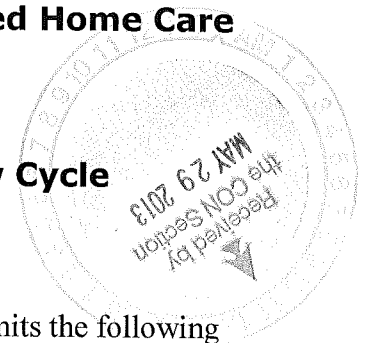


**Comments in Opposition from
HKZ Group, LLC
Regarding a Certificate of Need Application
Submitted by Advanced Home Care, Inc. d/b/a Advanced Home Care
in Response to a Need Determination for
One Home Health Agency in the
Brunswick County Service Area
Submitted April 15, 2013 for May 1, 2013 Review Cycle**



I. Introduction

In accordance with N.C.G.S. Section 131E-185(a1)(1), HKZ Group, LLC submits the following comments regarding a Certificate of Need Application submitted by Advanced Home Care, Inc. d/b/a Advanced Home Care in response to a need determination for one Home Health Agency in the Brunswick County Service Area for the May 1, 2013 review cycle.

The following seven CON applications were submitted in response to a need determination for one home health agency in the Brunswick County Service Area in the *2013 State Medical Facilities Plan (2013 SMFP)*:

- O-10113-13: United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc.
- O-10117-13: NHRMC Home Care
- O-10118-13: Advanced Home Care, Inc. d/b/a Advanced Home Care
- O-10119-13: HKZ Group, LLC
- O-10120-13: Maxim Healthcare Services, Inc.
- O-10121-13: Tar Heel Health Services, LLC d/b/a Gentiva Health Services
- O-10122-13: Continuum II Home Care and Hospice, Inc. d/b/a Continuum Home Care of Brunswick County.

II. Comparative Analysis

The Comparative Analysis in Attachment I shows that **HKZ** is the most effective alternative for a new Medicare-certified home health agency in Brunswick County.

III. Advanced Home Care CON Application

Advanced Home Care, Inc. (Advanced) is a hospital-affiliated company owned by 13 hospitals and health systems, to include Novant Health, Inc., the owner of Brunswick Medical Center in Bolivia.

According to information provided on page 26 of its CON Application, in September 2012, Advanced merged with MedOx Healthcare based in New Hanover County (438 Raleigh Street, Wilmington), which provides home medical equipment and respiratory care. On page 29 of its CON Application, Advanced states that it does not plan to consolidate its home medical equipment in New Hanover County and proposed Medicare-certified home health agency in

Brunswick County, opting instead to have two locations should its CON Application be approved.

On page 26 of its CON Application, Advanced states its intent to add behavioral health services to its “Home Health service areas in response to reimbursement changes in other settings that are redirecting more patients with [that] need to the home health setting.”

Importantly, Advanced does not include behavioral health services in response to Section I., Question 1. “Scope of Services” (pages 18-26), and in the list of services in response to Section II., Question 2., which asks each applicant to explain how its project will differ from existing services that are already being provided in the service area (page 26). Advanced does not identify a need for behavioral health services in Brunswick County (Section II.), and does not include any behavioral health staff in its staffing plan (Section VII.).

IV. Pro Forma Financial Statements are Incomplete

Section X., Question 4. requires each applicant to “[l]ist all assumptions used in completing Tables X.1. (Cost Information) and X.2. (Charge Information).”

On page 101, in response to Section X., Question 4, Advanced states as follows:

Response: As a going concern and one of the largest home health agencies in North Carolina, Advanced Home Care relied upon its historical operations for its baseline. Adjustments then were made for expanded operations at the proposed Brunswick County home health agency during the first two operating years, including projected patient volumes.

Advanced provided no details about its “historical operations.”

Section X., Question 7. Requires each applicant to provide Pro Forma Financial Statements, and to [e]xplain or footnote all assumptions used in the development of Forms A-C.” In addition, each applicant is instructed to “[p]rovide all assumptions used in inflating costs from the present day for each line item.”

Advanced has not included Assumption Worksheets in its Proformas, and did not show the method of arriving at the numbers in its Proformas (i.e., volume x cost/visit).

V. CON Review Criteria

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

G.S. 131E-183 (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative

limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

There is one *State Medical Facilities Plan (SMFP)* Policy applicable to the review of Brunswick County Home Health Agencies:

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7), (13c), and (18a), Advanced does not demonstrate:

- A need for the proposed project;
- That the proposed project will promote equitable access; and
- That the proposed project will maximize health care value for resources expended.

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

G.S. 131E-183 (3) and (13c)

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.

A. Lowest Duplicated to Unduplicated Patient Ratio

The following table shows a range of duplicated: unduplicated patient ratios used by the seven applicants.

