

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 27, 2013

FINDINGS DATE: October 4, 2013

PROJECT ANALYST: Gregory F. Yakaboski

ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: 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. / Develop a new Medicare-certified home health agency/ Brunswick County

O-10117-13 / NHRMC Home Care and Pender Memorial Hospital / Develop a new Medicare-certified home health agency/ Brunswick County

O-10118-13 / Advanced Home Care, Inc. / Develop a new Medicare-certified home health agency/ Brunswick County

O-10119-13 / HKZ Group, LLC / Develop a new Medicare-certified home health agency/ Brunswick County

O-10120-13 / Maxim Healthcare Services, Inc. / Develop a new Medicare-certified home health agency/ Brunswick County

O-10121-13 / Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services / Develop a new Medicare-certified home health agency/ Brunswick County

O-10122-13 / Continuum II Home Care and Hospice, Inc. / Develop a new Medicare-certified home health agency/ Brunswick County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

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

NC
NHRMC
Advanced
Gentiva

C- All Other Applicants

The 2013 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional Medicare-certified home health agencies in North Carolina. Application of the need methodology in the 2013 SMFP did not identify a need for one new Medicare-certified home health agency in Brunswick County. The need determination in the 2013 SMFP is the result of a petition submitted by HealthKeeperz. Seven applications were submitted to the Certificate of Need Section, each proposing to develop one Medicare-certified home health agency in Brunswick County. However, pursuant to the need determination, only one home health agency may be approved in this review for Brunswick County. See the Summary following the Comparative Analysis for the decision.

Policy GEN-3 of the 2013 SMFP is applicable to this review. Policy GEN-3: Basic Principles states:

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

UniHealth. United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health (**UniHealth**) proposes to develop a Medicare-certified home health agency at 1729 Southport-Supply Rd, Unit 2, Bolivia, NC, 28422, Brunswick County.

Need Determination - UniHealth does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 136-140, UniHealth describes how it believes the project conforms with Policy GEN-3. UniHealth describes how it believes its proposal

would promote safety and quality in Section II.7, pages 79-98, Exhibit 10, Section II.1, pages 36-73, Section II.2, pages 73-74, and Section II.6, pages 77-79. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

UniHealth describes how it believes its proposal would promote equitable access in Section VI, pages 176-188. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

UniHealth describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 104-136, Section IV, pages 147-162, Section X, pages 218-225, and the applicant's pro forma financial statements, pages 231-275. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

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

In summary, the application is conforming to this criterion.

NHRMC. NHRMC Home Care and Pender Memorial Hospital (**NHRMC**) proposes to develop a Medicare-certified home health agency at 10 Doctors Circle, Unit 4, Supply, NC, 28462, Brunswick County.

Need Determination - NHRMC does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, page 56, Section II.7, page 27, Section VI.3, page 82, and Section VI.12, page 87, NHRMC describes how it believes the project conforms with Policy GEN-3. NHRMC describes how it believes its proposal would promote safety and quality in Section II.7, page 27, Exhibit 5, Section II.1, pages 13-20, Section II.2, pages 20-22, and Section II.6, page 26. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

NHRMC describes how it believes its proposal would promote equitable access in Section VI, pages 81-84. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access. Note: the information provided in Section VII.12, page 87, is clearly not correct. On that page, NHRMC appears to state that 100% of duplicated patients will be Medicare beneficiaries. However, on that same page, NHRMC states only 11.3% of visits will be Medicare beneficiaries but projects no other payers. On the other hand, in Section IV, pages 67-68, 70-73, and the financial pro formas (Form B), NHRMC clearly projects a reasonable, credible and supported payor mix which includes medically underserved groups. See Criterion (13c) for additional discussion which is incorporated hereby as if set forth fully herein.

NHRMC describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 43-55, Section IV, pages 60-75, Section X, pages 104-108, and Section XIII (pro forma financial statements), pages 118-127. However, the applicant did not adequately demonstrate that its proposal will maximize health care value for resources expended. The applicant does not adequately demonstrate the need for its proposal and does not adequately demonstrate that the financial feasibility of its proposal is based upon reasonable projections of costs and charges. See Criteria (3) and (5) for discussion which is incorporated hereby as set forth fully herein.

