ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

Decision Date: September 27, 2017
Findings Date: September 27, 2017

Project Analyst: Mike McKillip
Co-Signer: Fatimah Wilson
Chief: Martha Frisone

COMPETITIVE REVIEW

Project ID #:	F-11327-17
Facility:	PruittHealth Home Health-Charlotte
FID #:	170187
County:	Mecklenburg
Applicant:	PruittHealth Home Health, Inc. (Pruitt Health)
Project:	Develop a new Medicare-certified home health agency

Project ID #:	F-11329-17
Facility:	North Carolina Home Health (NCHH)
FID #:	170188
County:	Mecklenburg
Applicant:	LHCG CII, LLC
Project:	Develop a new Medicare-certified home health agency

Project ID #:	F-11341-17
Facility:	Well Care Home Health of the Piedmont, Inc. (Well Care)
FID #:	170194
County:	Mecklenburg
Applicant:	Well Care Home Health of the Piedmont, Inc.
Project:	Develop a new Medicare-certified home health agency

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency 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.

NC – Pruitt
C – All Other Applications

The 2017 State Medical Facilities Plan (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 2017 SMFP identified a need for one new Medicare-certified home health agency in Mecklenburg County. Three applications were submitted to the Certificate of Need Section, each proposing to develop one Medicare-certified home health agency in Mecklenburg County. However, pursuant to the need determination, only one home health agency may be approved in this review for Mecklenburg County. See the Summary following the Comparative Analysis for the decision.

Need Determination

PruittHealth Home Health, Inc. **[PruittHealth]** proposes to develop a new Medicare-certified home health agency in Mecklenburg County. PruittHealth does not propose to develop more than one Medicare-certified home health agency, and therefore the application is consistent with the 2017 SMFP need determination for Mecklenburg County.

LHCG CII, LLC d/b/a North Carolina Home Health **[NCHH]** proposes to develop a new Medicare-certified home health agency in Mecklenburg County. NCHH does not propose to develop more than one Medicare-certified home health agency, and therefore the application is consistent with the 2017 SMFP need determination for Mecklenburg County.

Well Care Home Health of the Piedmont, Inc. **[Well Care]** proposes to develop a new Medicare-certified home health agency in Mecklenburg County. Well Care does not propose to develop more than one Medicare-certified home health agency, and therefore the application is consistent with the 2017 SMFP need determination for Mecklenburg County.

Policies

There is one policy in the 2017 SMFP which is applicable to this review: Policy GEN-3: Basic Principles.

Policy GEN-3, on page 42 of the 2017 SMFP, 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."*

PruittHealth proposes to develop a new Medicare-certified home health agency to be located on Randolph Road in Charlotte in Mecklenburg County.

PruittHealth addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section II.7, pages 69-80, Section V, page 171, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section VI, pages 172-179, Section V, page 171, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section III.1, pages 82-122, and Section X.6, pages 204-205. However, Pruitt does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate the proposal would maximize healthcare value. Consequently, the application is not consistent with Policy GEN-3.

In summary, the application is consistent with the need determination in the 2017 SMFP. However, the application is not consistent with Policy GEN-3. Consequently, the application is not conforming to this criterion.

NCHH proposes to develop a new Medicare-certified home health agency to be located on Latrobe Drive in Charlotte in Mecklenburg County.

NCHH addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section II.7, pages 15-18, Section III.2, pages 28-29, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section VI, pages 55-59, and referenced exhibits. The

information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section III.1, pages 20-27, and Section X.6, page 74. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

The applicant adequately demonstrates how the projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the identified need. The application is consistent with Policy GEN-3.

In summary, the application is consistent with the need determination in the 2017 SMFP, and Policy GEN-3. Consequently, the application is conforming to this criterion.

Well Care proposes to develop a new Medicare-certified home health agency to be located on Kincey Avenue in Huntersville in Mecklenburg County.

Well Care addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section II.7, pages 30-32, Section III.2, page 64, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section III.2, pages 65-66, Section VI, pages 97-109, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section III.1, pages 35-63, Section III.2, pages 66-67, and Section X.6, page 136. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

The applicant adequately demonstrates how the projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the identified need. The application is consistent with Policy GEN-3.

In summary, the application is consistent with the need determination in the 2017 SMFP, and Policy GEN-3. Consequently, the application is conforming to this criterion.

(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.

NC – Pruitt
C – All Other Applications

PruittHealth proposes to develop a Medicare-certified home health agency at 2040 Randolph Road, Charlotte, NC, 28207, Mecklenburg County. In Section I.2, page 2, the applicant identifies United Health Services, Inc. as the parent company for PruittHealth. In Section I.11, page 6, the applicant states PruittHealth owns eight Medicare-certified home health agencies in North Carolina.

Patient Origin

In Section III.4, page 125, PruittHealth provides a table showing its projected patient origin by county in the first two years of operation, which is summarized below:

PruittHealth Projected Patient Origin by County
Project Years 1-2

County	Year 1 Patients FFY2019	Percent of Total	Year 2 Patients FFY2020	Percent of Total
Mecklenburg	214	90.0%	538	90.0%
Union	14	6.0%	36	6.0%
Cabarrus	10	4.0%	24	4.0%
Total	**238**	100.0%	**598**	100.0%

The Project Analyst reviewed the home health patient surpluses/deficits in the 2017 SMFP for Cabarrus and Union counties and compared them to the projected number of patients to be served by the applicant in Project Year 2. The 2017 SMFP projects a 2018 deficit of 170 patients in Union County, and a deficit of 113 patients in Cabarrus County. (Note: To generate a need determination for a new home health agency in the 2017 SMFP, the projected deficit had to equal or exceed 325 patients.) In Project Year 2, PruittHealth proposes to serve 36 Union County patients, and 24 Cabarrus County patients. See page 125 of the application. Furthermore, a review of the patient origin data for the existing Mecklenburg County agencies shows that 14% of the patients served by those agencies are not residents of Mecklenburg County. The existing Mecklenburg County agencies currently serve residents of Cabarrus and Union counties. PruittHealth adequately identified the population to be served.

Need Analysis

In Section III.1(a) and (b) of the application, the applicant describes the factors which it states supports the need for the proposed project, including:

- The need determination methodology in the 2017 SMFP (p. 82).

- The projected growth, aging, and age expectancy of the Mecklenburg County population (pp. 83-87).
- The results of a community needs assessment survey conducted by the applicant (pp. 88-89).
- The support expressed by the applicant's proposed healthcare provider referral network (pp. 90-91).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV, pages 129-131, PruittHealth provides projected utilization of its proposed office, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 FY2019	144	94	238
Project Year 2 FY2020	362	236	598

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 FY2019	316	316	316	13	3	16	316
Project Year 2 FY2020	854	854	854	43	8	52	854

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 FY2019	2,190	584	1,700	93	42	195	4,804
Project Year 2 FY2020	6,965	1,875	5,449	299	135	629	15,352

The applicant describes the assumptions and methodology used to project utilization in Section IV, pages 132-163, as follows:

1. Determine unduplicated census. On page 132, the applicant states it proposes to admit one unduplicated client per week in months 1-2, two unduplicated clients per week in months 3-6, five per week in month seven, six per week in month eight, seven per week in month nine, eight per week in month ten, nine per week in month 11, and ten per week in month twelve, in the first year of operation (FY2019). In year two, the applicant proposes to admit ten unduplicated clients per week in months 1-3, eleven

per week in months 4-6, twelve per week in months 7-9, and thirteen per week in months 10-12. The applicant states the year one admission rates account for the time necessary to obtain Medicare certification.

2. Determine unduplicated clients by admitting service discipline. On page 134, in the text above the table, the applicant states it assumes that 50.4 percent of unduplicated clients will be admitted to nursing and 49.6 percent to physical therapy, based on PruittHealth's home heath operating experience in North Carolina. However, in the table on page 134, and in the text below the table, the applicant indicates that 60.5 percent of unduplicated clients will be admitted to nursing and 39.5 percent to physical therapy. In response to comments, the applicant states that the percentages reported in the text above the table are incorrect, and that the correct numbers are in the table and in the text below the table, and that those numbers form the basis of the projections which are summarized in Exhibit 25 of the application.

3. Determine unduplicated clients by payor. On page 135, the applicant projected the percentage of unduplicated clients by payor based on PruittHealth's home heath operating experience in North Carolina. See the table on page 135 of the application.

4. Determine total readmissions by payor. On page 137, in the text above the table, the applicant states that it projects no readmissions in the first six months of operation, and thereafter assumes readmissions will be 9.2 percent of admissions for Medicare beneficiaries, and no additional readmissions for other payor categories. However, in the table on page 137, the applicant indicates that 10.8 percent of Medicare patients and 6.2 percent of Medicaid patients will be readmitted. In response to comments, the applicant states that the percentages reported in the text above the table are incorrect, and that the correct numbers are in the table and in the text below the table, and that those numbers form the basis of the projections which are summarized in Exhibit 25 of the application.

5. Determine Medicare episode starts. On page 139, in the text above the table, the applicant states it assumes 1.55 episodes per Medicare admission, based on the experience of existing Mecklenburg County home health agencies. However, in the table on page 139, the applicant indicates that it assumes 1.41 episodes per Medicare client. In response to comments, the applicant states that the episodes per Medicare admission reported in the text above the table are incorrect, and that the correct numbers are in the table and in the text below the table, and that those numbers form the basis of the projections which are summarized in Exhibit 25 of the application.