**Brunswick County Home Health Agency CON Applications
Ratio of Duplicated to Unduplicated Patients: PYs 1 & 2**

Project ID	Applicant	PY 1	PY 2
O-10113-13	UniHealth	1.2	1.3
O-10117-13	NHRMC	4.2	4.5
O-10118-13	Advanced	1.0	1.0
O-10119-13	HKZ	2.7	2.7
O-10120-13	Maxim	4.8	5.2
O-10121-13	Gentiva	2.2	2.7
O-10122-13	Continuum	3.1	2.7

As shown in the previous table, Advanced’s ratio of duplicated to unduplicated patients is the lowest among the seven applicants. A 1:1 ratio means that Advanced projects that for every patient that does not have a readmission; they will have **only one patient** with a readmission. This implies that they will provide more cases with lower acuity such as rehabilitation care after an orthopedic surgery, and serve fewer patients cases with chronic disease. This assumption is

unreasonable when compared to the actual experience of home health patients in Brunswick, New Hanover, and Pender Counties as discussed below. The need for an additional home health agency in Brunswick County is based upon the needs of the population currently served in Brunswick County; therefore, it is not reasonable to use assumptions which are not consistent with the current utilization.

Advanced proposes single county service area of Brunswick County in PY 1. Advanced includes a specific number of patients from New Hanover and Pender counties in PY 2.

For comparison purposes, the following table shows the range of duplicated: unduplicated patient ratio of existing Brunswick County Medicare-certified home health agencies in FY 2012.

**Brunswick County Existing Home Health Agencies
Ratio of Duplicated to Unduplicated Patients: FY 2012**

Brunswick Average	Brunswick High	Brunswick Low
2.7	3.7	1.8

Source: 2013 Home Health Agency Annual Data Supplement to License Application

*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement

**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

Advanced's ratio duplicated to unduplicated patient ratio also is inconsistent with the ratio reported by existing New Hanover County Medicare-certified home health agencies in FY 2012, as shown in the following table.

**New Hanover County Existing Home Health Agencies
Ratio of Duplicated to Unduplicated Patients: FY 2012**

New Hanover Average	New Hanover High	New Hanover Low
2.4	3.3	2.0

Source: 2013 Home Health Agency Annual Data Supplement to License Application

*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement

**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

Lastly, Advanced's duplicated to unduplicated patient ratio is inconsistent with the ratio reported by existing Pender County Medicare-certified home health agencies in FY 2012, as shown in the following table.

**Pender County Existing Home Health Agencies
Ratio of Duplicated to Unduplicated Patients: FY 2012**

Pender Average	Pender High	Pender Low
2.1	3.4	1.7

Source: 2013 Home Health Agency Annual Data Supplement to License Application

*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement

**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

Advanced does not explain why it chose to use a duplicated to unduplicated patient ratio that differs from existing home health agencies in Brunswick, New Hanover, and/or Pender counties.

B. Highest Ratio Patient Visits per Duplicated Patient

The following table shows a range of visits per duplicated patient ratios used by the seven applicants.

**Brunswick County Home Health Agency CON Applications
Visits per Duplicated Patient: PYs 1 & 2**

Project ID	Applicant	PY 1	PY 2
O-10113-13	UniHealth	15.7	17.0
O-10117-13	NHRMC	3.9	3.8
O-10118-13	Advanced	20.8	20.9
O-10119-13	HKZ	7.1	7.1
O-10120-13	Maxim	3.6	3.6
O-10121-13	Gentiva	9.0	7.3
O-10122-13	Continuum	8.8	8.8

As shown in the previous table, Advanced proposes the highest visits per duplicated patient ratio of all applicants. As discussed in Section A., Advanced’s ratio of duplicated to unduplicated is one of the lowest. Advanced must use an unreasonably high visit per duplicated patient ratio to offset its unreasonably low duplicated to unduplicated patient ratio. The net effect of those disparate assumptions is that Advanced’s patient visits are overstated.

For comparison purposes, Advanced’s visits per duplicated patient ratio is inconsistent with the ratios reported by existing Brunswick County Medicare-certified home health agencies in FY 2012, as shown in the following table.

**Brunswick County Existing Home Health Agencies
Visits per Duplicated Patient**

Brunswick Average	Brunswick High	Brunswick Low
5.5	8.1	3.7

Source: 2013 Home Health Agency Annual Data Supplement to License Application, Home Health Staffing Table (Table E, page 7)

Advanced’s visits per duplicated patient ratio also is inconsistent with the ratios reported by existing New Hanover County Medicare-certified home health agencies in FY 2012, as shown in the following table.

**New Hanover County Existing Home Health Agencies
Visits per Duplicated Patient**

New Hanover Average	New Hanover High	New Hanover Low
8.0	10.5	4.0

Source: 2013 Home Health Agency Annual Data Supplement to License Application, Home Health Staffing Table (Table E, page 7)

Advanced's visits per duplicated patient ratio also is inconsistent with the ratios reported by existing Pender County Medicare-certified home health agencies in FY 2012, as shown in the following table.