NHRMC adequately demonstrates how its proposal will promote safety, quality and equitable access. However, NHRMC did not adequately demonstrate how its proposal will maximize health care value for resources expended. Therefore, the application is not consistent with Policy GEN-3.

In summary, the application is not conforming to this criterion.

Advanced. Advanced Home Care, Inc. (**Advanced**) proposes to develop a Medicare-certified home health agency at 2013 Old Regent Way, Suite 270, Leland, NC, 28451, Brunswick County.

Need Determination - Advanced does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 55-58, Advanced describes how it believes the project conforms with Policy GEN-3. Advanced describes how it believes its proposal would promote safety and quality in Section II.7, pages 31-33, Exhibit 8, Section II.1, pages 18-26, Section II.2, pages 26-27, and Section II.6, pages 29-31. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

Advanced describes how it believes its proposal would promote equitable access in Section VI, pages 76-82. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

Advanced describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 45-55, Section IV, pages 63-68, Section X, pages 100-104, and the pro forma financial statements, pages 110-115. However, the applicant did not adequately demonstrate that its proposal will maximize health care value for resources expended. The applicant does not adequately demonstrate the need for its proposal and does not adequately demonstrate that the financial feasibility of its proposal is based upon reasonable projections of costs and charges. See Criteria (3) and (5) for discussion which is incorporated hereby as set forth fully herein.

Advanced adequately demonstrates how its proposal will promote safety, quality and equitable access. However, Advanced did not adequately demonstrate how its proposal will

maximize health care value for resources expended. Therefore, the application is not consistent with Policy GEN-3.

In summary, the application is nonconforming to this criterion.

HKZ Group. HKZ Group, LLC (**HKZ Group**) proposes to develop a Medicare-certified home health agency at 7495-3 High Market St., Sunset Beach, NC, 28468, Brunswick County.

Need Determination – HKZ Group does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 43-50, HKZ Group describes how it believes the project conforms with Policy GEN-3. HKZ Group describes how it believes its proposal would promote safety and quality in Section II.7, pages 21-25, Exhibit 5, Section II.1, pages 9-14, Section II.2, pages 14-17, and Section II.6, page 21. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

HKZ Group describes how it believes its proposal would promote equitable access in Section VI, pages 79-92. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

HKZ Group describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 27-42, Section IV, pages 54-70, Section X, pages 106-109, and the applicant's pro forma financial statements, pages 114-134. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

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

In summary, the application is conforming to this criterion.

Maxim. Maxim Healthcare Services, Inc. (**Maxim**) proposes to develop a Medicare-certified home health agency at 5051 Main Street, Suite 7, Shallotte, NC 28470, Brunswick County.

Need Determination - Maxim does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 61-70, Maxim describes how it believes the project conforms with Policy GEN-3. Maxim describes how it believes its proposal would promote safety and quality in Section II.7, pages 31-39, Exhibit 11, Section II.1, pages 11-21, Section

II.2, pages 22-28, and Section II.6, page 30. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

Maxim describes how it believes its proposal would promote equitable access in Section VI, pages 97-107. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

Maxim describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 45-60, Section IV, pages 74-88, Section X, pages 126-132, and Section XIII (pro forma financial statements). The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

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

In summary, the application is conforming to this criterion.

Gentiva. Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services (**Gentiva**) proposes to develop a Medicare-certified home health agency at 6 Doctors Circle, Suite 1, Supply, NC, 28432, Brunswick County.

Need Determination - Gentiva does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 61-63, Gentiva describes how it believes the project conforms with Policy GEN-3. Gentiva describes how it believes its proposal would promote safety and quality in Section II.7, pages 25-27, Attachment G, Section II.1, pages 16-22, and Section II.6, page 24. However, the information provided by the applicant regarding projected staffing does not support a determination that the applicant's proposal will promote safety and quality. See Criterion (7) for the discussion regarding projected staffing in Project Year 2 which is incorporated hereby as set forth fully herein.

Gentiva describes how it believes its proposal would promote equitable access in Section VI, pages 76-81. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access.