6. Determine Medicare episode starts by reimbursement type. On pages 140-141, the applicant states it projected episode starts by Medicare reimbursement type based on PruittHealth's home heath operating experience in North Carolina. See the table on page 140 of the application.

7. Determine total starts of care by payor reimbursement type. On pages 142-143, the applicant states it projected total starts of care by reimbursement type based on the

applicant's Step 3 and Step 6 above. See the table on page 142 of the application.

8. Determine visits per start of care by payor. On pages 143-144, the applicant states it projected visits per starts of care by payor based on the experience of existing Mecklenburg County home health agencies. But, based on an assumption that the proposed agency will see *"higher acuity patients needing more intensive services,"* the applicant assumes an increase (*"acuity adjustment"*) of 17 percent in visits per episode or client for the proposed agency over and above the average experience reported by the existing Mecklenburg County home health agencies in FY2016. The applicant provides a table on page 144 showing its projections of visits per episode (Medicare) or client, which are summarized below:

Payors	FY2016 Mecklenburg County Visits	FY2016 Mecklenburg County Episodes/Clients	FY2016 Visits per Episode/ Client*	Applicant's "Acuity Adjustment" Factor	Applicant's Projected Visits per Episode/Client
Medicare	241,634	13,378	18.06	17%	21.1
Medicaid	18,425	1,838	10.02	17%	11.7
Commercial	72,510	4,489	16.15	17%	18.9
Indigent	3,496	416	8.40	17%	9.8
Private Pay	1,871	187	10.00	17%	11.7

Source: Table on page 144 of the application.
*The average visits per episode (Medicare) and clients (other payors) calculated by the applicant, and shown in the table above, are based on data reported by ten of the eleven existing Mecklenburg County home health agencies in their respective *2017 Annual Data Supplement to the Application* forms, which include utilization data from FY2016. The data from one agency, Healthy@Home-University, was not available to the applicant.

On page 144, the applicant states, *"This increase in the number of visits per start of care is directly correlated with the data provided within this application that demonstrates that higher acuity patients needing more intense services, will be referred to Pruitt-Health HH-C."* However, the applicant does not cite the data to support this assertion, nor does it describe the manner in which the data is "directly correlated" with its expectation that its proposed agency will receive referrals of higher-than-average acuity patients who will need 17 percent higher-than-average visits per episode/client. Therefore, the applicant does not provide sufficient documentation in the application as submitted to support its assumption that it will serve "higher acuity patients" which would result in a 17 percent increase in the number of visits per episode.

9. Adjust visits per start of care for start date. On page 145, the applicant states it projected visits per start of care by month for the first three months based on the applicant's historical experience. See the table on page 146 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

10. Determine visits by discipline by start of care type and payor. On pages 147, the applicant states it projected visits by discipline by start of care type and payor based on the results of Step 9 above and on the applicant's historical experience. On page 154, the applicant states, *"However, based on the needs of this service area, PruittHealth*

HH does project a larger percentage in both the Indigent and Private Pay categories and has accounted for that in the utilization calculations." See the tables on pages 147-154 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

11. Determine visits by discipline by payor. On page 155, the applicant states it projected visits by discipline by payor based on summing the results in the applicant's Step 10 above. See the tables on pages 155-159 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

12. Determine the total visits by discipline. On page 160, the applicant states it projected the total visits by discipline by summing the total number of Medicare, Medicaid, commercial insurance, indigent, and private pay visits by discipline calculated in the applicant's Step 11 above. See the tables on page 160 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

13. Determine the ratio of visits by discipline. On page 161, the applicant states it projected the ratio of visits by discipline to total starts by dividing the total visits by discipline calculated in applicant's Step 12 above by the total starts calculated in the applicant's Step 7. See the table on page 161 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

14. Determine the number of duplicated clients by discipline. On page 162, the applicant states it projected the number of duplicated clients by discipline by month by dividing the total visits by discipline calculated in applicant's Step 12 by the ratio of visits by client starts calculated in the applicant's Step 13 above. See the tables on pages 162-163 of the application. However, the projected number of visits is not based on reasonable and adequately supported assumptions.

Projected utilization of the proposed Medicare-certified home health agency is not based on reasonable and adequately supported assumptions.

Based on review of: 1) the information provided by the applicant in Section III, pages 82-128, and Section IV, pages 129-163, including referenced exhibits; 2) comments received during the first 30 days of the review cycle; and 3) the applicant's response to the comments received at the public hearing, the applicant does not adequately document the need to develop the proposed Medicare-certified home health agency office.

Access

In Section VI.3, page 173, the applicant states that PruittHealth will not discriminate against anyone and will provide services without regard to income, race, ethnicity, gender, handicap, age, or ability to pay. In Section VI.12, page 179 the applicant projects that 90.9 percent of patients to be served will be Medicare or Medicaid recipients. The applicant adequately

demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served and demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services. However, the applicant does not adequately demonstrate the need the patients projected to be served have for the proposed office because projected utilization is not based on reasonable and adequately supported assumptions. Therefore, the application is not conforming to this criterion.

NCHH proposes to develop a new Medicare-certified home health agency at 3623 Latrobe Drive, Charlotte, NC, 28211, Mecklenburg County. In Section I.2, page 1, the applicant identifies North Carolina Health Care Group, LLC as the parent company for NCHH. Also, the applicant identifies LHC Group, Inc. as the parent company for North Carolina Health Care Group, LLC. In Section I.11, page 4, the applicant states North Carolina Health Care Group, LLC and LHC Group, Inc. own six Medicare-certified home health agencies in North Carolina.

Patient Origin

In Section III.4, page 34, NCHH provides a table showing its projected patient origin by county in the first three years of operation, which is summarized below:

PruittHealth Projected Patient Origin by County
Project Years 1-3

County	Year 1 Patients FFY2019	Year 2 Patients FFY2020	Year 3 Patients FFY2021
Mecklenburg	561	586	611
Percent	**100%**	**100%**	**100%**

The 2017 SMFP projects a 2018 deficit of 561 patients in Mecklenburg. (Note: To generate a need determination for a new home health agency in the 2017 SMFP, the projected deficit had to equal or exceed 325 patients.) NCHH adequately identified the population to be served.

Need Analysis

In Section III.1(a) and (b) of the application, the applicant describes the factors which it states supports the need for the proposed project, including:

- The need determination methodology in the 2017 SMFP (p. 20).
- The projected growth and aging of the Mecklenburg County population (pp. 21-22).
- The development of Accountable Care Organizations to coordinate care for Medicare beneficiaries (pp. 22-23).
- The need to reduce hospital readmission rates by using home health services (p. 23).
- Patient preferences and benefits of home-based healthcare (pp. 23-24).

- The increasing utilization rates for home health services by the Mecklenburg County population (pp. 25-26).
- The projected growth in home health services to Medicare beneficiaries in the proposed service area (p. 27).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV, pages 48-49, NCHH provides projected utilization of its proposed project, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 FFY2019	182	98	280
Project Year 2 FFY2020	247	133	380

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 FFY2019	423	110	340	28	38	34	972
Project Year 2 FFY2020	575	149	461	28	38	46	1,320

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 FFY2019	2,727	555	2,125	174	47	222	5,851
Project Year 2 FFY2020	3,702	754	2,885	236	64	301	7,943

The applicant describes the assumptions and methodology used to project utilization in Section IV, pages 37-47, as follows:

1. Determine total number of unduplicated patients Mecklenburg County to be served. The applicant identified the 2017 SMFP deficit of 561 unduplicated patients to be served in Mecklenburg County in 2018.

2. Project unduplicated patients. On pages 37-38, the applicant projects to serve 281 unduplicated patients in the first operating year (FFY2019), 381 in the second year (FFY2020), and 489 patients in the third year (FFY2021), which the applicant estimates is equivalent to a Mecklenburg County home health market share of 1.4, 1.8 and 2.2

percent in operating years one, two and three, respectively. See the tables on page 38 of the application.

3. Determine unduplicated clients by admitting service discipline. On page 39, the applicant states the assumption that 65 percent of unduplicated clients will be admitted to nursing and 35 percent to physical therapy, which is based on the applicant's home heath operating experience. See the table on page 39 of the application.

4. Determine the ratio of duplicated to unduplicated patients and project duplicated patients. Based on data reported by the existing Mecklenburg County Medicare-certified home health agencies, the applicant determined the ratio of duplicated patients to unduplicated patients was 3.5 for FFY2015. Based on that ratio, the applicant projected the total duplicated patients to be served by the proposed agency in the first three operating years. See the tables on pages 40-41 of the application.

5. Determine the percentage duplicated patients by discipline. On page 41, the applicant states that it projected the percentage of duplicated patients by discipline based on an average of those percentages for the existing Mecklenburg County Medicare-certified home health agencies and the applicant's existing Medicare-certified home health agencies in North Carolina. See the table on page 41 of the application.

6. Determine the number of duplicated patients by discipline. On page 42, the applicant states that it applied the percentages of duplicated patients by discipline to its projections of duplicated patients to be served to calculate the projected number of duplicated patients by service discipline. See the table on page 42 of the application.

7. Determine the average number of patient visits by discipline. On pages 42-43, the applicant states it projected the average number of patient visits by discipline based on the average number of visits per discipline for the existing Mecklenburg County Medicare-certified home health agencies and the average number of visits per discipline for the applicant's existing Medicare-certified home health agencies in North Carolina. See the table on page 43 of the application.