**Pender County Existing Home Health Agencies
Visits per Duplicated Patient**

Pender Average	Pender High	Pender Low
8.6	10.5	3.4

Source: 2013 Home Health Agency Annual Data Supplement to License Application, Home Health Staffing Table (Table E, page 7)

Advanced does not explain why it chose to use an unreasonably high number of visits per duplicated patient ratio that is double what existing home health agencies in Brunswick, New Hanover, and/or Pender counties currently provide. Therefore, any comparative factors based upon patient visits for Advanced are unreliable and Advanced cannot be considered the most effective alternative.

C. Unreasonable Ratios = Unreasonable Projections

As discussed in Sections A. and B., Advanced's PY 2 duplicated patient and duplicated patient visit projections are unreasonable due to its use of (1) an unreasonably low duplicated to unduplicated patient ratio and (2) an unreasonably high visits to duplicated patient ratio.

Advanced's unreasonable duplicated patient volume and duplicated patient visits infect each of the following metrics of comparison discussed in the Comparative Analysis (Attachment 1):

- Projected Access by Medicare Recipients
- Projected Access of Medicaid Recipients
- Average Number of Visits per Unduplicated Patient
- Average Net Patient Revenue per Visit
- Average Net Patient Revenue per Unduplicated Patient
- Average Total Operating Cost per Visit
- Average Direct Care Operating Cost per Visit
- Average Administrative Operating Cost per Visit
- Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit
- Average Direct Care Operating Cost per Visit as a Percentage of Average Total Operating Cost per Visit.

The entirety of Advanced's staffing and financial projections are rendered unreliable by the unreasonableness of its unduplicated patient volume, duplicated patient volume, and projected patient visits. Therefore, any comparative factors based upon patient visits for Advanced are unreliable and Advanced cannot be considered the most effective alternative.

D. Lowest Projected Access by Medicare Recipients

For each applicant in this review, the following table compares: (a) the total number of duplicated patients in PY 2; (b) the number of duplicated Medicare recipients in PY 2; and (c) duplicated Medicare recipients as a percentage of total duplicated patients. The applications are listed in the table below in decreasing order of effectiveness based on the number of Medicare recipients projected to be served.

**Brunswick County Home Health Agency CON Applications
Projected Access by Medicare Recipients: PY 2**

PY 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicare Recipients	Duplicated Medicare Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	1,848	71.20%
2	HKZ	1,543	1,055	68.40%
3	Continuum	1,264	897	70.94%
4	Gentiva	1,059	728	68.70%
5	UniHealth	679	520	76.65%
6	Advanced	533	394	73.90%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Advanced projects to provide home health services to the lowest number of Medicare recipients in PY 2. Consequently, Advanced proposes the least effective alternative with regard to that comparative factor.

E. Lowest Projected Access by Medicaid Recipients

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

**Brunswick County Home Health Agency CON Applications
Projected Access by Medicaid Recipients: PY 2**

PY 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicaid Recipients	Duplicated Medicaid Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	452	17.40%
2	HKZ	1,543	276	17.90%
3	Gentiva	1,059	270	25.50%
4	Continuum	1,264	229	18.09%
5	UniHealth	679	120	17.73%
6	Advanced	533	83	15.60%
7	NHRMC	5,990*	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Advanced projects to provide home health services to the lowest number of Medicaid recipients in PY 2. Consequently, Advanced proposes the least effective alternative with regard to that comparative factor.

F. Projected Patient Origin is Unfavorable to Brunswick County Patients

The following table shows a comparison of the unduplicated Brunswick County patients in PY 1 by each of the seven applicants.

**Brunswick County Home Health Agency CON Applications
Unduplicated Patients – Brunswick County: PY 1**

CON Application	Applicant	Brunswick County Unduplicated Patients
O-10113-13	UniHealth	204
O-10117-13	NHRMC	828
O-10118-13	Advanced	189
O-10119-13	HKZ	396
O-10120-13	Maxim	387
O-10121-13	Gentiva	188
O-10122-13	Continuum	125

As shown in the previous table, Advanced's projected number of unduplicated new patients is **58.1%** (189/324.94) of the 2014 home health patient deficit in Brunswick County. There is no explanation provided for not proposing to serve a larger portion of the unmet need for home health services in Brunswick County.

Additionally, as shown in the following table, Advanced proposes to serve 40.1% and 43.3% of patients who are not residents of Brunswick County.

**Advanced Home Care
Projected Patient Origin: PYs 1 – 3**

County	Patients Yr 1	Patients Yr 2 & 3
Brunswick	59.9%	56.8%
New Hanover	32.4%	34.1%
Pender	7.7%	9.2%
Subtotal	40.1%	43.3%
	100.0%	100.0%

CON Application O-10118-13, page 54

Applying those percentages to the total number of patients projected by Advanced during the first three PYs, Advanced proposes to serve a significant number of home health patients who are not residents of Brunswick County, as shown in the following table.