Gentiva describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 32-60, Section IV, pages 66-68, Section X, pages 96-101, and the applicant's pro forma financial statements, pages 106-108. However, the information provided by the applicant regarding projected utilization, staffing, revenues and expenses does not support a determination that the applicant's proposal will maximize health care value for resources expended. The applicant does not adequately demonstrate: 1) the need for its proposal; 2) that it proposes adequate staffing for the level of services proposed;

and 3) that the financial feasibility of its proposal is based upon reasonable projections of costs and charges. See Criteria (3), (5) and (7) for the discussion which is hereby incorporated as set forth fully herein.

Gentiva adequately demonstrates how its proposal will equitable access. However, Gentiva did not adequately demonstrate how its proposal would promote safety and quality, and maximize health care value for resources expended. Therefore, the application is not consistent with Policy GEN-3.

In summary, the application is not conforming to this criterion.

Continuum. Continuum II Home Care and Hospice, Inc. (**Continuum**) proposes to develop a Medicare-certified home health agency at 58 NW Physicians Dr., Supply, NC, 28462 Brunswick County.

Need Determination - Continuum does not propose to establish more than one home health agency in Brunswick County. Therefore, the application is conforming to the 2013 SMFP need determination for one new home health agency in Brunswick County.

Policy GEN-3 – In Section III.2, pages 81-88, Continuum describes how it believes the project conforms with Policy GEN-3. Continuum describes how it believes its proposal would promote safety and quality in Section II.7, pages 28-30, Appendix C, Section II.1, pages 11-25, and Section II.6, page 27. The information provided by the applicant is reasonable, credible and supports the determination that the applicant’s proposal will promote safety and quality.

Continuum describes how it believes its proposal would promote equitable access in Section VI, pages 112-120. The information provided by the applicant is reasonable, credible and supports the determination that the applicant’s proposal will promote equitable access.

Continuum describes how it believes its proposal would maximize health care value for resources expended in Section III.1, pages 41-81, Section IV, pages 99-108, Section X, pages 134-137, and the applicant’s pro forma financial statements, pages 142-153. The information provided by the applicant is reasonable, credible and supports the determination that the applicant’s proposal will maximize health care value for resources expended.

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

In summary, the application is conforming to this criterion.

Summary

Four of the seven applications are consistent with Policy GEN-3. All seven applications are conforming to the need determination in the 2013 SMFP for one new Medicare-certified

home health agency in Brunswick County. However, the limit on the number of home health agencies that may be approved in this review is one. Therefore, all seven applications cannot be approved even if all seven were consistent with Policy GEN-3. See the Summary following the Comparative Analysis for the decision.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

NC
NHRMC
Advanced
Gentiva

C-All Other Applicants

UniHealth. United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. (**UniHealth**) propose to develop a Medicare-certified home health agency at 1729 Southport-Supply Road, Unit 2, Bolivia, NC, 28422, Brunswick County. In Section I.11(a), page 17, the applicants state *“United Home Care, Inc (UHC) currently owns and operates two Medicare-certified home health agencies in North Carolina: UniHealth Home Health in Wake County and UniHealth Home Health in Surry County.”*

Population to be Served

In Section III.4, page 142, UniHealth provides a table showing its projected patient origin by county for Project Years 1-3, as illustrated below:

**UniHealth Projected Patient Origin by County
Project Years 1-3**

County	2014		2015		2016	
	Patients	% of Total	Patients	% of Total	Patients	% of Total
Brunswick	204	100.0%	432	85.0%	432	85.0%
New Hanover	0	0.0%	59	11.6%	59	11.6%
Pender	0	0.0%	17	3.4%	17	3.4%
Total	204	100.0%	508	100.0%	508	100.0%

On page 142, UniHealth states

“UniHealth identifies the primary service area as Brunswick County and the secondary service area as New Hanover and Pender Counties.

The proposed home health agency will be located in Brunswick County and will primarily serve Brunswick County residents. Therefore, it is reasonable to identify Brunswick County as the primary service area.