8. Determine the total patient visits. On pages 43-44, the applicant states it projected total patient visits multiplying the total duplicated patients by discipline by the average number of visits by discipline. See the table on page 43 of the application.

9. Project duplicated patients and visits by discipline by month. In Table IV.2, page 49, the applicant project duplicated patients and visits by discipline by month for the first two operating years.

10. Determine payor mix for duplicated patients. On pages 45-46, the applicant states it projected the payor mix for duplicated patients based on the average payor mix percentages for NCHH's Wake County and Cumberland County Medicare-certified home health agencies. See the tables on page 46 of the application.

11. Determine payor mix for patient visits. On pages 46-47, the applicant states it projected the payor mix for patient visits based on the average payor mix percentages for its existing Wake County and Cumberland County Medicare-certified home health agencies. See the table on page 47 of the application.

Projected utilization of the proposed Medicare-certified home health agency is based on reasonable and adequately supported assumptions.

Based on review of: 1) the information provided by the applicant in Section III, pages 20-35, and Section IV, pages 36-49, including referenced exhibits; 2) comments received during the first 30 days of the review cycle; and 3) the applicant's response to the comments received at the public hearing, the applicant adequately documents the need to develop the proposed Medicare-certified home health agency office.

Access

In Section VI.3, page 55, the applicant states that NCHH will not discriminate against anyone and will provide services without regard to income, race, ethnicity, gender, handicap, age, or ability to pay. In Section VI.12, page 58, the applicant projects that 89.9 percent of patients to be served will be Medicare or Medicaid recipients. The applicant adequately demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served, demonstrates the need the population has for the proposed project, and demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services. Therefore, the application is conforming to this criterion.

Well Care proposes to develop a Medicare-certified home health agency at 9800 Kincey Avenue, Huntersville, NC, 28078, Mecklenburg County. In Section I.2, page 1, the applicant identifies Well Care DME, LLC as the parent company for Well Care. In Section I.11, pages 6-7, the applicant states Well Care DME, LLC owns three Medicare-certified home health agencies in North Carolina.

Patient Origin

In Section III.4, page 70, Well Care provides a table showing its projected patient origin percentages by county in the first three years of operation. In Section IV.3, page 78, the applicant provides a table showing the projected number of patients to be served in the first two operating years. The applicant's projected patient origin percentages and projected number of patients to be served are combined and summarized below:

Well Care Projected Patient Origin by County
Project Years 1-2

County	Year 1 Percent 2018	Year 1 Patients 2018	Year 2 Percent 2019	Year 2 Patients 2019
Mecklenburg	87.4%	412	88.5%	860
Cabarrus	5.0%	23	5.5%	54
Union	7.6%	36	5.9%	58
Total	**100.0%**	**471**	**100.0%**	**972**

The Project Analyst reviewed the home health patient surpluses/deficits in the 2017 SMFP for Cabarrus and Union counties and compared them to the projected number of patients to be served by the applicant in Project Year 2. The 2017 SMFP projects a 2018 deficit of 170 patients in Union County, and a deficit of 113 patients in Cabarrus County. (Note: To generate a need determination for a new home health agency in the 2017 SMFP, the projected deficit had to equal or exceed 325 patients.) In Project Year 2, Well Care proposes to serve 58 Union County patients, and 54 Cabarrus County patients. Furthermore, a review of the patient origin data for the existing Mecklenburg County agencies shows that 14% of the patients served by those agencies are not residents of Mecklenburg County. The existing Mecklenburg County agencies currently serve residents of Cabarrus and Union counties. Well Care adequately identified the population to be served.

Need Analysis

In Section III.1(a) and (b) of the application, the applicant describes the factors which it states supports the need for the proposed project, including:

- The need determination methodology in the 2017 SMFP (pp. 35-37).
- The projected growth, aging, and racial diversity of the Mecklenburg County population (pp. 38-41).
- The growth in home health use rates by the Mecklenburg County population (pp. 42-43).
- The need for cost-effective and specialized home health services (pp. 43-47).
- The need for improved access for Medicaid patients (pp. 47-49).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV, pages 72-75, Well Care provides projected utilization of its proposed project, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 CY2018	296	153	449
Project Year 2 CY2019	593	306	898

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 CY2018	458	257	431	39	116	97	1,397
Project Year 2 CY2019	988	552	926	83	250	209	3,008

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 CY2018	3,720	1,078	2,972	213	174	721	8,878
Project Year 2 CY2019	8,001	2,317	6,391	459	374	1,553	19,095

The applicant describes the assumptions and methodology used to project unduplicated patients to be served by the proposed project in Section III.1, page 48-60, as follows:

1. Definition of the service area. On pages 50-51, the applicant states that it defined its service area as Mecklenburg, Cabarrus and Union counties based on its analysis of the patient origin data reported by the existing Mecklenburg County home health agencies and the applicant's own experience.

2. Determine the historical CAGR of unduplicated patients for the service area counties. On page 52, the applicant states that it calculated the compound annual growth rate (CAGR) from 2013 to 2015 for unduplicated patients by county for the service area counties. See the table on page 52 of the application.

3. Calculate the number of unduplicated patients in the service area counties for the first three project years. On pages 52-53, the applicant states that it projected the total unduplicated home health patients by service area county through the first three project years (FY2018-FY2020) based on one the historical CAGR calculated in Step 2 above.

4. Calculate the number of unduplicated patients to be served by the applicant in Project

Year 1 (FY2018) by service area county. On page 54, the applicant states that it projects to serve 70 percent of the 2017 SMFP projected deficit of 561 patients for Mecklenburg County (393 patients), and that it projects to serve 20 percent of the 2017 SMFP projected deficit of patient for Cabarrus County (23 patients) and Union County (34 patients) in the first operating year (FY2018). See the table on page 54 of the application.

5. Projected market share by service area county. On pages 55-57, the applicant calculated its projected market shares through the first three operating years.

6. Project market share increase in Project Years 2-3. On pages 57-58, the applicant project market share increases in Project Years 2-3.

7. Calculate the unduplicated patients by service area county for Project Years 1-3. On page 58, the applicant summarizes the unduplicated patients by service area county for Project Years 1-3 based on its projections of unduplicated home health patients by county (Step 3) and market share projections (Step 6). The applicant projects to serve 449, 898 and 1,163 unduplicated patients in Project Years 1-3, respectively.

8. Calculate unduplicated patients by discipline. On page 62, the applicant projects 66 percent of its unduplicated patient will be nursing service patients and 34 percent will be physical therapy patients based on the applicant's historical experience.

The applicant describes the assumptions and methodology used to project duplicated patients and visits in Section IV, pages 76-88, as follows:

1. Unduplicated patients by payor source. On pages 76-77, the applicant states that it projected unduplicated patients by payor source based on its payor mix projections for the first two operating years. In Section VI.12, page 106, the applicant states its payor mix projections are based on a review of historical payor mix experience of the existing Medicare-certified home health agencies in Mecklenburg County, as well as *"Well Care's assessment of the local need for greater access to home health services, especially by the elderly and medically indigent, primarily Medicaid recipients."* See the table on page 76 of the application.

2. Determine patient readmissions. On page 77, the applicant states that it projects that 10 percent of Medicare and Medicaid patients will be readmitted during the same year, based on Well Care's experience at its existing Medicare-certified home health agencies. See the table on page 78 of the application.

3. Project Medicare episodes. On pages 78-79, the applicant states that it projected the Medicare episodes of care will be 1.55, based on a review of the historical experience of the existing Medicare-certified home health agencies in Mecklenburg County. See tables on page 79-80 of the application.

4. Project Medicare episodes by reimbursement type. On pages 80-82, the applicant states

that it projected the Medicare episodes by reimbursement type based on Well Care's experience at its existing Medicare-certified home health agencies. See the tables on pages 81-82 of the application.

5. Project visits by payor source. On pages 83-85, the applicant states that it projected the visits by Medicare reimbursement type based on Well Care's experience at its existing Medicare-certified home health agencies, and that it projected the visits by payor type for the other (non-Medicare) payors based on a review of the historical experience of the existing Medicare-certified home health agencies in Mecklenburg County. See the tables on pages 84-85 of the application.

6. Project visits by service discipline. On pages 85-86, the applicant states that it projected the visits by service discipline based on Well Care's experience at its existing Medicare-certified home health agencies. See the tables on page 87 of the application.

Projected utilization of the proposed Medicare-certified home health agency is based on reasonable and adequately supported assumptions.

Based on review of: 1) the information provided by the applicant in Section III, pages 35-71, and Section IV, pages 72-88, including referenced exhibits; 2) comments received during the first 30 days of the review cycle; and 3) the applicant's response to the comments received at the public hearing, the applicant adequately documents the need to develop the proposed Medicare-certified home health agency office.

Access

In Section VI.3, page 98, the applicant states that Well Care will not discriminate against anyone and will provide services without regard to income, race, ethnicity, gender, handicap, age, or ability to pay. In Section VI.12, page 107, the applicant projects that 87.6 percent of patients to be served will be Medicare or Medicaid recipients. The applicant adequately demonstrates the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served, demonstrates the need the population has for the proposed project, and demonstrates the extent to which all residents, including 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.