**Advanced Home Care
Projected Patient Origin: PYs 1 - 3**

County	SMFP Deficit	Patients Yr 1	Patients Yr 2	Patients Yr 3
New Hanover	186.04	102	182	201
Pender	52.95	24	49	54
Total Non Brunswick		126	231	255

CON Application O-10118-13, page 54

Advanced intends to “fulfill the unmet need projected for the service area counties in the 2013 SMFP by its third year of operation.” Advanced appears to ignore that 325 residents of Brunswick County will need home health services in 2014; that unmet need is the basis for the need determination in the 2013 SMFP.

For the reasons set forth above, the Advanced CON Application does not conform to CON Review Criteria (3) and (13c).

G.S. 131E-183 (4)

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

As discussed in the context of CON Review Criterion (3), Advanced has not demonstrated by the identified population has for the Medicare-home health services proposed. Consequently, Advanced fails to demonstrate that it is the least costly or most effective alternative proposed, which demonstrates non-conformity with CON Review Criteria (4).

G.S. 131E-183 (5)

Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of

the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

As discussed in the context of CON Review Criterion (3), Advanced's PY 2 duplicated patient volume and duplicated patient visits are overstated. **HKZ** does not reasonably believe any of the Advanced's financial metrics can be used as a basis for comparison with the six other applicants.

For purposes of the analysis of financial projections and comparative financial metrics, **HKZ** presents metrics as they are presented in Advanced's CON Application.

A. Analysis of Financial Projections

Advanced's financial projections do not reflect true expenses necessary for the development of the proposed Brunswick County Medicare-certified home health agency, as shown in the following table.

Financial Projection/Cost	Page Reference	Comment
Section IX., Question 2. (b), Advanced projected \$0 for its Estimated Initial Operating Period	Page 97 Form B, page 113	<ul style="list-style-type: none"> • Projection is incorrect • Advanced projects a Net Loss in PY 1
Advance does not project expenses for: <ul style="list-style-type: none"> • Telephone/ Communications • Licenses/Dues/Subscriptions • Insurance • Postage • Legal/Accounting • Data Processing • Amortization of start-up 	Form B, page 113	<ul style="list-style-type: none"> • Those expenses are not included in Central Office Overhead on page 103. • Without those expenses, Advanced's expected income/loss is unreasonable • Without those expenses, Advanced's income/loss is unreasonable

The items set forth in the previous table demonstrate that Advanced's financial projections are incomplete and not based upon reasonable projections of the costs for providing Medicare-certified home health services. Therefore, any comparative factors based upon cost per visit for Advanced are unreliable and Advanced cannot be considered the most effective alternative.

B. Medicare Revenue is Overstated

In Section X., Question 7., subsection (b), each applicant is required to provide all assumptions and the methodology used to develop the projected Statement of Revenues and Expenses (Form B), including the following assumptions regarding Medicare reimbursement.

The following table summarizes Advanced's response to Section X., Question 7, subsection (b) on page 103 for PYs 1 and 2, respectively, shown the component assumptions of its projected Medicare reimbursement.

**Advanced
Total Medicare Reimbursement**

Assumptions regarding Medicare Reimbursement (page 103)	PY 1	PY 2
Total Episode Payments	\$788,888	\$1,288,093
Total LUPA Payments	\$16,408	\$26,865
Total PEP Payments	\$12,544	\$19,530
Total Outlier Payments	\$3,590	\$6,964
Total Medicare Reimbursement	\$821,340	\$1,341,452

Advanced's projected Medicare revenue for PYs 1 and 2, respectively, in Form B, page 111, is shown in the following table.

**Advanced
Medicare Revenue**

Form B, page 111	PY 1	PY 2
Medicare Revenue	\$850,125	\$1,431,525

The previous two tables show a discrepancy in the total Medicare reimbursement (page 103) and Medicare revenue (Form B, page 111). Those projections should be the same because the assumptions regarding Medicare reimbursement are the basis for projecting Medicare revenue.

When the Medicare reimbursement (page 103) is compared to the Medicare revenue (Form B, page 111), there is a difference, as shown in the following table.

**Advanced
Medicare Revenue (Form B, page 111 v. Page 103)**

	PY 1	PY 2
Form B, page 111: Medicare Revenue	\$850,125	\$1,431,525
Page 103: Total Medicare Reimbursement	\$821,340	\$1,341,452
Difference	\$28,785	\$90,073

Medicare revenue (Form B, page 111) is greater than the total Medicare reimbursement (page 103), as shown in the previous table. That difference is an overstatement in the revenue projections of Advanced. Therefore, any comparative factors based upon revenue per patient visits for Advanced are unreliable and Advanced cannot be considered the most effective alternative.

C. Third Highest Average Net Revenue per Unduplicated Patient

Average net revenue per unduplicated patient in PY 2 was calculated by dividing projected net revenue from Form B by the projected number of unduplicated patients from Section IV., as shown in the following table. 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 following table in decreasing order of effectiveness.