New Hanover and Pender Counties are all located in home health planning Region O, have an unmet need for home health services, according to the 2013 SMFP home health methodology, and the major population centers in each county are within a 60-minute drive time of the proposed location of UniHealth. Therefore, it is reasonable to identify New Hanover and Pender Counties as the secondary service area. Moreover, residents of these counties seek other healthcare, including home health services, from Brunswick County providers. Please see Exhibit 54.”

The Project Analyst reviewed the home health patient surpluses/deficits in the 2013 SMFP for New Hanover County and Pender counties and compared it to the projected number of patients to be served in Project Year 2. In 2014, the 2013 SMFP projects a deficit of 186 patients in New Hanover County and 52 patients in Pender County. (Note: in order to result in a “need determination” in the 2013 SMFP, the deficit had to equal or exceed 325 patients. See footnote on page 326 of 2013 SMFP) In Project Year 2, UniHealth proposes to serve 432 Brunswick County patients, 59 New Hanover County patients and 17 Pender County patients. See page 142 of the application. Furthermore, a review of the patient origin data for one of the existing Brunswick County agencies shows that in FY 2012 AssistedCare served 773 unduplicated patients from New Hanover County. The existing Brunswick County agencies currently serve residents of New Hanover County. UniHealth adequately identified the population to be served.

Need Analysis

In Section III.1, pages 104-130, UniHealth states the need for the proposed project is based on the need determination in the 2013 SMFP for one Medicare-certified home health agency or office in Brunswick County (p. 104), the projected growth and aging of the population of Brunswick County (pp. 105-106), requests from local referral sources (p. 106), diversity of Brunswick County (pp. 106-109), need for enhanced home health services (pp. 109-116), reduction of duplication and costs of transitions (pp. 117-123), cost savings that come with home health care (pp. 123-124), competition (p.124), need to focus on population health (pp. 125-126), centrally located agency in Brunswick County relative to the elderly population (pp.126-130), and a provider who will seek out and serve patients from all payor types (p.130).

Projected Utilization

In Section IV, pages 148-149, UniHealth provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 7/1/14 – 6/30/15	172	32	204
Project Year 2 7/1/15 – 6/30/16	423	85	508

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 7/1/14 – 6/30/15	254	254	254	18	12	254	1,046
Project Year 2 7/1/15 – 6/30/16	679	679	679	46	12	679	2,774

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 7/1/14 – 6/30/15	1,883	460	1,333	60	17	229	3,982
Project Year 2 7/1/15 – 6/30/16	5,463	1,342	3,868	177	45	681	11,576

UniHealth describes the assumptions and methodology used to project utilization in Section IV, pages 150-162, as follows:

1. Determine unduplicated census. On page 150, UniHealth states it proposes to admit two unduplicated clients per week in months 1-6, four unduplicated clients per week in month seven, five per week in month eight, six per week in month nine, seven per week in month ten, eight per week in month eleven, and nine per week in month 12, in the first year of operation (FY2015). In year two, the UniHealth proposes to admit nine unduplicated clients per week in months 1-2, ten per week in months 3-6, eleven per week in months 7-9, twelve per week in months 10-12. UniHealth states year three admissions will be the same as year two. UniHealth states the year one admission rates account for the time necessary to obtain Medicare certification.
2. Determine unduplicated clients by admitting service discipline. On page 151, UniHealth states it assumes that 83 percent of unduplicated clients will be admitted to nursing and 17 percent to physical therapy, based on UniHealth’s experience.
3. Determine unduplicated clients by payor. On pages 151-152, UniHealth projected the percentage of unduplicated clients by payor based on the historical payor mix of existing Brunswick County Medicare-certified home health agencies, market research and UniHealth’s proposed program. See table on page 151 of the application.
4. Determine total admissions in the same year. On pages 152-153, UniHealth states that it projects no duplicated census or additional admissions in the first six months of operation, and thereafter assumes readmissions will be ten percent of admissions for Medicare and Medicaid beneficiaries. See the table on page 152 of the application.