NC – Pruitt
C – All Other Applications

PruittHealth. In Section II.5, pages 66-67, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo –The applicant states that maintaining the status quo is not the most effective alternative because it would not address the need for additional Medicare-certified home health services for Mecklenburg County.
- Develop a New Facility Rather than Lease an Existing Facility – The applicant states that it determined that leasing existing was more financially advantageous given the large upfront capital expenditure needed to develop a new building.
- Develop a Joint Venture – The applicant states that developing the proposed agency as a joint venture is not the most effective alternative because *"individual home health agencies have established reputations and the idea of a joint venture 'clouds' the distinction between how the separate agencies would merge to form a unified joint venture."*

After considering the above alternatives, the applicant determined the proposed project as represented in the application is the most effective alternative to meet the identified need. However, the application is not conforming to all other statutory and regulatory review criteria, and thus, is not approvable. See Criteria (1), (3), (5), (6), and (18a). A project that cannot be approved cannot be an effective alternative.

In summary, the applicant does not adequately demonstrate that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is not conforming to this criterion.

NCHH. In Section II.5, pages 13-14, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the status quo – The applicant states that maintaining the status quo is not the most effective alternative because it would not address the need for additional Medicare-certified home health services for Mecklenburg County.
- Develop a Joint Venture – The applicant states that developing the proposed agency as a joint venture is not the most effective alternative because both of the hospital systems in Mecklenburg County already own all or part of an existing home health agency.

After considering the above alternatives, the applicant determined the proposed project as represented in the application is the most effective alternative to meet the identified need.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, the application is conforming to this criterion.

Well Care. In Section II.5, pages 27-28, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo –The applicant states that maintaining the status quo is not the most effective alternative because it would not address the need for additional Medicare-certified home health services for Mecklenburg County.
- Develop the Agency in Downtown Charlotte – The applicant states that it determined that locating the agency in the city center would be less effective due to traffic congestion, which would increase staff travel times.

After considering the above alternatives, the applicant determined the proposed project as represented in the application is the most effective alternative to meet the identified need. Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that the proposal is the least costly or most effective alternative to meet the identified need. Therefore, 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.

NC – Pruitt
C – All Other Applications

PruittHealth proposes to develop a Medicare-certified home health agency in leased office space at 2040 Randolph Road, Charlotte, NC, 28207, Mecklenburg County.

Capital and Working Capital Costs

In Section VIII.1, page 196, the applicant states the total capital cost is projected to be as follows:

PruittHealth Project Capital Cost

Fixed Equipment	$2,175
IT Equipment	$82,004
Furniture and Equipment	$13,764
Consultant Fees	$32,900
Contingency (10%)	$13,084
TOTAL CAPITAL COST	**$143,927**

In Section IX.1, page 200, the applicant states there will be $25,261 in start-up expenses and $697,496 in initial operating expenses, for total working capital required of $722,757.

Availability of Funds

In Section VIII.2, page 197, and Section IX.3, page 201, the applicant states that the project capital costs and working capital will be funded with the unrestricted cash of PruittHealth. In Exhibit 23, the applicant provides a letter documenting PruittHealth's intention to fund the capital costs and working capital costs for the proposed project. Exhibit 23 also contains a copy of a bank (*"Commercial Checking"*) account statement for PruittHealth from First State Bank and Trust Co. showing a balance of $5.4 million in cash as of March 31, 2017. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first two full fiscal years of operation following completion of the project. In the pro forma financial statement (Form B), the applicant projects that revenues will exceed operating expenses in the second operating year of the project, as shown in the table below.

PruittHealth	Project Year 1	Project Year 2
A. Gross Patient Revenue	$926,752	$2,963,921
B. Charity Care Deduction	($6,979)	($20,715)
C. Bad Debt Deduction	($12,294)	(36,492)
D. Commercial Contractual Allowances	($12,694)	($37,678)
E. Medicare Contractual Allowances	($220,205)	($695,213)
F. Medicaid Contractual Allowances	($21,496)	($43,135)
G. Net Revenue [A – (B + C + D + E + F)]	$653,084	$2,130,688
H. Total Operating Costs	$988,351	$2,100,038
I. Net Income (G - H)	($335,267)	$30,650

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

PruittHealth
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
15,352	$2,100,038	$136.79

PruittHealth
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
15,352	$1,676,933	$109.23

PruittHealth
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
15,352	$423,045	$27.56

Medicare Reimbursement – In Section IV, pages 129-163, Section X, pages 208-211, and the pro forma financial statements in Section XIII, PruittHealth provides its methodology, assumptions and worksheets for projecting Medicare revenue.

Adequacy of Staffing – PruittHealth 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 herein by reference. Also, the applicant budgets sufficient funds for the proposed staffing levels.

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Consequently, the application is not conforming to this criterion.

<u>Conclusion</u>

In summary, the applicant does not adequately demonstrate the financial feasibility of the project is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. Therefore, the application is not conforming to this criterion.

NCHH proposes to develop a new Medicare-certified home health agency in leased office space at 3623 Latrobe Drive, Charlotte, NC, 28211, Mecklenburg County.

Capital and Working Capital Costs

In Section VIII.1, page 68, the applicant states the total capital cost is projected to be as follows:

NCHH Project Capital Cost

Furniture	$5,000
Consultant Fees	$45,000
Miscellaneous	$19,000
TOTAL CAPITAL COST	**$69,000**

In Section IX.1, page 71, the applicant states there will be $32,712 in start-up expenses and $152,794 in initial operating expenses, for total working capital required of $185,506.

Availability of Funds

In Section VIII.2, page 69, the applicant states that the project capital costs will be funded with owner's equity of LHC Group, Inc. In Section IX.3, page 71, the applicant states that working capital will be funded with unrestricted cash of LHC Group, Inc. In Exhibit 12, the applicant provides a letter documenting LHC Group's intention to fund the capital costs and working capital costs for the proposed project. Exhibit 12 also contains a copy of the Form 10-K Annual Report for LHC Group, Inc. showing a balance of $3.3 million in cash as of December 31, 2016. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first two full fiscal years of operation following completion of the project. In the pro forma financial statement (Form B), the applicant projects that revenues will exceed operating expenses in the first two operating years of the project, as shown in the table below.

NCHH	Project Year 1	Project Year 2
A. Gross Patient Revenue	$1,423,859	$1,970,691
B. Charity Care Deduction	($4,168)	($5,768)
C. Bad Debt Deduction	($22,238)	($30,183)
D. Commercial Contractual Allowances	($30,586)	($42,332)
E. Medicare Contractual Allowances	($466,005)	($644,974)
F. Medicaid Contractual Allowances	($55,903)	($77,375)
G. Other Revenue	$59	$79
H. Net Revenue [A – (B + C + D + E + F + G)]	$845,019	$1,170,139
I. Total Operating Costs	$841,281	$1,043,484
J. Net Income (H - I)	$3,738	$126,655

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

NCHH
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
7,943	$1,043,484	$131.37

NCHH
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
7,943	$643,451	$81.01

NCHH
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
7,943	$400,033	$50.36

NCHH adequately demonstrates that projected revenues and operating costs are reasonable and supported.

Medicare Reimbursement – In Section IV, pages 36-49, and the pro forma financial statements in Section XIII, NCHH provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable and supported.

Adequacy of Staffing – NCHH 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 herein by reference. Also, the applicant budgets sufficient funds for the proposed staffing levels.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

<u>Conclusion</u>

In summary, the applicant adequately demonstrates the financial feasibility of the project is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. Therefore, the application is conforming to this criterion.

Well Care proposes to develop a Medicare-certified home health agency in leased office space at 9800 Kincey Avenue, Huntersville, NC, 28078, Mecklenburg County.

Capital and Working Capital Costs

In Section VIII.1, page 127, the applicant states the total capital cost is projected to be as follows:

Well Care Project Capital Cost

Computer Equipment	$25,000
Office Equipment	$10,000
Furniture	$20,000
Consultant Fees	$40,000
Contingency	$5,000
TOTAL CAPITAL COST	**$100,000**

In Section IX.1, page 131, the applicant states there will be $55,000 in start-up expenses and $425,000 in initial operating expenses, for total working capital required of $480,000.

Availability of Funds

In Section VIII.2, page 128, and Section IX.3, page 132, the applicant states that the project capital costs and working capital will be funded with the accumulated reserves of Well Care. In Exhibit 14, the applicant provides a letter documenting Well Care's intention to fund the capital costs and working capital costs for the proposed project. Exhibit 15 contains a copy of the consolidated financial statements of Well Care DME, LLC showing a balance of $665,565 in cash and total current assets of $7.5 million as of December 31, 2015. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first two full fiscal years of operation following completion of the project. In the pro forma financial statement (Form B), the applicant projects that revenues will exceed operating expenses in the second operating year of the project, as shown in the table below.

Well Care	Project Year 1	Project Year 2
A. Gross Patient Revenue	$835,550	$3,222,398
B. Charity Care Deduction	($5,015)	($10,025)
C. Bad Debt Deduction	($8,305)	($32,124)
D. Commercial Contractual Allowances	($54,020)	($107,986)
E. Net Revenue [A – (B + C + D)]	$768,209	$3,072,264
F. Total Operating Costs	$1,190,770	$2,126,368
G. Net Income (E - F)	($422,561)	$945,896

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

Well Care
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
19,095	$2,126,368	$111.36

Well Care
Project Year 2
Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
19,095	$1,398,816	$73.26

Well Care
Project Year 2
Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
19,095	$727,552	$38.10

Well Care adequately demonstrates that projected revenues and operating costs are reasonable and supported.

Medicare Reimbursement – In Section IV, pages 72-88, Section X, pages 137-139, and the pro forma financial statements in Section XIII, Well Care provides its methodology, assumptions and worksheets for projecting Medicare revenue which are reasonable and supported.