**Brunswick County Home Health Agency CON Applications
Average Net Revenue per Unduplicated Patient: PY 2**

PY 2				
Rank	Applicant	Number of Unduplicated Patients	Net Patient Revenue	Average Net Patient Revenue per Unduplicated Patient
1	NHRMC	1,328	\$3,564,820	\$2,684
2	HKZ	582	\$1,595,709	\$2,742
3	Gentiva	391	\$1,099,399	\$2,812
4	UniHealth	508	\$1,430,501	\$2,816
5	Advanced	533	\$1,541,982	\$2,893
6	Maxim	503	\$1,518,518	\$3,019
7	Continuum	474	\$1,636,041	\$3,452

As shown in the previous table, Advanced proposes the third highest net revenue per unduplicated patient of the seven applicants, which makes its CON Application the third least effective alternative with regard to that comparative factor.

D. Second Highest Ratio of Net Revenue to Average Total Operating Cost per Visit

The ratios in the following table were calculated by dividing the average net revenue per visit in PY 2 by the average total operating cost per visit in PY 2. Generally, the application proposing the lowest ratio is the more effective alternative with regard to this comparative factor. The ratio must equal one or greater in order for a proposal to be financially feasible. The applications are listed in the following table in decreasing order of effectiveness.

**Brunswick County Home Health Agency CON Applications
Ratio of Net Revenue to Average Total Operating Cost per Visit: PY 2**

PY 2				
Rank	Applicant	Average Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Average Net Revenue to Average Total Operating Cost per Visit
1	UniHealth	\$122	\$120	1.01
2	Gentiva	\$143	\$137	1.04
3	HKZ	\$146	\$132	1.10
4	Continuum	\$147	\$130	1.12
5	Maxim	\$161	\$139	1.16
6	Advanced	\$139	\$117	1.18
7	NHRMC	\$155	\$89	1.75
		Average of Applicants Ranked 2-6	\$131	1.12

As shown in the previous table, Advanced projects the second highest ratio of all seven applicants. Its ratio of 1.18 is higher than the average ratio of the applicants ranked 2 – 6 (1.12). The previous table shows that Advanced’s total operating cost per visit is understated when compared to applicants ranked 2 - 6, which average \$131/visit.

E. Form C does not Reflect Advanced’s Home Health Agency Operations

On page 104, Advanced states that “[a]n operating statement is not available for home health agency operations only.” “The information in Form C [pages 114-115] reflects the overall operations of Advanced Home Care, Inc., including non-home health agency operations as well as operations outside of North Carolina.”

For the reasons set forth above, the Advanced CON Application does not conform to CON Review Criterion (5).

G.S. 131E-183 (6)

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

As discussed in the context of CON Review Criterion (3), Advanced fails to demonstrate the need for the services proposed. Consequently, Advanced did not demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

G.S. 131E-183 (7)

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

Salary is a significant contributing factor in recruitment and retention of home health staff.

A. Third Lowest RN Annual Salary

The following table compares the projected annual salary for a RN of all seven applicants.

**Brunswick County Home Health Agency CON Applications
RN Annual Salary: PY 2**

CON Application	Applicant	RN Annual Salary
O-10113-13	UniHealth	\$76,500
O-10117-13	NHRMC	\$73,329
O-10119-13	HKZ	\$70,627
O-10120-13	Maxim	\$69,215
O-10118-13	Advanced	\$67,600
O-10122-13	Continuum	\$67,172
O-10121-13	Gentiva	\$50,247

As shown in the previous table, Advanced's projected RN salary is substantially lower than the other applicants.

B. Third Lowest Home Health Aide Annual Salary

The following table compares the projected annual salary for a home health aide of all seven applicants.

**Brunswick County Home Health Agency CON Applications
HHA Annual Salary: PY 2**

CON Application	Applicant	RN Annual Salary
O-10113-13	UniHealth	\$35,037
O-10122-13	Continuum	\$31,552
O-10119-13	HKZ	\$30,810
O-10120-13	Maxim	\$30,320
O-10118-13	Advanced	\$30,160
O-10117-13	NHRMC	\$26,237
O-10121-13	Gentiva	\$22,168

As shown in the previous table, Advanced's projected home health aide salary is substantially lower than the other applicants.

C. Third Lowest LPN Annual Salary

The following table compares the projected annual salary for an LPN of the applicants that include an LPN in its staffing plan.

**Brunswick County Home Health Agency CON Applications
LPN Annual Salary: PY 2**

CON Application	Applicant	RN Annual Salary
O-10119-13	HKZ	\$48,269
O-10117-13	NHRMC	\$47,386
O-10118-13	Advanced	\$46,800
O-10113-13	UniHealth	\$46,155
O-10122-13	Continuum	\$43,497

As shown in the previous table, Advanced's projected LPN salary is substantially lower than **HKZ**.

