



July 31, 2018

Tanya Rupp, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

RE: Comments on Hospice Home Care Office CON Applications for Cumberland County

Dear Ms. Rupp:

Enclosed please find comments prepared by Well Care Hospice of the Eastern Carolinas, Inc., regarding the competing CON application for one new Hospice Home Care Office to meet the need identified in the *2018 State Medical Facilities Plan* for Cumberland County. We trust that you will take these comments into consideration during the Agency's review of the applications.

If you have any questions about the information presented here, please feel free to contact me at 910-362-9405 ext. 326. I look forward to seeing you at the public hearing.

Sincerely,

Wanda Coley, MBA

Wanda Coley, MBA
President & Chief Operating Officer
Well Care Hospice of the Eastern Carolinas, Inc.

**WRITTEN COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATION
HOSPICE HOME CARE OFFICE NEED DETERMINATION FOR CUMBERLAND COUNTY
SUBMITTED BY WELL CARE HOSPICE OF THE EASTERN CAROLINAS, INC.
July 31, 2018**

Two applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2018 State Medical Facilities Plan (SMFP)* for one additional Hospice Home Care Office in Cumberland County. In accordance with N.C. Gen. Stat. §131E-185(a1)(1), this document includes comments relating to the representations made by the other applicant (3HC), and a discussion about why the 3HC application fails to conform to multiple relevant review criteria, plans, and standards. These comments also illustrate why the application submitted by Well Care Hospice of the Eastern Carolinas, Inc. (Well Care) represents the most effective alternative for development of a new hospice home care program in Cumberland County.

Specifically, the Agency should consider several key issues in making the decision. These include, but are not limited to the extent to which:

- (1) the competing applicants submitted applications that are conforming to all statutory and regulatory criteria.
- (2) each applicant projects a reasonable number of patients and patient visits, documented by supported assumptions.
- (3) the proposed project represents a cost-effective alternative for developing a new hospice home care program.
- (4) the proposed project will increase and improve accessibility to hospice services, especially for the medically underserved residents of the service area.

The Agency typically performs a comparative analysis when evaluating applications in a competitive batch review. The purpose of doing so is to identify which proposal would bring the greatest overall benefit to the community. The table on the following page summarizes the objective metrics for this review, based on the metrics the Agency applied in the 2017 Cumberland County hospice batch review:

2018 Cumberland County Hospice Batch Review - Comparative Analysis

Comparative Factor	Well Care	3HC
Conformity with Review Criteria	Yes	No
<i>Projected Access by Medicare Recipients, PY2</i>		
% of Days of Care	92.0%	89.0%
Days of Care	12,748	11,736
<i>Projected Access by Medicaid Recipients, PY2</i>		
% of Days of Care	5.0%	6.7%
Days of Care	693	884
<i>Projected Access by Charity Care Patients, PY2</i>	1.0%	1.4%
Geographic Access/Location of Office	Equally effective	Equally effective
<i>Charges and Costs per Level of Care, PY2</i>		
Routine	\$171	\$194
Inpatient	\$667	\$737
Respite	\$158	\$172
Continuous Care	\$36	\$41
Net Revenue per Visit, PY2	\$249	Not available
Net Revenue per Patient, PY2	\$13,182	\$9,896
Direct Expenses as % of Total Expenses, PY2	80%	68%
<i>Salaries for Key Direct Care Staff, PY2</i>		
RN Salary	\$75,217	\$69,360
CNA Salary	\$29,848	\$24,276
Social Worker Salary	\$59,959	\$53,060
Demonstration of Adequate Staffing for the Proposed Service	Yes	No
Benefits & Taxes	19.0%	34.0%
Volunteer Hours	1,390	Not available
<i>Average Visits/Patient/Week</i>		
Nursing Visits	2.1	Not available
CAN Visits	2.0	Not available
SW Visits	0.5	Not available
Bereavement Visits	0.3	Not available
# of most effective metrics	10	5

Based on this comparative analysis, which shows Well Care ranks more favorably on the head-to-head comparison, and considering that the Well Care application conforms to the Review

Criteria and best achieves the Basic Principles of the 2018 SMFP (Policy GEN-3), Well Care represents the most effective alternative for development of the need-determined hospice home care office.