Adequacy of Staffing – Well Care 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 herein by reference. Also, the applicant budgets sufficient funds for the proposed staffing levels.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicant adequately demonstrates the financial feasibility of the project is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. 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.

NC – Pruitt
C – All Other Applications

PruittHealth does not adequately demonstrate that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Mecklenburg County because the applicant does not adequately demonstrate in its application as submitted that projected utilization is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference. Therefore, PruittHealth does not adequately demonstrate that its proposed Medicare-certified home health agency is needed in addition to the existing agencies in Mecklenburg County. Consequently, the application is not conforming to this criterion.

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

1) The State Health Coordinating Council and Governor determined that one new Medicare-certified home health agency or office will be needed in Mecklenburg County in 2018 in addition to the existing agencies serving Mecklenburg County residents. See Table 12C on page 318 of the 2017 SMFP. NCHH submitted its application in response to the need determination in the 2017 SMFP.
2) NCHH adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Mecklenburg County is needed in addition to the existing agencies. See Sections III, IV and VI of NCHH's application.
3) Because home health services are provided in the patient's home, the proposed location of the home health agency within the county is not a relevant consideration.

Consequently, the application is conforming to this criterion.

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

1) The State Health Coordinating Council and Governor determined that one new Medicare-certified home health agency or office will be needed in Mecklenburg County in 2018 in addition to the existing agencies serving Mecklenburg County residents. See Table 12C on page 318 of the 2017 SMFP. Well Care submitted its application in response to the need determination in the 2017 SMFP.
2) Well Care adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Mecklenburg County is needed in addition to the existing agencies. See Sections III, IV and VI of Well Care's application.
3) Because home health services are provided in the patient's home, the proposed location

of the home health agency within the county is not a relevant consideration.

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

PruittHealth. In Section VII, pages 191-194, PruittHealth provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

PruittHealth	**FTEs Project Year 1**	**FTEs Project Year 2**
Administrator	1.00	1.00
Community Relations (Marketing)	0.33	0.33
Business Office Manager	1.00	1.00
Scheduler	0.50	0.50
Clinical Manager	1.00	1.00
Registered Nurse	1.41	4.47
Licensed Practical Nurse	0.16	0.50
Home Health Aide	0.26	0.84
Medical Social Worker	0.13	0.40
Total	**5.79**	**10.04**

In Section VII.5, page 185, PruittHealth states that it proposes to use contract staff to provide physical therapy, occupational therapy and speech therapy services for the proposed project. In Section VII, page 216, the applicant states that the hourly contract fee amount in Year 2 will be $85.00 per hour for physical therapy, occupational therapy, and speech therapy.

In Section VII.3, page 180, PruittHealth 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**
Skilled Nursing	27.0	5.4
Home Health Aide	14.5	2.9
Medical Social Worker	6.5	1.3
Physical Therapist	30.0	6.0
Occupational Therapist	35.0	7.0
Speech Therapist	25.0	5.0

*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 189, the applicant states, *"PruittHealth will have full-time staff during the week and on-call staff available during the weekend and after hours."*

To determine if PruittHealth'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	6,965	5.4	4.96	4.97
Home Health Aide	629	2.9	0.83	0.84
Medical Social Worker	135	1.3	0.40	0.40
Physical Therapist	5,449	6.0	3.49	Contracted
Occupational Therapist	1,875	7.0	1.03	Contracted
Speech Therapist	299	5.0	0.23	Contracted

*Calculated by the Project Analyst.

As shown in the table above, PruittHealth's projected FTE positions in Project Year 2 for nursing, home health aides, and medical social workers are equal to or 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, and speech therapists. Contract employees are compensated on a per visit basis. Thus, it is not necessary to provide a specific number of FTE positions. On page 194, the applicant provides the hourly contract fee and the projected total number of contract visits per year for the physical therapists, occupational therapists, and speech therapists. In Form B of the pro forma financial statements, pages 226-227, PruittHealth budgeted sufficient funds to cover the total hourly contract fees multiplied by the projected total number of contract visits for each of the three service disciplines projected to use contract employees.

In summary, PruittHealth proposes adequate staffing for the visits it projects to perform during the second operating year. Additionally, PruittHealth 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.

NCHH. In Section VII, pages 64-65, NCHH provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

NCHH	**FTEs Project Year 1**	**FTEs Project Year 2**
Secretary/Clerk	1.0	1.0
Scheduler	1.0	1.0
Director of Nursing/Administrator	1.0	1.0
Registered Nurse	2.2	3.0
Certified Nursing Assistant	0.2	0.4
Medical Social Worker	0.3	0.3
Physical Therapist	1.7	2.0
Occupational Therapist	0.6	0.6
Speech Therapist	0.2	0.2
Total	**8.1**	**9.5**

In Section VII.5, page 61, NCHH states that it does not propose to use contract staff to provide the proposed services.

In Table VII.2, page 65, NCHH 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
Registered Nurse	25.0	5.0
Certified Nursing Assistant	26.0	5.2
Medical Social Worker	17.5	3.5
Physical Therapist	27.0	5.4
Occupational Therapist	26.5	5.3
Speech Therapist	27.0	5.4

*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 62, the applicant states, *"The agency ensures that patients, caregivers, and/or their physicians, as well as referral sources and other health care providers, have access to a staff clinician 24 hours-a-day by means of providing an on-call nurse during and after office hours."*

To determine if NCHH'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	3,702	5.0	2.85	3.0
Home Health Aide	301	5.2	0.22	0.4
Medical Social Worker	64	3.5	0.07	0.3
Physical Therapist	2,885	5.4	2.05	2.0
Occupational Therapist	754	5.3	0.55	0.6
Speech Therapist	236	5.4	0.17	0.2

*Calculated by the Project Analyst.

As shown in the table above, NCHH's projected FTE positions in Project Year 2 for nursing, home health aides, medical social workers, occupational therapists, and speech therapists are equal to or exceed the required FTE positions as calculated by the Project Analyst. NCHH's projected FTE positions in Project Year 2 for physical therapists is slightly below but within 5/100ths of required FTE positions as calculated by the Project Analyst.

In summary, NCHH proposes adequate staffing for the visits it projects to perform during the second operating year. Additionally, NCHH 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.

Well Care. In Section VII, pages 111-112, Well Care provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Well Care	**FTEs Project Year 1**	**FTEs Project Year 2**
Administrator	0.25	0.25
Secretary/Medical Records Clerk	1.00	1.25
Clinical Manager	1.00	1.00
Account Executive/Marketing	1.00	2.00
Manager of Clinical Excellence	0.25	0.25
Registered Nurse	1.45	3.10
Licensed Practical Nurse	1.10	2.40
Certified Nursing Assistant	0.50	0.95
Medical Social Worker	0.15	0.35
Physical Therapist	1.05	2.25
Licensed Physical Therapist Assistant	0.90	1.90
Occupational Therapist	0.40	0.85
Certified Occupational Therapist Assistant	0.35	0.70
Speech Therapist	0.20	0.40
Total	**9.60**	**17.65**

In Section VII.5, page 116, Well Care states that it proposes to use contract staff to provide registered dietician services for the proposed project. In Section VII, page 118, the applicant states that the hourly contract fee amount in Year 2 will be $60.00 per hour for the registered dietician.

In Section VII.2, page 112, Well Care 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**
Registered Nurse	25.15	5.03
Licensed Practical Nurse	32.55	6.51
Certified Nursing Assistant	32.55	6.51
Medical Social Worker	22.50	4.50
Physical Therapist	27.50	5.50
LPTA	32.55	6.51
Occupational Therapist	27.50	5.50
COTA	32.55	6.51
Speech Therapist	22.50	4.50

*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 124, the applicant states, *"Well Care's proposed Mecklenburg County Medicare-certified agency will provide normal staffing or on-call coverage 24 hours a day, seven days per week."*

To determine if Well Care'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 (1)	8,001	5.68	5.42	5.50
Home Health Aide	1,553	6.51	0.92	0.95
Physical Therapist (2)	6,391	5.96	4.12	4.15
Occupational Therapist (3)	2,317	5.96	1.50	1.55
Speech Therapist	459	4.50	0.39	0.40
Medical Social Worker	374	4.50	0.32	0.35

*Calculated by the Project Analyst.
(1) In Section VII, page 112, Well Care projects 5.03 RN visits per day and 6.51 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 the RN and LPN FTEs, and assumed a weighted average of 5.68 visits per day and projected 5.5 FTE positions (3.1 Registered Nurse FTE positions + 2.4 LPN FTE positions = 5.5 FTE positions) as provided on page 112 of the application.
(2) In Section VII, page 112, Well Care projects 5.50 physical therapist visits per day and 6.51 LPTA visits per day. The applicant did not provide a ratio of Physical Therapist visits to LPTA visits. For purposes of the table above, the Project Analyst combined Physical Therapists and LPTA FTEs, and assumed a weighted average of 5.96 visits per day and projected 4.15 FTE positions (2.25 Physical Therapist FTE positions + 1.9 LPTA FTE positions = 4.15 FTE positions) as provided on page 112 of the application.
(3) In Section VII, page 112, Well Care projects 5.50 occupational therapist visits per day and 6.51 COTA visits per day. The applicant did not provide a ratio of Occupational Therapist visits to COTA visits. For purposes of the table above, the Project Analyst combined Occupational Therapists and COTA FTEs, and assumed a weighted average of 5.96 visits per day and projected 1.55 FTE positions (0.85 Occupational Therapist FTE positions + 0.7 COTA FTE positions = 1.55 FTE positions) as provided on page 112 of the application.