D. Lowest Physical Therapy Salary

The following table compares the projected annual salary for a physical therapist of the applicants that include a physical therapist in its staffing plan.

**Brunswick County Home Health Agency CON Applications
PT Annual Salary: PY 2**

CON Application	Applicant	PT Annual Salary
O-10122-13	Continuum	\$81,600
O-10120-13	Maxim	\$78,279
O-10117-13	NHRMC	\$75,447
O-10121-13	Gentiva	\$75,370
O-10118-13	Advanced	\$75,000

As shown in the previous table, Advanced’s projected PT salary is the lowest of all five applicants.

For those reasons, Advanced does not demonstrate conformity with CON Review Criterion (7).

G.S. 131E-183 (13c)

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:

- (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*

Advanced does not include provide any assumptions regarding how the payor mix for the Brunswick County Home Health Agency was determined. Therefore, the application is non-conforming to this Criterion.

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

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

As discussed above, Advanced fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5), (6), (7), and (13c). Consequently, Advanced fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

VI. North Carolina Criteria and Standards for Home Health Services

For the reasons set forth above, Advanced does not demonstrate conformity with North Carolina Criteria and Standards for Home Health Services.

10A NCAC 14C .2002(a)(3), (4), (5), (7), and (10)

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

10A NCAC 14C .2003

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), and (7).

10A NCAC 14C .2005(a) and (b)

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criterion (7).

VII. Conclusion

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

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Pursuant to G.S. 131E-183(a)(1) and the 2013 SMFP, no more than one new Medicare-certified home health agency or office may be approved for Brunswick County in the May 2013 review. Because each applicant proposes to develop a new Medicare-certified home health agency in Brunswick County, all seven 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, a comparative analysis of the proposals has been conducted.

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 recipients in Project Year 2; and (c) duplicated Medicare recipients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicare recipients is the more effective alternative with regard to this comparative factor. The applications are listed in the following table 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 Recipients	Duplicated Medicare Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	1,848	71.20%
2	HKZ	1,543	1,055	68.40%
3	Continuum	1,264	897	70.94%
4	Gentiva	1,059	728	68.70%
5	UniHealth	679	520	76.65%
6	Advanced	533	394	73.90%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Maxim proposes the highest number of Medicare recipients in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to projected Medicare access because it relies on overstated projections.

As shown in the previous table, HKZ proposes the second highest number of duplicated Medicare recipients in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

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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 recipients in Project Year 2; and (c) duplicated Medicaid recipients as a percentage of total duplicated patients. Generally, the application proposing the higher number of Medicaid recipients is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness based on the number of Medicaid recipients projected to be served.

Project Year 2				
Rank	Applicant	Total Number of Duplicated Patients	Number of Duplicated Medicaid Recipients	Duplicated Medicaid Recipients as a Percentage of Total Duplicated Patients
1	Maxim	2,595	452	17.40%
2	HKZ	1,543	276	17.90%
3	Gentiva	1,059	270	25.50%
4	Continuum	1,264	229	18.09%
5	UniHealth	679	120	17.73%
6	Advanced	533	83	15.60%
7	NHRMC	5,990	unable to determine without percentage in VI.12.	no percentage included in VI.12.

As shown in the previous table, Maxim proposes the highest number of Medicaid recipients in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to projected Medicaid access because it relies on overstated projections.

As shown in the previous table, HKZ proposes the second highest number of duplicated Medicaid recipients in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

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 following table in decreasing order of effectiveness.

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Project Year 2				
Rank	Applicant	Number of Unduplicated Patients	Projected Number of Visits	Average Number of Visits per Unduplicated Patient
1	Continuum	474	11,162	23.5
2	UniHealth	508	11,576	22.8
3	Advanced	533	11,123	20.9
4	Gentiva	391	7,706	19.7
5	HKZ	582	10,935	18.8
6	Maxim	503	9,405	18.7
7	NHRMC	1,328	23,022	17.3

As shown in the previous table, Continuum proposes the highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the number of visits per unduplicated patient projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the second highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the number of visits per unduplicated patient projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the third highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the unreasonably high number of visits per unduplicated patient projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva proposes the fourth highest number of visits per unduplicated patient in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the number of visits per unduplicated patient projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth highest number of visits per unduplicated patient in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Net Patient Revenue per Visit

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

Project Year 2				
Rank	Applicant	Total Number of Visits	Net Patient Revenue	Average Net Patient Revenue per Visit
1	UniHealth	11,756	\$1,430,501	\$122
2	Advanced	11,123	\$1,541,982	\$139
3	Gentiva	7,706	\$1,099,399	\$143
4	HKZ	10,935	\$1,595,709	\$146
5	Continuum	11,162	\$1,636,041	\$147
6	NHRMC	23,022	\$3,564,820	\$155
7	Maxim	9,405	\$1,518,518	\$161