It is essential to note that 3HC failed to provide any information regarding projected hospice visits for its proposed Cumberland County hospice home care agency. Hospice visits are an essential measure of utilization and access to hospice care. A hospice visit occurs when a member of the hospice care team (*e.g.*, nurse, therapist, pastor, social worker) visits a patient to provide care for the palliation and management of the terminal illness and related conditions as described in the patient's plan of care. This is a much different metric than patient days of care, which indicates how long a patient is enrolled with a hospice agency but is not an indicator of the actual care visits provided to the patient.

3HC neglected to provide any information in its application regarding a methodology or assumptions used to project hospice visits. It is also important to note that the Agency has included projected hospice visits in its analysis of Criterion 3 in the 2013 & 2017 Cumberland County hospice batch reviews because visits are a measure of utilization. Although the 2018 certificate of need application for new hospice offices does not include a table that requests projected hospice visits, it is the applicant's responsibility to provide all information necessary to demonstrate that projected hospice utilization is based on reasonable and adequately supported assumptions. By failing to include any information regarding projected hospice visits, 3HC did not meet its burden. Furthermore, without this critical information, neither the public, a competitor, nor the Agency can evaluate or compare 3HC's application with respect to projected visits per patient per week. Because 3HC participated in the 2017 Cumberland County hospice home care office competitive batch review, it is aware that the Agency evaluates and compares applicants with respect to projected visits. Therefore, 3HC's omission of critical utilization projections cannot be overlooked or excused in this 2018 Cumberland County hospice home care office competitive batch review.

Cost Effectiveness

Cost of care is a major concern with healthcare payors and the public. Therefore, the projected average charge for services is an important measure of consumer value. Well Care proposes a reasonable (and the lowest) Medicare charge per day of care between the two applicants. The following table demonstrates that Well Care’s proposal is the most effective alternative:

**Average Medicare Charge per Day of Care
Project Year 2**

Agency	Routine	Inpatient	Respite	Continuous Care
Well Care	\$171	\$667	\$158	\$36
3HC	\$194	\$737	\$172	\$41

Source: CON applications, Form F.2 Charges

Current economic conditions make lower charges especially important to patients, payors, and providers. Well Care’s average charges make its application the least costly and most effective alternative. Thus, Well Care’s application is clearly the most effective alternative based on its demonstration of competitive charges. Well Care’s application is consistent with Policy GEN-3 of the 2018 SMFP, in projecting to maximize healthcare value for resources expended.

Access for Medically Underserved

A key factor in considering the relative accessibility of the alternative proposals is the extent to which each applicant expands access to the medically underserved, including Medicare, Medicaid and self-pay/charity care recipients. Generally, the application proposing to serve the higher percent of Medicare, Medicaid and self-pay/charity care patients is the more effective alternative with regard to this comparative factor. In terms of access for medically underserved populations, Well Care’s proposal represents the most effective alternative. The table on the following page summarizes the projected combined Medicare, Medicaid and self-pay/charity care payor mix and days of care for the competing applicants.

**Projected Medically Underserved Payor Mix
 (Medicare/Medicaid/Self-Pay/Charity Care)
 Project Year 3**

Agency	% of Patients	# of Days of Care
Well Care	98.0%	16,208
3HC	97.0%	12,862

Source: CON Applications

Well Care projects the highest percentage of total patients as medically underserved recipients, as well as a 26 percent more patient days of care for medically underserved patients than 3HC in Project Year 3. Well Care projects to serve a higher medically underserved percentage of patients than is currently served on average by Cumberland County hospice home care agencies. It is Well Care’s desire to improve access to hospice services for medically underserved patients in Cumberland County. This is indicative of Well Care’s commitment to serving the medically needy and indigent with quality healthcare services. This philosophy is also consistent with the Access Basic Principle as described in the 2018 State Medical Facilities Plan.

Hospice Patient Utilization

Well Care projects to serve the highest number of patient days of care between the competing applicants, as shown in the following table. This utilization is based on reasonable and adequately supported assumptions and projected patient utilization described in Well Care’s application.