As shown in the table above, Well Care'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, Well Care proposes adequate staffing for the visits it projects to perform during the second operating year. Additionally, Well Care 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 Applications

PruittHealth. In Section VII.5, page 185, the applicant states it will contract for speech therapy, physical therapy, occupational therapy. Exhibit 19 contains a copy of a draft contract between the applicant and PruittHealth Therapy Services to provide speech therapy, physical therapy and occupational therapy services. In Section V.2 and V.3, pages 165-167, the

applicant discusses anticipated referral sources. Exhibits 14 and 28 contain documentation showing that health care providers and others were contacted regarding the proposal. PruittHealth 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.

NCHH. In Section VII.5, page 61, the applicant states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 50-51, the applicant discusses anticipated referral sources. Exhibits 5, 6 and 7 contain copies of letters from the applicant to health care providers in the proposed service area. NCHH 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.

Well Care. In Section VII.5, page 116, the applicant states it will contract for dietician services. Exhibit 3 contains a copy of a letter from a registered dietician expressing interest in providing services to the applicant's proposed agency. The applicant states it does not propose to contract for any other direct patient care services. In Sections V.2 and V.3, page 91, the applicant discusses anticipated referral sources. Exhibits 12 and 17 contain letters of support for the proposal from health care providers and a list of healthcare providers contacted. Well 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.

(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

(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

(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

(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;

NA

None of the applicants operate an existing Medicare-certified home health agency or an existing licensed home care agency in Mecklenburg 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 Applications

PruittHealth. In Section VI.9, page 178, the applicant states that no civil rights access complaints have been filed against PruittHealth in the last five years. In Section VI.10, page 178, the applicant states, *"PruittHealth HH does not have any obligation under any applicable regulations to provide uncompensated care, community service, or access by minorities and handicapped person; however, PruittHealth HH will provide uncompensated care, community service, and access to minorities and handicapped persons at its proposed Medicare-certified home health agency in Mecklenburg County."* The application is conforming to this criterion.

NCHH. In Section VI.9, page 57, the applicant states that no civil rights access

complaints have been filed against LHC Group in the last five years. In Section VI.10, page 58, the applicant states, *"NCHH 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.

Well Care. In Section VI.9, page 105, the applicant states that no civil rights access complaints have been filed against Well Care in the last five years. In Section VI.10, page 105, the applicant states, *"Well Care is not obligated under federal regulations to provide uncompensated care, community service, or access by 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 Applications

The following table illustrates the FFY2016 payor mix for the existing Medicare-certified home health agencies located in Mecklenburg County (Mecklenburg County agencies), as reported in their respective *Home Health Agency 2017 Annual Data Supplement to License Application* forms.

Existing Medicare-Certified Home Health Agencies Located in Mecklenburg County	**Percent of Total Visits**	
	Medicare	**Medicaid**
Gentiva Health Services (HC0787)	89.4%	1.2%
Brookdale Home Health (HC0369)	85.9%	0.2%
Liberty Home Care (HC3694)	81.0%	3.9%
Bayada Home Health Care (HC0355)	74.7%	0.2%
Personal Home Care (HC3966)	72.8%	17.7%
Healthy@Home-University (HC4677)	69.4%	5.1%
Advanced Home Care (HC0171)	68.5%	3.1%
Gentiva Health Services (HC0097)	64.1%	2.4%
Healthy@Home-Charlotte (HC1038)	60.3%	14.0%
Gentiva Health Services (HC0138)	58.7%	5.5%
Interim Healthcare (HC1901)	44.4%	22.7%
Average*	68.8%	5.2%

*The *"Average"* was not calculated by adding up the percentages for each agency and dividing by 11 (there are 11 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, as do the Medicare and Medicaid percentages.

As shown in the table above, the weighted average Medicare percentage for all Mecklenburg County agencies was 68.8% in FFY2016 and the weighted average Medicaid percentage was 5.2%. The Medicare percentage ranges from a low of 44.4% to a high of 89.4%. The Medicaid percentages range from a low of 0.2% to 22.7%.

PruittHealth. In Section VI.12, page 179, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Duplicated Patients as a % of Total Duplicated Patients** (from Section VI.12, page 179)	**Visits as a % of Total Visits** (from Section VI.12, page 179)
Medicare	86.1%	88.5%
Medicaid	4.8%	3.1%
Commercial	6.9%	7.1%
Indigent	1.1%	0.6%
Private Pay	1.1%	0.7%
Total	100.0%	100.0%

The projected Medicare percentage for visits is within the range reported by existing Mecklenburg County agencies. The projected Medicaid percentage for visits is within the range reported by existing Mecklenburg County agencies.

PruittHealth did not adequately demonstrate that its projected average visits per start of care by payor category (Step 8) was based on reasonable and adequately supported assumptions. However, because PruittHealth increased the average visits per start of care by 17% for each payor category, the overstatement of visits does not affect the percentages shown in the table above.

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

NCHH. In Section VI.12, page 58, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Duplicated Patients as a % of Total Duplicated Patients** (from Section VI.12, page 58)	**Visits as a % of Total Visits** (from Section VI.12, page 58)
Medicare	80.9%	88.2%
Medicaid	9.0%	6.6%
Private Insurance	5.7%	3.9%
Self Pay	2.5%	0.6%
Others	1.9%	0.6%
Total	100.0%	100.0%

The projected Medicare percentage for visits is within the range reported by existing Mecklenburg County agencies. The projected Medicaid percentage for visits is within the range reported by existing Mecklenburg County agencies.

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

Well Care. In Section VI.12, page 107, the applicant provides the following projected payor mix for the second year of operation.

Payor	**Duplicated Patients as a % of Total Duplicated Patients** (from Section VI.12, page 107)	**Visits as a % of Total Visits** (from Section VI.12, page 107)
Self Pay/Indigent/Charity	1.0%	0.4%
Commercial Insurance	17.0%	12.0%
Medicare	67.0%	79.8%
Medicaid	15.0%	7.8%
Total	100.0%	100.0%

The projected Medicare percentage for visits is within the range reported by existing Mecklenburg County agencies. The projected Medicaid percentage for visits is within the range reported by existing Mecklenburg County agencies.

The applicant adequately demonstrated the extent to which the elderly and medically underserved groups will have 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 Applications

PruittHealth. In Section VI.8 (a), page 175, PruittHealth 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.

NCHH. In Section VI.8 (a), page 57, NCHH 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.

Well Care. In Section VI.8(a), page 101, Well Care 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

PruittHealth. In Section V.1, page 164, the applicant states that it will establish relationships with health professional training programs in the area. Exhibit 16 of the application contains copies of letters from the applicant to several area health professional training programs, including UNC at Charlotte, Umanah Healthcare Institute, Cabarrus College of Health Sciences, Gaston College and Queens University of Charlotte. 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.

NCHH. In Section V.1, page 50, the applicant states that it will establish relationships with health professional training programs in the area. Exhibit 8 of the application contains copies of letters from the applicant to area health professional training programs, including Central Piedmont Community College, Pfeiffer University and UNC at Charlotte. 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.

Well Care. In Section V.1, page 89, the applicant states, *"Well Care has experienced staff and extensive training resources that can be shared with health professional students through a clinical training agreement. … The proposed Medicare-certified Home Health Agency in Mecklenburg County will be available to all area schools and training programs, as necessary."* Exhibit 8 contains copies of letters of support from the UNC Schools of Nursing and Public Health. 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.

NC - PruittHealth
C – All Other Applications

The three applicants each propose to develop one additional Medicare-certified home health agency in Mecklenburg County. The 2017 SMFP identifies the need for one additional Medicare-certified home health agency or office in Mecklenburg County.

On page 256, the 2017 SMFP states, *"A Medicare-certified home health agency office's service area is the Medicare-certified home health agency office planning area in which the office is located. Each of the 100 counties in the state is a separate Medicare-certified home health agency office planning area."* Thus, the service area is Mecklenburg County. Providers may serve residents of counties not included in their service area.

There are currently eleven existing Medicare-certified home health agencies or offices in Mecklenburg County, as shown in the following table.

Existing Medicare-Certified Home Health Agencies Located in Mecklenburg County	Location
Advanced Home Care, Inc.	2520 Whitehall Park Drive, Charlotte
Bayada Home Health Care	8801 JM Keynes Drive, Charlotte
CMC Healthy @ Home-Charlotte	4701 Hedgemore Drive, Charlotte
CMC Healthy @ Home-University	101 East W.T. Harris Boulevard, Charlotte
Gentiva Health Services	11111 Carmel Commons Boulevard, Charlotte
Gentiva Health Services	8520 Cliff Cameron Drive, Charlotte
Gentiva Health Services	9009-C Perimeter Woods Drive, Charlotte
Innovative Senior Care Home Health	9300 Harris Corners Parkway, Charlotte
Interim Healthcare of the Triad	330 Billingsley Road, Charlotte
Liberty Home Care and Hospice	2015 Moore Road, Matthews
Personal Home Care of North Carolina	1515 Mockingbird Lane, Charlotte

PruittHealth does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate eight Medicare-certified home health agencies in other counties in North Carolina. In Section V.7, pages 170-171, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicant states:

> *"As explained in Section II.5, PruittHealth HH has selected the most cost-effective alternative for enhancing home health services in Mecklenburg County. ... The development of PruittHealth HH-C will positively impact the service area hospitals by assisting to reduce re-hospitalizations. ... PruittHealth HH will be effective in managing the quality of its home health services because of its support and training resources and standardization of care policies and procedures throughout its organization. ... As a new home health provider, PruittHealth HH-C will foster access and competition throughout the service area through implementation of its top notch programming and quality services."*

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

However, the applicant does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions regarding projected average visits per start of care (Step 8). The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference. Consequently, the applicant the applicant does not adequately demonstrate that any enhanced competition in the service area includes a positive impact on cost-effectiveness

of the proposed services and that the proposal is a cost-effective alternative. Therefore, the application is not conforming to this criterion.