As shown in the previous table, UniHealth proposes the lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average net patient revenue per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the second lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average net patient revenue per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva projects the third lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the average net patient revenue per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fourth lowest average net patient revenue per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Net Patient Revenue per Unduplicated Patient

Average net revenue per unduplicated patient in Project Year 2 was calculated by dividing projected net revenue from Form B by the projected number of unduplicated patients from

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Section IV., as shown in the following table. 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 following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Number of Unduplicated Patients	Net Patient Revenue	Average Net Patient Revenue per Unduplicated Patient
1	NHRMC	1,328	\$3,564,820	\$2,684
2	HKZ	582	\$1,595,709	\$2,742
3	Gentiva	391	\$1,099,399	\$2,812
4	UniHealth	508	\$1,430,501	\$2,816
5	Advanced	533	\$1,541,982	\$2,893
6	Maxim	503	\$1,518,518	\$3,019
7	Continuum	474	\$1,636,041	\$3,452

As shown in the previous table, NHRMC has the lowest average net patient revenue per unduplicated patient in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average net patient revenue per unduplicated patient projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the second lowest average net patient revenue per unduplicated patient in Project Year 2, which makes its application the more effective alternative with regard to that comparative factor.

Average Total Operating Cost per Visit

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

Project Year 2				
Rank	Applicant	Total Number of Visits	Total Operating Cost	Average Total Operating Cost per Visit
1	NHRMC	23,022	\$2,041,650	\$89
2	Advanced	11,123	\$1,306,201	\$117
3	UniHealth	11,756	\$1,410,200	\$120
4	Continuum	11,162	\$1,455,998	\$130
5	HKZ	10,935	\$1,445,606	\$132
6	Gentiva	7,706	\$1,057,821	\$137
7	Maxim	9,405	\$1,305,747	\$139

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As shown in the previous table, NHRMC has the lowest average total operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the second lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average net patient revenue per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the third lowest average net patient revenue per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average net patient revenue per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Continuum proposes the fourth lowest average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, average total operating cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth highest number of visits per unduplicated patient in Project Year, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Direct Care Operating Cost per Visit

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

Project Year 2				
Rank	Applicant	Total Number of Visits	Total Direct Care Operating Cost	Average Total Direct Care Operating Cost per Visit
1	NHRMC	23,022	\$1,473,222	\$64
2	Gentiva	7,706	\$594,516	\$77
3	Advanced	11,123	\$883,641	\$79
4	Maxim	9,405	\$811,259	\$86
5	UniHealth	11,756	\$1,015,671	\$86
6	HKZ	10,935	\$975,508.07	\$89
7	Continuum	11,162	\$1,095,989	\$98

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As shown in the previous table, NHRMC proposes the lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total direct care operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva proposes the second lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the average total direct care operating cost per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the third lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the average total direct care operating cost per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Maxim proposes the fourth lowest average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Maxim's cannot be considered the more effective alternative with regard to that comparative factor because Maxim relies on overstated projections.

As shown in the previous table, UniHealth proposes the fourth average total direct care operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average total direct care operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the six lowest average total direct care operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

Average Administrative Operating Cost per Visit

The average total operating cost per visit in Project Year 2 was calculated by dividing projected administrative expenses from Form B by the total number of visits from Section IV., as shown in the following table. 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 following table in decreasing order of effectiveness.

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Project Year 2				
Rank	Applicant	Total Number of Visits	Total Administrative Operating Cost	Average Total Administrative Operating Cost per Visit
1	NHRMC	23,022	\$568,428	\$25
2	Continuum	11,162	\$360,009	\$32
3	UniHealth	11,756	\$394,629	\$34
4	Advanced	11,123	\$422,560	\$38
5	HKZ	10,935	\$470,098	\$43
6	Maxim	9,405	\$494,488	\$53
7	Gentiva	7,706	\$463,305	\$60

As shown in the previous table, NHRMC has the lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the average total administrative operating cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Continuum proposes the second lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, average total administrative operating cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the third lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the average total administrative operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the fourth lowest average total administrative operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the lowest average total administrative operating cost per visit projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth lowest average total administrative operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

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

The ratios in the following table 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

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comparative factor. The ratio must equal one or greater in order for a proposal to be financially feasible. The applications are listed in the following table in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Average Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Average Net Revenue to Average Total Operating Cost per Visit
1	UniHealth	\$122	\$120	1.01
2	Gentiva	\$143	\$137	1.04
3	HKZ	\$146	\$132	1.10
4	Continuum	\$147	\$130	1.12
5	Maxim	\$161	\$139	1.16
6	Advanced	\$139	\$117	1.18
7	NHRMC*	\$155	\$89	1.75

*As documented in HKZ Comments in Opposition, NHRMC significantly overstates its unduplicated patients, which results in overstated duplicated patients and visits.

