Comments in Opposition from HKZ Group, LLC Regarding a Certificate of Need Application Submitted by United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. 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 United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. (UniHealth) 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 1 shows that **HKZ** is the most effective alternative for a new Medicare-certified home health agency in Brunswick County.

III. UniHealth Home Care CON Application

Brunswick County Healthcare Properties, Inc. proposes purchase a building in Bolivia (Brunswick County). United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health (UniHealth) will lease space in that facility to operate a Medicare-certified home health agency. Brunswick County Healthcare Properties and UniHealth are wholly owned subsidiaries of United Home Care, Inc. UniHealth's corporate affiliate, UHS-Pruitt, will provide management services to UniHealth.

IV. 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), (8), (13c), and (18a), UniHealth 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 UniHealth 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. Projected Annual Growth Rate between PY s 1 and 2 = Unreasonable

1. Unduplicated Patients – Growth Rate – 149%

UniHealth projects to provide home health services to 204 unduplicated patients in its first year of operation, and 508 unduplicated patients in its second year of operation. That is an annual growth rate of 149%. Continuum includes 59 New Hanover County patients and 17 Pender County patients in its 508 unduplicated patients in PY 2.

Brunswick County Home Health Agency CON Applications
Projected Annual Growth Rate – Unduplicated Patients: PYs 1 & 2

CON Application	Applicant	PY 1	PY 2	Projected Annual Growth Rate
O-10113-13	**UniHealth**	**204**	**508**	**149%**
O-10117-13	NHRMC	995	1,328	33%
O-10118-13	Advanced	316	533	69%
O-10119-13	HKZ	421	582	38%
O-10120-13	Maxim	387	503	30%
O-10121-13	Gentiva	236	391	66%
O-10122-13	Continuum	125	474	279%

UniHealth projects the second highest annual growth rate of the seven applicants, as shown in the previous table. That rate of growth is **5 times greater** than the rate proposed by Maxim, which is the lowest of all seven applicants. UniHealth provides no justification for its use of an unreasonably high annual growth rate for its unduplicated patient projections.

2. Duplicated Patients – Growth Rate – 167%

UniHealth projects to provide home health services to 254 duplicated patients in its first year of operation, and 679 duplicated patients in its second year of operation. That is an annual growth rate of 167%.

Brunswick County Home Health Agency CON Applications
Projected Annual Growth Rate – Duplicated Patients: PYs 1 & 2

CON Application	Applicant	PY 1	PY 2	Projected Annual Growth Rate
O-10113-13	**UniHealth**	**254**	**679**	**167%**
O-10117-13	NHRMC	4,176	5,990	43%
O-10118-13	Advanced	316	533	69%
O-10119-13	HKZ	1,117	1,543	38%
O-10120-13	Maxim	1,863	2,595	39%
O-10121-13	Gentiva	515	1,059	106%
O-10122-13	Continuum	392	1,264	222%

UniHealth projects the second highest annual growth rate of the seven applicants, as shown in the previous table. That rate of growth is **4.4 times greater** than the rate proposed by **HKZ**, which is the lowest of all seven applicants.

UniHealth provides no justification for its use of an unreasonably high annual growth rate for its unduplicated patient projections.

3. Patient Visits – Growth Rate – 291%

UniHealth projects to provide 3,982 patient visits in its first year of operation, and 11,576 patient visits in its second year of operation. That is an annual growth rate of 191%, as shown in the following table.

Brunswick County Home Health Agency CON Applications
Projected Annual Growth Rate – Patient Visits: PYs 1 & 2

CON Application	Applicant	PY 1	PY 2	Projected Annual Growth Rate
O-10113-13	**UniHealth**	**3,982**	**11,576**	**191%**
O-10117-13	NHRMC	16,115	23,022	43%
O-10118-13	Advanced	6,577	11,123	69%
O-10119-13	HKZ	7,918	10,935	38%
O-10120-13	Maxim	6,746	9,405	39%
O-10121-13	Gentiva	4,638	7,706	66%
O-10122-13	Continuum	3,455	11,162	223%

UniHealth projects the highest annual growth rate of the seven applicants, as shown in the previous table. That rate of growth is **5 times greater** than the rate proposed by **HKZ**, which is the lowest of all seven applicants.

UniHealth provides no justification for its use of an unreasonably high annual growth rate for its duplicated patient visit projections.

4. Unreasonable Growth Rate = Unreasonable Projections

As discussed in Subsections 1., 2., and 3., UniHealth's PY 2 unduplicated patient, duplicated patient, and patient visit projections are unreasonable due to its use of unreasonably high annual growth rates.