5. Determine Medicare episode¹ starts. On page 153, UniHealth states it assumes 1.35 episodes per Medicare admission, based on the UniHealth's operating experience, and the experience of existing Brunswick County home health agencies.
6. Determine Medicare episode starts by reimbursement type. On pages 153-154, UniHealth states it projected Medicare episode starts by reimbursement type based on the UniHealth's operating experience, and the experience of existing Brunswick County home health agencies, 2011 Medicare cost reports, and the experience of existing North Carolina home health agencies, per Palmetto GBA. See tables on pages 153 and 154 of the application.
7. Determine total starts of care by payor reimbursement type. On page 154, UniHealth states it projected total starts of care by reimbursement type based on the applicant's Step 4 and Step 6 above. See table on page 154 of the application.
8. Determine visits per start of care by payor. On pages 155-156, UniHealth states it projected visits per starts of care by payor based on UniHealth's historical experience, and the experience of existing Brunswick County home health agencies. See tables on page 155 of the application.
9. Adjust visits per start of care for start date. On page 156-157, UniHealth states it projected visits per start of care by month for the first three months based on UniHealth's historical experience. See table on page 156 of the application.
10. Determine visits by discipline by start of care type and payor. On pages 157-160, UniHealth states it projected visits by discipline by start of care type and payor based on the results of Step 9 above and on the UniHealth's historical experience. See tables on pages 157-160 of the application.
11. Determine visits by discipline. On page 161, UniHealth states it projected visits by discipline based on summing the results in Step 10 above. See table on page 161 of

¹ Medicare reimbursement is based on episodes of care rather than per visit. An episode of care, as defined by Medicare, is 60 days. In 2010, The Centers for Medicare and Medicaid Services website explained the home health prospective payment system (PPS) as follows: "*Under prospective payment, Medicare pays home health agencies (HHAs) a predetermined base payment. The payment is adjusted for the health condition and care needs of the beneficiary. The payment is also adjusted for the geographic differences in wages for HHAs across the country. The adjustment ... is referred to as the case-mix adjustment. The home health PPS will provide HHAs with payments for each 60-day episode of care for each beneficiary. ... While payment for each episode is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs.*" The PPS has several categories of payment, including a regular 60-day episode, a case-mix adjustment, which is based upon the home health agency's assessment of the patient's functional status using OASIS (Outcome and Assessment Information Set). To determine the case-mix adjustment, patients are classified into a case-mix group called HHRG (Home Health Resource Group). Another category called LUPA (low-utilization payment adjustment) includes those patients who only require four or fewer visits. Outlier payment adjustments are made for those patients requiring costlier care. Finally, a PEP (partial episode payment) is made when a patient transfers to a different home health agency or is discharged and readmitted within a 60-day episode.

the application.

12. Determine the ratio of visits by discipline to total starts of care. On page 161, UniHealth states it projected the ratio of visits by discipline to total starts of care by dividing the results of Step 11 above by the results of Step 7 above. See table on page 161 of the application.
13. Determine duplicate clients by discipline. On page 162, UniHealth states it projected the duplicate clients by discipline by dividing the results of Step 11 above by the ratios calculated in Step 12 above. See table on page 162 of the application.

UniHealth adequately demonstrates that projected utilization is based on reasonable, credible and supported assumptions.

In summary, UniHealth adequately demonstrates the need to develop a Medicare-certified home health agency office in Brunswick County including the extent to which medically underserved groups will have access to the proposed home health services. See Criterion (13c) for discussion regarding access by medically underserved groups which is incorporated hereby as if set forth fully herein. Therefore, the application is conforming to this criterion.

NHRMC. NHRMC Home Care and Pender Memorial Hospital (**NHRMC**) propose to develop a Medicare-certified home health agency at 10 Doctors Circle, Unit 4, Supply, NC 28462, Brunswick County. In Section I.11(a), page 10, NHRMC states that it owns NHRMC Home Care in Rocky Point, NC, which is located in Pender County. The applicants further state, “*NHRMC Home Care does not own any home health agencies in other states.*”

Population to be Served

In Section III.4, page 58, NHRMC provides a table showing its projected patient origin by county for Project Year 2, as illustrated below:

**NHRMC Projected Patient Origin by County
Project Years 2 (FY2016)**

County	Patients	%
Brunswick	1,108	83.4%
Bladen	45	3.4%
Columbus	175	13.2%
Total	1,328	100.0%

On pages 64-65, NHRMC states

“As previously discussed, the NHRMC Accountable Geography includes New Hanover, Pender, and Brunswick counties, while the Referral Theatre includes Columbus, Bladen, Duplin, Onslow counties, and Horry County in South Carolina.