Total Patient Days of Care

Hospice Days of Care	Well Care	3HC
YR1	8,419	11,850
YR2	13,857	13,201
YR3	16,539	13,262

Source: CON Applications, Form C Utilization

The following table shows information each applicant provided in its application regarding projected hospice visits each project year. As previously stated, 3HC did not provide any information in its application about visits to patients.

Projected Hospice Visits

Hospice Visits	Well Care	3HC
YR1	5,992	n.a.
YR2	9,863	n.a.
YR3	11,771	n.a.

Source: CON Applications (Well Care, Section Q; 3HC, not available)

In summary, Well Care projects to provide the greatest number of hospice days of care between the two applicants in this batch review and offers the only quantification of hospice visits. Thus, Well Care’s application is the most effective alternative in terms of utilization by Cumberland County patients.

Clinical Staff Salaries

Salaries are a significant contributing factor in recruitment and retention of quality clinical staff, and therefore, from a quality of care perspective, represent a noteworthy comparative metric for this CON batch review. Please see the following tables.

**Projected Nursing Salaries
 Project Year 2**

Agency	RN
Well Care	\$75,217
3HC	\$69,360

Source: CON Applications

**Projected Nurse Aide Salaries
Project Year 2**

Agency	CNA
Well Care	\$29,848
3HC	\$24,276

Source: CON Applications

**Projected Social Worker Salaries
Project Year 2**

Agency	Social Worker
Well Care	\$59,959
3HC	\$53,060

Source: CON Applications

Well Care projects the highest salary per FTE for RN, Nurse Aide and Social Worker. Therefore, Well Care is the most effective alternative with regard to clinical salaries.

Volunteer Services

Although each applicant proposes to recruit hospice volunteers for their respective agencies, Well Care is the more effective alternative with regard to staffing for the coordination of volunteer services. This is because Well Care has 1.0 FTE allotted for volunteer staff coordination, while 3HC has only 0.5 FTE allocated. Moreover, 3HC does not show a projection of volunteer hours, while Well Care projects 1,390 volunteer hours and 521 volunteer visits during the second project year.

Scope of Services

As described in its CON application, Well Care will provide a full continuum of hospice services to Cumberland County residents. 3HC may describe specialized services or populations in an effort to differentiate its proposal from Well Care's proposal; however, Well Care will offer comprehensive hospice services and will provide care to any population in need of hospice services.

Non-Profit/For-Profit Status

The 3HC Application includes a discussion of the non-profit/for-profit status of its proposed agency and other existing agencies. In the 2017 Cumberland County batch review, the Agency drew no comparisons or conclusions relating to the status of agencies. The 3HC discussion of non-profit/for-profit status is not material to determinations of conformity or to a comparison of applicants in this batch review.

Specific Comments Regarding the Competing Application

Home Health and Hospice Care, Inc. (3HC) Project ID No. M-11533-18

Comments Specific to Criterion 1

- 3HC does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, 3HC does not adequately demonstrate that its proposal would maximize healthcare value. Consequently, the application is not consistent with Policy GEN-3 and is not conforming to Criterion 1.

Comments Specific to Criterion 3

- **3HC failed to provide any information regarding projected hospice visits for its proposed Cumberland County hospice home care agency.** Hospice visits are an essential measure of utilization and a reflection of access to hospice care. A hospice visit occurs when a member of the hospice care team (*e.g.*, nurse, aide, therapist, pastor, social worker) meets with a patient to provide care for the palliation and management of the terminal illness and related conditions as described in the patient's plan of care.

3HC neglected to provide any information in its application regarding a methodology or the assumptions used to project hospice visits. It is also important to note that the Agency has included projected hospice visits in its analysis of Criterion 3 in the 2013 & 2017 Cumberland County hospice batch reviews because visits are a measure of utilization and services provided. Although the 2018 certificate of need application form for new hospice offices does not include a table that requests projected hospice visits, it is the applicant's responsibility to provide all information necessary to demonstrate that projected hospice utilization is based on reasonable and adequately supported assumptions. By failing to include any information regarding projected hospice visits, 3HC did not meet its burden.