UniHealth's unreasonable unduplicated patient volume, duplicated patient volume, and 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 UniHealth's staffing and financial projections are rendered unreliable by the unreasonableness of its unduplicated patient volume, duplicated patient volume, and patient visits.

B. Second Lowest Duplicated to Unduplicated Patients

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, UniHealth's ratio of duplicated to unduplicated patients is the second lowest among the seven applicants. A 1:1.3 ratio means that United projects that for every patient that does not have a readmission; they will have **only 1.3 patients** 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.

As will be shown in Section B., UniHealth's ratio of visits to duplicated patients is one of the highest.

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

UniHealth's duplicated to unduplicated patient ratio is inconsistent with the ratio 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
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)

UniHealth'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)

UniHealth's ratio duplicated to unduplicated patient ratio also 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)

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

C. Second Highest Visits per Duplicated Patients

The following table shows a range of duplicated 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, UniHealth proposes the second highest duplicated visits per duplicated patient ratio of all applicants. As shown in Section A., UniHealth's ratio of duplicated to unduplicated is one of the lowest. It is reasonable to assume that UniHealth must use an unreasonably high duplicated visit per duplicated patient ratio to offset its unreasonably low duplicated to unduplicated patient ratio. The net effect of those disparate assumptions is that UniHealth's duplicated patient visits are overstated, which results in overstated revenue for the proposed agency.

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

UniHealth's duplicated 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
Ratio of Duplicated to Unduplicated Patients: FY 2012

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)

UniHealth's duplicated 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
Ratio of Duplicated to Unduplicated Patients: FY 2012

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)

UniHealth's duplicated 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
Ratio of Duplicated to Unduplicated Patients: FY 2012

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)

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

D. Second 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, UniHealth proposes the second lowest number of duplicated Medicare recipients in PY 2. Because its PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates, UniHealth's number of duplicated Medicare recipients in PY 2 actually may be lower.

E. Second 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	Continuum	1,264	229	18.09%
3	HKZ	1,543	276	17.90%
4	Gentiva	1,059	270	25.50%
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, UniHealth proposes the second lowest number of duplicated Medicaid recipients in PY 2. Because its PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates, UniHealth's number of duplicated Medicaid recipients in PY 2 actually may be lower.

For the reasons set forth above, the UniHealth 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.

The following table shows the project cost, working capital, and total capital expenditure proposed by each of seven applicants.

Brunswick County Home Health Agency CON Applications
Project Cost + Working Capital = Total Capital Expenditure

Project ID	Applicant	Project Cost	Working Capital	Grand Total
O-10113-13	**UniHealth and Brunswick County Healthcare Properties**	**$318,967**	**$580,437**	**$899,404**
O-10117-13	NHRMC	$80,190	$50,764	$130,954
O-10118-13	Advance	$70,000	$3,000	$73,000
O-10119-13	HKZ	$62,400	$123,326	$185,726
O-10120-13	Maxim	$90,000	$525,000	$615,000
O-10121-13	Gentiva	$107,500	$497,884	$605,384

UniHealth's project cost is **511% higher** than the lowest project cost proposed by **HKZ.** UniHealth's working capital is **193% higher** than the lowest working capital proposed by Advance.

Included in the proposal is a purchase of a site at 1729 Southport-Supply Road, Bolivia in Brunswick County, and lease-back of space to UniHealth. UniHealth is the only applicant that proposes to purchase a building and lease-back space for its home health agency. All other applicants propose to lease existing office space from an independent third party.

Medicare-certified home health is not a facility-based service; it is health care provided in a patient's home. Home health aims to make it possible for people to remain at home rather than use residential, long-term or institutional-based nursing care.

For comparison purposes, purchasing a building causes UniHealth's costs to provide home health services to be substantially higher than **HKZ**, which does not propose to purchase a building, as shown in the following table.

Brunswick County Home Health Agency CON Applications
Cost per Visit by Year of Operation: PYs 1 & 2

Discipline	PY 1: Proposed Cost	PY 2: Proposed Cost
UniHealth		
Nursing	$223.76	$132.37
PT	$167.54	$115.90
ST	$167.54	$115.90
OT	$167.54	$115.90
MSW	$662.36	$366.94
HHA	$120.80	$67.82
HKZ		
Nursing	$93.50	$96.04
PT	$92.12	$98.74
ST	$75.44	$78.56
OT	$78.41	$78.56
MSW	$80.13	$83.40
HHA	$25.38	$28.28

UniHealth's costs to provide care are substantially higher in PYs 1 and 2, respectively, in each discipline, as shown in the previous table. UniHealth's project will unduly increase the costs of providing health services and the cost to the public of providing health services.

As discussed in the context of CON Review Criterion (5), UniHealth's financial and operational projections for the project are not based on reasonable projections of the costs of and charges for providing Medicare-certified home health services in Brunswick County.