NCHH does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate six Medicare-certified home health agencies in other North Carolina counties. In Section V.7, pages 52-54, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicant states:

> *"LHC Group has extensive experience in providing home health services to patients throughout the United States. NCHH will leverage that experience and expertise to operate the Mecklenburg County agency as efficiently as possible. … Excellent access to Medicare-certified home health services is an important feature of the quality of life in the communities to be served by NCHH. NCHH will provide services to all patients without discriminating on the basis of payment source, age, gender, race, religion, national origin or handicap."*

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need for the project and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates it will provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- The applicant adequately demonstrates that it will provide access to medically underserved populations. The discussion regarding access found in Criteria (1), (3) and (13) is incorporated herein by reference.

Therefore, the application is conforming to this criterion.

Well Care does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate Medicare-certified home health agencies in New Hanover, Davie and Wake counties. Also, Well Care currently owns and operates six licensed home care agencies in North Carolina. In Section V.7, pages 94-96, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The applicant states:

> *"Well Care will utilize existing corporate resources for administrative function including human resources, regulatory compliance, account support and intake, accreditation preparation and support, quality assurance / performance improvement systems,*

> *information systems support, business development and marketing. ... The proposed project will provide high quality home health services by an organization that is recognized for its excellence in care delivery. ... Well Care is committed to expanding healthcare services to the medically underserved population and to provide access to all patients in need for services regardless of their ability to pay, insurance coverage, handicap, racial/ethnic background, language or gender."*

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need for the project and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates it will provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- The applicant adequately demonstrates that it will provide access to medically underserved populations. The discussion regarding access found in Criteria (1), (3) and (13) is incorporated herein by reference.

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 – All Applications

PruittHealth. In Section I.11, page 6, the applicant states that it does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate eight Medicare-certified home health agencies in other counties in North Carolina. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision none of the facilities were found to be out of compliance with one or more Medicare conditions of participation. At this time, all eight facilities are in compliance with all Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all eight facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

NCHH. In Section I.11, page 4, the applicant states that it does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate six Medicare-certified home health agencies in other North Carolina counties. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision none of the facilities were found to be out of compliance with one or more Medicare conditions of participation. At this time, all six facilities are in compliance with all Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all six facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Well Care. In Section I.11, pages 6-7, the applicant states that is does not currently own or operate a Medicare-certified home health agency in Mecklenburg County, but does own and operate Medicare-certified home health agencies in New Hanover, Davie and Wake counties. Also, Well Care currently owns and operates six licensed home care agencies in North Carolina. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision none of the Medicare-certified home health agencies were found to be out of compliance with one or more Medicare conditions of participation. At this time, all three Medicare-certified home health agencies are in compliance with all Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all three Medicare-certified home health agencies and six licensed home care agencies, the applicant provided sufficient evidence that quality care has been provided in the past. 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.

C – All Applications

The applications are conforming with the Criteria and Standards for Home Health Services as discussed below.

SECTION .2000 – CRITERIA AND STANDARDS FOR HOME HEALTH SERVICES

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- **PruittHealth**. In Section IV.1, page 129, the applicant projects to serve 598 unduplicated patients in the second year of operation, which exceeds the minimum need of 325 patients used in the 2017 State Medical Facilities Plan. The projected number of patients to be served is based on reasonable and adequately supported assumptions (unlike the projected average visits per start of care). The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference.

-C- **NCHH**. In Section IV.1, page 48, the applicant projects to serve 489 unduplicated patients in the third year of operation, which exceeds the minimum need of 325 patients used in the 2017 State Medical Facilities Plan. The projected number of patients to be served is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference.

-C- **Well Care**. In Section IV.1, page 73, the applicant projects to serve 898 unduplicated patients in the second year of operation, which exceeds the minimum need of 325 patients used in the 2017 State Medical Facilities Plan. The projected number of patients to be served is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference.

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2017 SMFP, no more than one new Medicare-certified home health agency or office may be approved for Mecklenburg County in this review. Because each applicant proposes to develop a new Medicare-certified home health agency in Mecklenburg County, all three 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 Well Care is approved and the other two applications are disapproved.

Conformity with Review Criteria

NCHH and Well Care adequately demonstrated that their proposals are conforming to all applicable statutory and regulatory review criteria. However, PruittHealth did not adequately demonstrate that its proposal was conforming to Criteria (1), (3), (4), (5), (6) and (18a). Therefore, the applications submitted by NCHH and Well Care are more effective alternatives with regard to conformity with review criteria.

Projected Access by Medicare Recipients

For each applicant in this review, the following table compares: a) the total number of duplicated patients in Project Year 2; b) the number of duplicated Medicare patients in Project Year 2; and c) duplicated Medicare patients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicare patients is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness based on the number of Medicare patients projected to be served.

Project Year 2				
Rank	**Applicant**	**Total Number of Duplicated Patients**	**Number of Duplicated Medicare Patients**	**Duplicated Medicare Patients as a Percentage of Total Duplicated Patients**
1	Well Care	3,008	2,015	67.0%
2	NCHH	1,320	1,068	80.9%
3	PruittHealth	854	735	86.1%

Source: The total number of duplicated patients is from Section IV.2 of the applications, and the Medicare percentage of duplicated patients is from Section VI.12 of the applications. The number of duplicated Medicare patients was calculated by applying the Medicare percentage of duplicated patients to the applicant's projections of total duplicated patients in Year 2.

As shown in the table above, Well Care projects to serve the highest number of duplicated Medicare patients in Project Year 2. The application submitted by Well Care is the most effective alternative with regard to projected access by Medicare recipients.

Projected Access by Medicaid Recipients

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

proposing the higher number of Medicaid patients is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness based on the number of Medicaid patients projected to be served.

Project Year 2				
Rank	**Applicant**	**Total Number of Duplicated Patients**	**Number of Duplicated Medicaid Patients**	**Duplicated Medicaid Patients as a Percentage of Total Duplicated Patients**
1	Well Care	3,008	451	15.0%
2	NCHH	1,320	119	9.0%
3	PruittHealth	854	41	4.8%

Source: The total number of duplicated patients is from Section IV.2 of the applications, and the Medicaid percentage of duplicated patients is from Section VI.12 of the applications. The number of duplicated Medicaid patients was calculated by applying the Medicaid percentage of duplicated patients to the applicant's projections of total duplicated patients in Year 2.

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

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. Generally, the application proposing the highest number of visits per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**# of Unduplicated Patients**	**Projected # of Visits**	**Average # of Visits per Unduplicated Patient**
1	PruittHealth	598	15,352	25.7
2	Well Care	898	19,095	21.3
3	NCHH	380	7,943	20.9

Source: The total number of unduplicated patients is from Section IV.1 of the applications, and the projected number of visits is from Section IV.2 of the applications. The average number of visits per unduplicated patient was calculated by dividing the projected number of visits by the applicant's projections of total unduplicated patients in Year 2.

As shown in the table above, PruittHealth projects the highest average number of visits per unduplicated patient in Project Year 2. However, PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding projected utilization is incorporated herein by reference. Well Care projects the second highest average number of visits per unduplicated patient in Project Year 2 and Well Care's projected average visits per patient is based on reasonable and adequately supported assumptions. Therefore, the application submitted by Well Care

is the most effective alternative with regard to the projected number of visits per unduplicated patient in Project Year 2.

Average Net Patient Revenue per Visit

Average net revenue per visit in Project Year 2 was calculated by dividing projected net revenue from applicant's pro forma financial statements (Form B) by the projected number of visits from Section IV.2 of the application, as shown in the table below. Generally, the application proposing the lowest average net revenue per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**Total # of Visits**	**Net Patient Revenue**	**Average Net Patient Revenue per Visit**
1	PruittHealth	15,352	$2,130,688	$138.79
2	NCHH	7,943	$1,170,139	$147.32
3	Well Care	19,095	$3,072,264	$160.89

As shown in the table above, PruittHealth projects the lowest average net revenue per visit in Project Year 2. However, PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding PruittHealth's projected utilization is incorporated herein by reference. Therefore, the total number of visits for PruittHealth shown in the table above is questionable which means that the average net patient revenue per visit shown in the table above is also questionable. NCHH projects the second highest average net patient revenue per visit in Project Year 2 and NCHH's projected total visits is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding NCHH's projected utilization is incorporated herein by reference. Therefore, the application submitted by NCHH is the most effective alternative with regard to the projected average net revenue per visit in Project Year 2.