The establishment of a home health agency in Brunswick County will allow NHRMC to serve patients from Brunswick and Columbus counties that it currently cannot serve

because they are not within the service area of the NHRMC Home Care Pender County agency.

...

NHRMC Home Care assumes that the NHRMC Home Care Pender County agency team assigned to Brunswick/Columbus/Bladen county patients will be transferred to the NHRMC Home Care Brunswick County office in Year 1 of the project (FY2015). As such, all patients from those counties are assumed to be treated by the NHRMC Home Care Brunswick County agency.”

The Project Analyst reviewed the home health patient surpluses/deficits in the 2013 SMFP for Bladen County and Columbus counties and compared it to the projected number of patients to be served in Project Year 2. In 2014, the 2013 SMFP projects a surplus of 70 patients in Bladen County and a surplus of 58 patients in Columbus County. In Project Year 2, NHRMC proposes to serve 1,108 Brunswick County patients, 45 Bladen County patients and 175 Columbus County patients. See page 58 of the application. NHRMC’s existing Pender County office currently serves Columbus and Bladen County residents. These patients are proposed to be served from the Brunswick County office. NHRMC adequately identified the population to be served.

Need Analysis

In Section III.1, pages 43-55, NHRMC states the need for the proposed project is based on the need determination in the 2013 SMFP for one Medicare-certified home health agency or office in Brunswick County (p. 43), the projected population growth and aging in the service area (pp. 44-46), life expectancies in the service area (pp. 47-52), home health utilization in the service area (p.52), physician and healthcare provider referrals (p. 53), and NHRMC Accountable Theatre (pp. 54-55).

Projected Utilization

In Section IV, pages 60-63, NHRMC provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 10/1/14-9/30/15	617	378	995
Project Year 2 10/1/15-9/30/16	823	505	1,328

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 10/1/14-9/30/15	1,037	1,038	1,037	14	12	1,038	4,176
Project Year 2 10/1/15-9/30/16	1,481	1,482	1,482	33	30	1,482	5,990

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 10/1/14-9/30/15	7,824	1,429	5,516	282	197	1,218	16,115
Project Year 2 10/1/15-9/30/16	11,182	2,042	7,382	403	273	1,740	23,022

NHRMC describes the assumptions and methodology used to project utilization in Section IV.3, pages 64-75, which is summarized below.

- 1A. Determine historical and projected home health patients for each county in the service area.
On page 64, NHRMC provides historical and projected home health patients for Brunswick, Bladen and Columbus counties for the years 2011 through 2016 based on the 2013 SMFP projections and home health use rates. See table on page 64 of the application.
- 1B. Calculate NHRMC Home Care Market Share.
On pages 64-65, NHRMC projects its market share of the home health patients in Brunswick, Bladen and Columbus counties. NHRMC states that based on New Hanover Regional Medical Center’s current inpatient market share, NHRMC will achieve 50 percent of the hospital’s 2012 inpatient market share for Brunswick County and 25 percent of the hospital’s 2102 inpatient market for Columbus and Bladen counties. See table on page 65 of the application.
- 1C. Calculate Unduplicated Patient Projections.
On p. 65, NHRMC calculated unduplicated patient projections for Project Year 1 (10/1/14 - 9/30/15) and Project Year 2 (10/1/15 – 9/30/16) based on Step 1 and Step 2 plus ramp-up allowance. See table on page 65 of the application.
- 1D. Calculate Unduplicated Patients by Service Discipline.
On pages 65-66, for Project Years 1 and 2, NHRMC calculates its projected unduplicated patients by service discipline based on patients being admitted to two services: skilled nursing (62%) and physical therapy (38%). See tables on pages 65-66 of the application.
2. Calculate readmissions by payer for Project Year 1 and Project Year 2.
On pages 67-68, based on its experience working in Brunswick County NRMCH calculates readmissions for Medicare patients at 15% for Project Years 1 and 2.