For those reasons, UniHealth 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), UniHealth's PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates for its unduplicated patients, duplicated patients, and duplicated patient visits. **HKZ** does not reasonably believe any of the UniHealth'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 UniHealth's CON Application.

A. Largest Loss (Smallest Gain) Projected

The following tables show the projected gain (loss), gain (loss) per duplicated patient, gain (loss) per duplicated patient visit, and gain (loss) as a percentage of net revenue proposed by each of seven applicants in PY 1 and PY 2, respectively.

Brunswick County Home Health Agency CON Applications
Projected Gain (Loss): PY 1

Project ID	Applicant	Gain (Loss)	Gain (Loss) per Duplicated Patient	Gain (Loss) per Duplicated Patient Visit	Gain (Loss) as % of Net Revenue
O-10113-13	**UniHealth and Brunswick County Healthcare Properties**	**-$317,001.23**	**-$1,248**	**-$80**	**-68.0%**
O-10117-13	NHRMC	$1,106,893	$265	$69	41.2%
O-10118-13	Advanced	-$68,358	-$216	-$10	-7.3%
O-10119-13	HKZ	$70,320.47	$63	$9	6.1%
O-10120-13	Maxim	-$470,754	-$253	-$70	-83.0%
O-10121-13	Gentiva	-$193,076	-$375	-$42	-31.9%
O-10122-13	Continuum	-$226,734	-$578	-$66	-51.1%

Brunswick County Home Health Agency CON Applications
Projected Gain (Loss): PY 2

Project ID	Applicant	Gain (Loss)	Gain (Loss) per Duplicated Patient	Gain (Loss) per Duplicated Patient Visit	Gain (Loss) as % of Net Revenue
O-10113-13	**UniHealth and Brunswick County Healthcare Properties**	**$20,301**	**$30**	**$2**	**1.4%**
O-10117-13	NHRMC	$1,523,170	$254	$66	42.7%
O-10118-13	Advanced	$235,781	$442	$21	15.3%
O-10119-13	HKZ	$150,102.67	$97	$14	9.4%
O-10120-13	Maxim	$212,771	$82	$23	14.0%
O-10121-13	Gentiva	$41,578	$39	$5	3.8%
O-10122-13	Continuum	$180,043	$142	$16	11.0%

The previous tables demonstrate the immediate financial infeasibility of UniHealth's proposal when compared to other applicants, like **HKZ**, which proposed a financially feasible agency in PYs 1 and 2.

B. Analysis of Financial Projections

UniHealth'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
Ratio of Net Revenue per Duplicated Visit ($122) to Average Total Operating Cost per Duplicated Visit ($120) in PY 2 is 1.02		• That ratio is low
Gain in PY 2 is only $20,301, which is only $2 per Duplicated Visit		• If Revenue is overstated and Expenses are understated, there is a concern about agency's profitable after PY 2.
Estimated period from first patient to revenues equal expenses is 21 months	Page 216	• If target is missed by 3 months, revenue equal expenses would be after 2 years of operation.
If total expenses are $1,410,200.08 are understated by only 1.4% ($20,302/$1,410,200), then there will be losses in PYs 1 and 2	Form B, page 235	
Medical supply cost is $ 2.00 & $2.04 per visit in PY 1 and PY 2, respectively	Page 243	• Medical supply costs are very low • Actual cost in New Hanover County in FY 2012 was $5.80, add inflation of 2.5%/year would be $6.25 per visit - in PY 2, the estimated understatement would be $ 21,907. (5,463 visits X $4.01 ($6.25-$2.04))
Data process cost is $780 & $795/year for software and computer cost	Form B, page 234	• Those expenses are low
Amortization cost is $ 0/year	Form B, page 234 and page 216	• If UniHealth had amortized the start up cost for 10 years the cost would be $13,012/ year
Estimated payment for full Episode with Outliers is $6,005.38	Page 240	• The average of the seven applicants is $3,347.28; United overstates revenue per episode by $2,658.10.
United profit margin is very low		• Uncertainty about UniHealth's ability to be profitable and service patients in Brunswick County

The items set forth in the previous table demonstrate that UniHealth's financial projections are incomplete and not based upon reasonable projections of the costs for providing Medicare-certified home health services.

C. Proposed Staffing does not Support Volume

The following table shows that UniHealth has not projected sufficient staff to perform all of the visits projected in PY 1.