Average Net Revenue per Unduplicated Patient

Average net revenue per unduplicated patient in Project Year 2 was calculated by dividing projected net revenue from the applicant's pro forma financial statements (Form B) by the projected number of unduplicated patients from Section IV.1 of the applications, as shown in the table below. Generally, the application proposing the lowest average net revenue per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**# of Unduplicated Patients**	**Net Patient Revenue**	**Average Net Patient Revenue per Unduplicated Patient**
1	NCHH	380	$1,170,139	$3,079
2	Well Care	898	$3,072,264	$3,421
3	PruittHealth	598	$2,130,688	$3,563

As shown in the table above, NCHH projects the lowest average net revenue per unduplicated patient in Project Year 2. The application submitted by NCHH 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 the applicant's pro forma financial statement (Form B) by the total number of visits from Section IV.2 of the applications, as shown in the table below. Generally, the application proposing the lowest average total operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**Total # of Visits**	**Total Operating Costs**	**Average Total Operating Cost per Visit**
1	Well Care	19,095	$2,126,368	$111.36
2	NCHH	7,943	$1,043,484	$131.37
3	PruittHealth	15,352	$2,100,038	$136.79

As shown in the table above, Well Care projects the lowest average total operating cost per visit in Project Year 2. The application submitted Well Care 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 the applicant's pro forma financial statement (Form B) by the total number of visits from Section IV.2 of the applications, as shown in the table below. Generally, the application proposing the lowest average direct care operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**Total # of Visits**	**Total Direct Care Costs**	**Average Direct Care Operating Cost per Visit**
1	Well Care	19,095	$1,398,816	$73.25
2	NCHH	7,943	$643,451	$81.01
3	PruittHealth	15,352	$1,676,993	$109.24

As shown in the table above, Well Care projects the lowest average direct care operating cost per visit in the second operating year. The application submitted by Well Care 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 the applicant's pro forma financial statements (Form B) by the total number of visits from Section IV.2 of the application, as shown in the table below. Generally, the application proposing the lowest average administrative operating cost per visit is the

more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**Total # of Visits**	**Administrative Costs**	**Average Administrative Operating Cost per Visit**
1	PruittHealth	15,352	$423,045	$27.56
2	Well Care	19,095	$727,552	$38.10
3	NCHH	7,943	$400,033	$50.36

As shown in the table above, PruittHealth projects the lowest average administrative operating cost per visit in Project Year 2. However, PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding PruittHealth's projected utilization is incorporated herein by reference. Therefore, the total number of visits for PruittHealth shown in the table above is questionable which means that the average administrative operating cost per visit shown in the table above is also questionable. Well Care projects the second highest average administrative operating cost per visit in Project Year 2 and Well Care's projected total visits is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding Well Care's projected utilization is incorporated herein by reference. Therefore, the application submitted by Well Care is the most effective alternative with regard to the projected average administrative operating cost per visit in Project Year 2.

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. Generally, the application proposing the lowest ratio is the more effective alternative with regard to this comparative factor. However, the ratio must equal one or greater in order for the proposal to be financial feasible. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**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)**
1	PruittHealth	$138.79	$136.79	1.01
2	NCHH	$147.32	$131.37	1.12
3	Well Care	$160.89	$111.36	1.44

As shown in the table above, PruittHealth projects the lowest ratio of net revenue to average total operating cost per visit in Project Year 2. However, PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding PruittHealth's projected utilization is incorporated herein by reference. Therefore, the total number of visits for PruittHealth shown in the table above is questionable which means that the ratio of average net revenue per visit to average total operating cost per visit shown in the table above is also questionable. NCHH projects the second highest ratio of average net revenue per visit to average total operating cost per visit in

Project Year 2 and NCHH's projected total visits is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding NCHH's projected utilization is incorporated herein by reference. Therefore, the application submitted by NCHH is the most effective alternative with regard to the projected ratio of average net revenue per visit to average total operating cost per visit in Project Year 2.

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

The percentages in the table below were calculated by dividing the average direct care cost per visit in Project Year 2 by the average total operating cost per visit in Project Year 2. Generally, the application proposing the highest percentage is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	**Applicant**	**Average Total Operating Cost per Visit (A)**	**Average Direct Care Operating Cost per Visit (B)**	**Average Direct Care Operating Cost as a % of Average Total Cost per Visit (B / A)**
1	PruittHealth	$136.79	$109.24	79.9%
2	Well Care	$111.36	$73.25	65.8%
3	NCHH	$131.37	$81.01	61.7%

As shown in the table above, PruittHealth projects the highest percentage of average direct operating cost per visit to average total operating cost per visit in Project Year 2. However, PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding PruittHealth's projected utilization is incorporated herein by reference. Therefore, the total number of visits for PruittHealth shown in the table above is questionable which means that the average direct care operating cost per visit as a percentage of average total operating cost per visit shown in the table above is also questionable. Well Care projects the second highest average direct care operating cost per visit as a percentage of average total operating cost per visit in Project Year 2 and Well Care's projected total visits is based on reasonable and adequately supported assumptions. The discussion found in Criterion (3) regarding Well Care's projected utilization is incorporated herein by reference. Therefore, the application submitted by Well Care is the most effective alternative with regard to the projected average direct care operating cost per visit as a percentage of average total operating cost per visit in Project Year 2.

Nursing and Home Health Aide Salaries in Project Year 2

All three 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, as reported by the applicants in Section VII.2 of the application. Generally, the application proposing the highest annual salary is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Rank	Applicant	Registered Nurse
1	PruittHealth	$89,388
2	Well Care	$83,602
3	NCHH	$54,546

Rank	Applicant	Licensed Practical Nurse
1	PruittHealth	$59,105
2	Well Care	$52,958
3	NCHH	$46,854

Rank	Applicant	Home Health Aide
1	PruittHealth	$41,616
2	Well Care	$34,456
3	NCHH	$30,272

Salaries are a significant contributing factor in recruitment and retention of staff. As shown in the tables above, PruittHealth projects the highest average annual salary for the registered nurse, licensed practical nurse and home health aide positions in Project Year 2. Therefore, the application submitted by PruittHealth is the most effective alternative with regard to average annual salary for registered nurses, licensed practical nurses and home health aides.

SUMMARY

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

- Well Care projects the highest number of duplicated Medicare patients in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the highest number of duplicated Medicaid patients and highest percentage of duplicated Medicaid patients in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the highest average number of visits per unduplicated patient that is based on reasonable and adequately supported assumptions in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the lowest average total operating cost per visit in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the lowest average direct operating cost per visit in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the lowest average administrative operating cost per visit that is based on reasonable and supported assumptions in Project Year 2. See Comparative Analysis for discussion.
- Well Care projects the highest average direct care operating cost per visit as a percentage of average total operating cost per visit that is based on reasonable and supported assumptions in Project Year 2. See Comparative Analysis for discussion.

The following table:

1) Compares the proposal submitted by Well Care 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

	PruittHealth	Well Care	NCHH
# of Duplicated Medicare Patients	735	**2,015**	1,068
Duplicated Medicare Patients as a % of Total Duplicated Patients	86.1%	67.0%	80.9%
# of Duplicated Medicaid Patients	41	**451**	119
Duplicated Medicaid Patients as a % of Total Duplicated Patients	4.8%	**15.0%**	9.0%
Average Number of Visits per Unduplicated Patient	25.7*	**21.3**	20.9
Average Net Revenue per Visit	$139*	$161	$147
Average Net Revenue per Unduplicated Patient	$3,563	$3,421	$3,079
Average Total Operating Cost per Visit	$137	**$111**	$131
Average Direct Operating Cost per Visit	$109	**$73**	$81
Average Administrative Operating Cost per Visit	$28*	**$38**	$50
Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit	1.01*	1.44	1.12
Average Direct Care Operating Cost per Visit as a % of Average Total Operating Cost per Visit	79.9%*	**65.8%**	61.7%
Registered Nurse Salary	$89,388	$83,602	$54,546
Licensed Practical Nurse Salary	$59,105	$52,958	$46,854
Home Health Aide Salary	$41,616	$34,456	$30,272

*PruittHealth does not adequately demonstrate that the projected average number of visits per start of care is based on reasonable and adequately supported assumptions (Step 8). The discussion found in Criterion (3) regarding PruittHealth's projected utilization is incorporated herein by reference. Therefore, the total number of visits for PruittHealth is questionable which means that any comparative factor that involves dividing a number by the total number of visits is also questionable.

CONCLUSION

All of the applications are individually conforming to the need determination in the 2017 SMFP for one additional Medicare-certified home health agency or office in Mecklenburg County. However, N.C. Gen. Stat. § 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 Healthcare Planning and Certificate of Need Section (Agency). The Agency determined that the application submitted by Well Care is the most effective alternative proposed in this review for the development of one additional Medicare-certified home health agency or office in Mecklenburg 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 Mecklenburg County, and therefore, the two competing applications are denied.

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

1. Well Care Home Health of the Piedmont, Inc. shall materially comply with all representations made in the certificate of need application.

2. Well Care Home Health of the Piedmont, Inc. shall develop a Medicare-certified home health agency office in Mecklenburg County.

3. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Well Care Home Health of the Piedmont, Inc. shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:

   a. Payor mix for the services authorized in this certificate of need.
   b. Utilization of the services authorized in this certificate of need.
   c. Revenues and operating costs for the services authorized in this certificate of need.
   d. Average gross revenue per unit of service.
   e. Average net revenue per unit of service.
   f. Average operating cost per unit of service.

4. Prior to issuance of the certificate of need, Well Care Home Health of the Piedmont, Inc. shall acknowledge in writing to the Healthcare Planning and Certificate of Need Section acceptance of and agree to comply with all conditions stated herein.