Having participated in the 2017 Cumberland County hospice home care office competitive batch review, 3HC is aware that the Agency evaluates and compares applicants with respect to projected visits. Therefore, 3HC's omission of critical utilization projections cannot be overlooked in this 2018 Cumberland County hospice home care office competitive batch review.

In summary, 3HC does not adequately demonstrate the need the projected population has for the proposed hospice agency because utilization was not provided for projected hospice visits. Consequently, the application is not conforming to Criterion 3.

Comments Specific to Criterion 4

- The 3HC application is not conforming to other statutory and regulatory review criteria, and thus, is not approvable. See discussion regarding Criterion 3. A project that cannot be approved cannot be an effective alternative. Consequently, 3HC's application is not conforming to this criterion.

Comments Specific to Criterion 5

- The 3HC application is not conforming to other statutory and regulatory review criteria, and thus, is not approvable. See discussion regarding Criterion 3. A project that does not adequately demonstrate need cannot demonstrate financial feasibility. Consequently, the application is not conforming to this criterion.
- 3HC did not document that it has adequate clinical staffing to provide the necessary visits to its projected hospice patients. See discussion regarding Criterion 7.
- The 3HC application does not adequately document clinical staffing for on-call and after-shift patient care coverage. At page 29 of its application, 3HC suggests its RNs will be expected to cover weekday, weekend, and holiday "on-call" and "back-up call." 3HC indicates its nurses will cover evening shifts as well as triage services for calls between 5 p.m. and 11 p.m. on weekdays and between 7 a.m. and 7 p.m. on weekends. 3HC refers to a "weekend nurse" working 5 p.m. Friday through 8 a.m. Monday. Insufficient explanation is provided to substantiate the adequacy of staffing projections and budget for the coverage described by 3HC. By contrast, Well Care itemizes RN and nurse aide on-call staffing in its Form H. For these reasons, 3HC thus did not base its financial projections upon reasonable projections of costs and is not conforming to Criterion 5.
- The 3HC staffing projections are questionable and unsupported. In 2017, 3HC assumed 189 admissions in Project Year 1 and projected 4.5 RNs. In this 2018 Application, 3HC projects 213 admissions in Project Year 1 and projects 3.0 RNs. A 60-day ALOS assumption was used by 3HC in both Applications.
- On the last page of its application, 3HC projects 34.04% benefits and taxes percentage of salaries for its workers. This is an unreasonably high figure for a hospice agency. It is particularly unbelievable because in its 2017 Cumberland County CON application, 3HC proposed a taxes/benefit percentage of salaries of 18%, or approximately half of the benefit/tax percentage projected for 2018. 3HC did not explain the reason for this outsized change, and thus did not base its financial projections upon reasonable projections of costs.

- 3HC projects inadequate administrative staffing for the proposed hospice agency in Cumberland County. Specifically, 3HC does not include in its staffing table any Clinical Managers to oversee the provision of care by the nurses and other care givers. By comparison, Well Care projects a 1.0 FTE Clinical Manager in Project Year 1, increased to 2.0 FTEs for Project Years 2 and 3. Assuming a Clinical Manager salary is higher than that of an RN, the addition of the necessary clinical supervision would absolutely result in operating expenses exceeding revenues for the proposed 3HC agency, thus rendering the 3HC application non-conforming to Criterion 5.

Comments Specific to Criterion 6

- 3HC did not adequately demonstrate that its projected utilization is reasonable, credible or adequately supported. Therefore, 3HC did not adequately demonstrate in its application that the Hospice Home Care Office it proposes to develop in Cumberland County is needed in addition to the existing agencies. See Criterion 3 for additional discussion. Consequently, the 3HC application is not conforming to Criterion 6.