NHRMC does not project readmissions for Medicaid, Commercial or indigent payer categories. See tables on pages 67-68 of the application.

3. Determine episodes per Medicare Admissions.
On page, 69 of the application, NHRMC calculates the number of Medicare episodes per Medicare admission based on an assumption of 1.3 episodes per admission. NHRMC states this rate is based on its experience serving Brunswick County from the Pender County facility. See table on page 69 of the application. NHRMC notes that, based on the 2013 Home Health Data Supplements for the two existing home health agencies located in Brunswick County, the episodes per Medicare admission were 1.25 and 1.18, respectively.
4. Determine episodes by Medicare Reimbursement Type.
On page 69 of the application, NHRMC, utilizing a Medicare reimbursement type mix based on NHRMC's experience serving Brunswick County patients from the Pender County facility, calculates episodes by Medicare reimbursement type for Project Years 1 and 2. See table on page 69 of the application.
5. Determine episodes by all payor categories.
On page 70 of the application, NHRMC provides the number of episodes for all payor categories for Project Years 1 and 2 based on Step 4 and Step 2. See table on page 70 of the application.
6. Calculate visits by all payor categories.
On page 71 of the application, NHRMC calculates the average number of visits by payor category and type of service. Assumptions are based on NHRMC's experience serving Brunswick County patients from the Pender County facility. See assumptions and calculations in tables on page 71 of the application.
7. Determine visits by service by payor.
On page 72 of the application, NHRMC multiplied the data from Step 5 by the data from Step 6 to calculate the visit distribution by service by payor type for Project Years 1 and 2. See tables on page 72 of the application.
8. Calculate duplicated home health patients and visits by service discipline.
On pages 73-75 of the application NHRMC calculated the number of duplicate patients and visits by service discipline. See the assumptions and tables on pages 73-75 of the application.

However, NHRMC does not adequately demonstrate that projected utilization is based on reasonable, credible and supported assumptions because NHRMC's projected market share of home health patients for Brunswick, Bladen and Columbus counties is not based on reasonable, credible or supported assumptions. In Step 1B, pages 64-65 of the application, NHRMC projects its market share for Project Year 2 (FFY 2016) based on the assumption that NHRMC Home Care would achieve 50 percent of New Hanover Regional Medical Center's 2012 inpatient (i.e., acute care) market share for Brunswick County by Project Year 2 and 25 percent of New Hanover Regional Medical Center's 2012 inpatient market share for

Bladen and Columbus counties by Project Year 2. Based on these assumptions, NHRMC projects that for Project Year 2 it would capture 26.5% of the home health market for Brunswick County residents; 3.8% of the home health market for Bladen County residents; and 6.6% of the home health market for Columbus County residents. To determine how many home health patients it will serve in Project Year 2, NHRMC multiplies its projected home health market share percentage for each county in its proposed service area by the total number of home health patients projected to be served by all agencies for each county.

However, NHRMC does not adequately document that there is any connection between NHRMC’s projected market share for the three counties proposed in its service area and New Hanover Regional Medical Center’s inpatient market shares for these counties. The hospital’s services differ significantly from the proposed home health services. Furthermore, since NHRMC’s projected market shares are utilized to project unduplicated patients and ultimately duplicated patients and visits, those projections are also not based on reasonable, credible or supported assumptions and thus, are not reasonable.

The 2013 SMFP includes data showing which agencies, by name, served all Brunswick County residents who received home health care during Federal Fiscal Year (FFY) 2011. From this data it is possible to determine actual market share for the existing agencies, as shown in the table below.

FFY 2011: Brunswick County Home Health Market Share

	Brunswick County Residents	Percent of Total Patients (Market Share)
Liberty Home Care (all 4 agencies)*	1,479	41.8%
Well Care Home Health	1,063	30.0%
AssistedCare Home Health	680	19.2%
NHRMC Home Care (Pender)	319	9.0%
Total	3,541	100.0%

*Based on the FFY 2011 data in Table12A, page 269, of the 2013 SMFP, Liberty Home Care had four different home health agencies provide home health care to Brunswick County residents. This represents a total of those four different Liberty Home Care home health agencies.