UniHealth
Proposed Staffing for Projected Visits: PY 1

	Visits Per Day	Visits Per FTE	Yr 2 FTEs (Visits per day x Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
RN	4.86	1,166	1.1	1,283					
LPN	5.6	1,344	0.4	537.60	1,883	-62	-3.3%	$38.00	$2,369.68
HHA	5.19	1,245.60	0.02	24.91	229	-204.09	-89.1%	$38.00	$7,755.34
Total				2,088.91		-266.45			$10,125.02

Source: CON Application O-10113-13, pages 149, 205, 206, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days. Total visits by staff should be greater than projected visits. As shown it the previous table, UniHealth's total visits by staff are lower than projected visits for licensed practical nurses and home health aides in PY 1.

When there is a staff shortfall for projected visits, contract staff can provide needed coverage. UniHealth states clearly on pages 190 and 191 that it will use contract staff for speech therapy, physical therapy, and occupational therapy. It does not intend to use contract staff for licensed practical nurses and home health aides.

The previous table shows that UniHealth's staffing shortfall for projected visits in PY 1 results in an understatement of direct care costs of $10,125 had it proposed to use contract staff. Please note that the understated direct care costs in PY 1 would be higher had UniHealth projected salaried staff sufficient to provide all projected visits.

The following table shows that UniHealth has not projected sufficient staff to perform all of the visits projected in PY 2.

UniHealth
Proposed Staffing for Projected Visits: PY 2

	Visits Per Day	Visits Per FTE	Yr 2 FTEs (Visits per day x Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
RN	4.86	1,166	3.2	3,732					
LPN	5.6	1,344	1.2	1,613	5,463	-118	-2.2%	$38.00	$4,473.36
HHA	5.19	1,246	0.5	623	681	-58	-8.5%	$38.00	$2,211.60
Total				5,968		-176			$6,648.96

Source: CON Application O-10113-13, pages 149, 205, 206, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days. Total visits by staff should be greater than projected visits. As shown it the previous table, UniHealth's total visits by staff are lower than projected visits for registered nurses, licensed practical nurses, and home health aides in PY 2.

When there is a staff shortfall for projected visits, contract staff can provide needed coverage. UniHealth states clearly on pages 190 and 191 that it will use contract staff for speech therapy, physical therapy, and occupational therapy. It does not intend to use contract staff for registered nurses, licensed practical nurses, and home health aides.

The previous table shows that UniHealth's staffing shortfall for projected visits in PY 2 results in an understatement of direct care costs of $6,648.96 had it proposed to use contract staff. Please note that the understated direct care costs in PY 2 would be higher had UniHealth projected salaried staff sufficient to provide all projected visits.

For the reasons set forth above, the UniHealth 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), UniHealth has not demonstrated by the identified population has for the Medicare-home health services proposed. Consequently, UniHealth 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.

A. Second Lowest LPN Annual Salary

The following table compares the projected annual salary for an LPN in PY 2 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	LPN Annual Salary
O-10119-13	HKZ	$48,269
O-10117-13	NHRMC	$47,386
O-10118-13	Advance	$46,800
O-10113-13	**UniHealth**	**$46,155**
O-10122-13	Continuum	$43,497

As shown in the previous table, UniHealth's projected LPN salary is substantially lower the annual salary projected by **HKZ**. Salary is a significant contributing factor in recruitment and retention of home health staff.

B 30 Civil Rights Equal Access Complaints in the Last Five Years

On page 181 of the CON Application, UniHealth provides a table listing of Civil Rights Equal Access Complaints filed against UniHealth in the last five years, to include:

- 12 dismissed complaints
- 16 pending complaints
- 2 dismissed complaints.

An environment that promotes and ensures that all persons have equal access and do not face unlawful discrimination is a significant in the recruitment and retention of home health staff who provide high quality services to patients.

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

G.S. 131E-183 (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.

No Demonstration that the Proposed Service will be Coordinated with the Existing Health Care System.

UniHealth does not include documentation of outreach to an acute care hospital in Brunswick County.

Generally, hospitals make 50% of all referrals to certified home health agencies. The CON Criteria and Standards for Home Health Agencies require documentation of attempts made to establish working relationships with the sources of referrals at 10A NCAC 14C .2002 (a)(10). UniHealth does not provide the required documentation for Brunswick County hospitals.

There is no demonstrated coordination by UniHealth with the existing health care system in Brunswick County. For that reason, UniHealth fails to demonstrate conformity to CON Review Criterion (8).

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*

UniHealth 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 Criteria.

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, UniHealth fails to demonstrate conformity with CON Review Criteria (1), (3), (4), (5), (6), (7), (8), (12), and (13c). Consequently, UniHealth fails to demonstrate that its CON Application is conforming to CON Review Criterion (18a).

V. North Carolina Criteria and Standards for Home Health Services

For the reasons set forth above, UniHealth 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), (7), and (8).

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).

VI. Conclusion

The UniHealth 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.