Comments Specific to Criterion 7

- As described previously in the discussion regarding Criterion 3, 3HC failed to provide any information regarding projected hospice visits for its proposed Cumberland County hospice home care agency. Hospice visits are a critical component for projecting hospice staff. A hospice visit occurs when a member of the hospice care team (*e.g.*, nurse, aide, therapist, pastor, social worker) meets with a patient to provide care for the palliation and management of the terminal illness and related conditions as described in the patient's plan of care. The average caseload table 3HC included on page 85 of its application does not provide information specific to number of patient visits, nor does 3HC's Form H (staffing table) provide any such information. Without documenting the number of clinical visits to hospice patients, it is not possible for 3HC to demonstrate it has proposed adequate staffing for the proposed agency. Therefore, 3HC is not conforming to Criterion 7 because it does not show evidence of health manpower for the provision of the services proposed.
- On page 29 of its Application, 3HC suggests its RNs will be expected to cover weekday, weekend, and holiday "on-call" and "back-up call." 3HC indicates its nurses will cover evening shifts as well as triage services for calls between 5 p.m. and 11 p.m. on weekdays and between 7 a.m. and 7 p.m. on weekends. 3HC refers to a "weekend nurse" working 5 p.m. Friday through 8 a.m. Monday. Insufficient explanation is provided to substantiate the adequacy of staffing projections and budget for the coverage described by 3HC.

- The 3HC staffing projections are questionable and unsupported. In 2017, 3HC assumed 189 admissions in PY 1 and projected 4.5 RNs. In this 2018 Application, 3HC projects 213 admissions in PY 1 and projects 3.0 RNs. A 60-day ALOS assumption was used by 3HC in both Applications.

Comments Specific to Criterion 8

- As stated in the discussion regarding Criterion 7, 3HC failed to provide any information regarding projected hospice visits for its proposed Cumberland County hospice home care agency, and absent the number of patient visits, 3HC did not demonstrate it adequately provides for necessary ancillary and support services. Also, 3HC did not indicate availability of respiratory therapists for its prospective hospice patients. The 3HC application is therefore not conforming to Criterion 8.

Comments Specific to Criterion 18a

- 3HC did not adequately demonstrate the 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 and access to services proposed. 3HC did not adequately demonstrate that projected utilization is reasonable, credible or adequately supported. Therefore, 3HC did not adequately demonstrate in its application that the Hospice Home Care Office it proposes to develop in Cumberland County is needed in addition to the existing agencies. See Criteria 3, 5 and 7 for additional discussion. Consequently, the 3HC application is not conforming to Criterion 18a.

Comments Specific to 10A N.C.A.C. 14C.1503

- The Application form requests that Applicants (a) complete a table showing projected days of hospice care by location; (b) “describe the assumptions and methodology used to complete the table;” and (c) provide any supporting documentation. Per the CON Law, the Application form requests the information necessary to conduct the review and seeks only that information necessary to determine conformity with the applicable Criteria and rules. N.C. Gen. Stat. § 131E-182. Thus, the supporting assumptions and methodology are necessary to demonstrate conformity with 10A N.C.A.C. 14C.1503.

3HC projects over 80 percent of its days of hospice care will be furnished in patients’ residences (home/nursing home/assisted living residence). However, to do so, 3HC relies upon a projection to provide less than 1 percent of its projected days of hospice care to

patients in “all other locations” including hospitals, inpatient hospice beds or residential hospice beds.

The paragraph inserted by 3HC at page 70 of its Application is not a description of the assumptions and methodology used by 3HC to project days of hospice care by location. Instead, the paragraph addresses the 3HC payor mix assumptions.

No assumptions or methodology are furnished to explain how 3HC derived its location of care projection, which incorporates an unsubstantiated projection of less than 1% of projected days of hospice care for patients in locations other than their home/nursing home/assisted living residence. In response to the Application question requesting any supporting documentation, 3HC stated “Not applicable.”

The projection by 3HC is not consistent with location of care information from the FY2017 admission data for hospices offices/agencies located in Cumberland County. As summarized by Well Care in pages 52-54 of its Application, approximately 94.8 percent of hospice admissions are represented from patients’ residences and approximately 93 percent of hospice deaths occur in patients’ residences (home/nursing home/assisted living residence). Based on the data for existing providers, Well Care documented its methodology and assumptions for a projection to provide slightly over 5 percent of hospice days of care in other non-residence locations (hospitals/inpatient and residential hospice facilities).

Because the 3HC response to the Performance Standard is not supported by any methodology or assumptions or supporting documentation furnished in response to the Application form questions, and because it is inconsistent with the reported experience of existing agencies serving Cumberland County, 3HC did not adequately document conformity with the Performance Standard.