discussion.
- Maxim projects the lowest average direct care operating cost per visit. See Comparative Analysis for discussion.
- Maxim projects the lowest average administrative operating cost per visit. See Comparative Analysis for discussion.
- Maxim projects the highest average direct care operating cost per visit as a percentage of average total operating cost per visit.
- Maxim projects the highest annual salary for home health aides. See Comparative Analysis for discussion.

The following table:

1) Compares the proposal submitted by Maxim with the proposals submitted by the denied applicants; and

2) Illustrates (bolded metrics) the reasons the approved application is determined to be a more effective alternative than the proposals submitted by the denied applicants.

Note: the comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	Maxim	HHH	HKZ Group	AssistedCare	OHC
# of Unduplicated Medicare Patients	382	284	288	327	408
Unduplicated Medicare Patients as a % of Total Unduplicated Patients	**74.0%**	52.7%	58.5%	65.4%	73.9%
# of Unduplicated Medicaid Patients	69	78	141	51	77
Unduplicated Medicaid Patients as a % of Total Unduplicated Patients	13.4%	14.5%	28.8%	10.2%	13.9%
Average Number of Visits per Unduplicated Patient	**21.34**	17.29	16.28	15.77	20.52
Average Net Revenue per Visit	**$141.07**	$146.65	$163.88	$154.22	$144.66
Average Net Revenue per Unduplicated Patient	$3,010.88	$2,535.84	$2,668.60	$2,432.06	$2,969.46
Average Total Operating Cost per Visit	**$106.45**	$142.14	$160.76	$137.30	$142.64
Average Direct Operating Cost per Visit	**$76.55**	$86.90	$87.70	$92.80	$87.95
Average Administrative Operating cost per Visit	**$29.90**	$55.23	$73.06	$44.50	$54.69
Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit	1.33	1.03	1.02	1.12	1.01
Average Direct Care Operating Cost per Visit as a % of Average Total Operating Cost per Visit	**72.0%**	61.1%	54.6%	67.6%	61.7%
Registered Nurse Salary	$67,650	$68,690	$66,950	$71,070	$69,360
Licensed Practical Nurse Salary	NA	$44,534	$48,410	$42,848	$55,080
Home Health Aide Salary	**$32,800**	$24,426	$30,900	$29,870	$30,090

CONCLUSION

All of the applications are individually conforming to the need determination in the 2012 SMFP for one additional Medicare-certified home health agency in Wake County. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of Medicare-certified home health agencies that can be approved by the Certificate of Need Section. The Certificate of Need Section determined that the application submitted by Maxim is the most effective alternative proposed in this review for the development of one additional Medicare-certified home health agency in Wake County and is approved. The approval of any other application would result in the approval of Medicare-certified home health agencies in excess of the need determination in Wake County, and therefore, all of the competing applications are denied.

The application submitted by Maxim is approved subject to the following conditions:

1. Maxim Healthcare Services, Inc. shall materially comply with all representations made in its certificate of need application.

2. Prior to issuance of the certificate of need, Maxim Healthcare Services, Inc. shall acknowledge in writing to the Certificate of Need Section acceptance of and agree to comply with all conditions stated herein.