As shown in the previous table, UniHealth proposes the lowest net revenue to average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the net revenue to average total operating cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Gentiva projects the second lowest net revenue to average total operating cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Gentiva's projections are unreliable due to (1) its inclusion of unduplicated patients in non-qualifying disciplines, and (2) the difference between the unduplicated patients projected when unduplicated patients by qualifying disciplines only are included. As a result, the net revenue to average total operating cost per visit projected by Gentiva cannot be the more effective alternative with regard to that comparative factor.

HKZ proposes the third lowest ratio of average net revenue to average total operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

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

The percentages in the following table 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 following table in decreasing order of effectiveness.

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Project Year 2				
Rank	Applicant	Average Total Operating Cost per Visit	Average Direct Care Operating Cost per Visit	Operating Cost as a Percentage of Average Total Cost per Visit
1	Continuum	\$130	\$98	75%
2	UniHealth	\$120	\$86	72%
3	NHRMC	\$89	\$64	72%
4	Advanced	\$117	\$79	68%
5	HKZ	\$132	\$89	67%
6	Maxim	\$139	\$86	62%
7	Gentiva	\$137	\$77	56%

As shown in the previous table, Continuum projects the highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Continuum's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, operating cost as a percentage of average total cost per visit projected by Continuum cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, UniHealth proposes the second highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, UniHealth's projections are unreasonable due to its use of unreasonably high annual growth rates. As a result, the operating cost as a percentage of average total cost per visit projected by UniHealth cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, NHRMC has the third highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ Comments in Opposition, NHRMC relies on a flawed methodology resulting in overstated projections. As a result, the operating cost as a percentage of average total cost per visit projected by NHRMC cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, Advanced proposes the fourth highest operating cost as a percentage of average total cost per visit in Project Year 2; however, as documented in HKZ's Comments in Opposition, Advanced's patient visits are overstated. As a result, the operating cost as a percentage of average total cost per visit in Project Year 2 projected by Advanced cannot be the more effective alternative with regard to that comparative factor.

As shown in the previous table, HKZ proposes the fifth lowest average total administrative operating cost per visit in Project Year 2, which, by process of elimination, makes its application the more effective alternative with regard to that comparative factor.

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Nursing and Home Health Aide Salaries in Project Year 2

All seven applicants propose to provide nursing and home health aide services with staff who are employees of the proposed home health agency. Only five applicants propose to provide licensed practical nursing services with staff who are employees of the proposed home health agency. The following three tables compare the proposed annual salary for registered nurses, licensed practical nurses, and home health aides in Project Year 2. Generally, the applicant that proposes the highest annual salaries is the more effective alternative with regard to those comparative factors. The applications are listed in the following tables in decreasing order of effectiveness.

Project Year 2		
Rank	Applicant	Registered Nurse
1	UniHealth	\$76,500
2	NHRMC	\$73,329
3	HKZ	\$70,627
4	Maxim	\$69,215
5	Advance	\$67,600
6	Continuum	\$67,172
7	Gentiva	\$50,247

Project Year 2		
Rank	Applicant	Home Health Aide
1	UniHealth	\$35,037
2	Continuum	\$31,552
3	HKZ	\$30,810
4	Maxim	\$30,320
5	Advanced	\$30,160
6	NHRMC	\$26,237
7	Gentiva	\$22,168

Project Year 2		
Rank	Applicant	Licensed Practical Nurse
1	HKZ	\$48,269
2	NHRMC	\$47,386
3	Advanced	\$46,800
4	UniHealth	\$46,155
5	Continuum	\$43,497

Salaries are a significant contributing factor in recruitment and retention of staff. As shown in the previous three tables:

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

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Thus, the application submitted by UniHealth is the more effective alternative with regard to annual salary for registered nurses, the application submitted by UniHealth is the more effective alternative with regard to annual salary for home health aides, and the application submitted by HKZ is the more effective alternative with regard to annual salary for licensed practical nurses.

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Summary

The following is a summary of the reasons that the proposal submitted by HKZ is determined to be the more effective alternative in this review. HKZ's projection ranks first by process of elimination with regard to a comparative factor for which HKZ did not rank first when it was determined by HKZ that there non-conformity in an application with a higher ranking. HKZ proposes:

- Second highest number of Medicare recipients in Project Year 2
- Second highest number of Medicaid recipients in Project Year 2
- Fifth highest average number of visits per unduplicated patient in Project Year 2
- Fourth lowest average net patient revenue per visit in Project Year 2
- Fifth lowest average total operating cost per visit in Project Year 2
- Six lowest average total direct care operating cost per visit in Project Year 2
- Fifth lowest average total administrative operating cost per visit in Project Year 2
- Third lowest ratio of net revenue to average total operating cost per visit in Project Year 2
- Fifth highest operating cost as a percentage of average total cost per visit in Project Year 2
- Third highest annual salary for a registered nurse in Project Year 2
- Third highest annual salary for a home health aide in Project Year 2
- Highest annual salary for a licensed practical nurse in Project Year 2.