By Project Year 2 (FFY2016), NHRMC projects to serve 26.5% of all Brunswick County patients who need home health services. See page 65 of the application. As illustrated in the table above, in FFY 2011 NHRMC Home Care served only 9.0% of all Brunswick County patients who needed home health services out of its Pender County office. The applicant states, that if approved, these existing Brunswick County patients would be “shifted” to the Brunswick office. Therefore, by FFY 2016 (within 4 years), the applicant projects to increase its market share of Brunswick County home health patients by 17.5% (26.5% - 9 % = 17.5%). As stated above, NHRMC’s basis for its projected market shares is not reasonable, credible or supported.

On page 53, and in Exhibit 20, NHRMC discusses and provides estimated referrals to the proposed home health agency in Brunswick County, as shown in the table below.

Provider	Potential referrals	“2012 HH Referrals”*

	over and above the 2012 referrals	
New Hanover/Cape Fear Hospital Case Management	50	450
New Hanover Hospitalists	600	
New Hanover Residency Program	60	
Zimmer Cancer Clinic MDs		75
New Hanover Medical Group		180
Cape Fear Heart Associates		200
Coastal Thoracic Surgical Associates		85
Ortho Wilmington		180
Dr. Bowling		50
Carolina Sports Medicine		100
Lower Care Fear Hospice		110
Total	710	1,430

*“Home health referrals to all home health agencies in 2012.”

Based on the referral data provided by NHRMC and viewing it in the light most favorable to the applicants, the providers listed in the table above referred a total of 1,430 Brunswick County residents for home health services in 2012. In that same year, NHRMC served only 380 Brunswick County patients. This results in a ratio of one patient for every 3.76 referrals ($1,430 / 380 = 3.76$). NHRMC identified an additional 710 referrals “to all home health agencies in 2012.” Using the ratio of referrals calculated from the 2012 historical data, the 710 referrals would result in approximately 189 new Brunswick County patients ($710/3.76 = 189$). In FFY 2016, NHRMC projects 728 ($1,108 - 380 = 728$) additional Brunswick County patients over and above the 380 Brunswick County patients served in 2012. The potential referrals referenced by the applicants do not support NHRMC’s projected Brunswick County home health patients or projected market share in FFY 2016.

In summary, NHRMC does not adequately demonstrate the need to develop a Medicare-certified home health agency office in Brunswick County. Therefore, the application is not conforming to this criterion.

Advanced. Advanced Home Care, Inc. (**Advanced**) proposes to develop a Medicare-certified home health agency at 2013 Old Regent Way, Suite 270, Leland, NC 28451, Brunswick County. In Section I.11(a), page 14, the applicant states, “*Advanced Home Care, Inc. owns nine Medicare-certified home health agencies in North Carolina.*”

Population to be Served

In Section III.4, page 60, Advanced provides a table showing its projected patient origin by county in the first three years of operation, which is summarized below:

**Advanced Projected Patient Origin by County
Project Years 1 -3**

County	Year 1	Year 2	Year 3
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	CY2014	CY2015	CY2016
Brunswick	59.9%	56.8%	56.8%
New Hanover	32.4%	34.1%	34.1%
Pender	7.7%	9.2%	9.2%
Total	100.0%	100.0%	100.0%

On page 59, the applicant states

“The projected patient origin is based upon the need analysis presented above. As indicated in STEP 4, the number of potential home health agency patient is projected first by hospital referral source.”

On page 45, Advanced notes that, in addition to the projected deficit in Brunswick County there is a projected deficit in New Hanover and Pender counties. Note: the deficits in these counties are not sufficient to have triggered a need determination in the 2013 SMFP for either of those counties. It appears that Advanced included New Hanover and Pender counties in its proposed service area because the 2013 SMFP shows deficits for those counties.

The Project Analyst reviewed the home health patient surpluses/deficits in the 2013 SMFP for New Hanover County and Pender counties and compared it to the projected number of patients to be served in Project Year 2. In 2014, the 2013 SMFP projects a deficit of 186 patients in New Hanover County and 52 patients in Pender County. (Note: in order to result in a “need determination” in the 2013 SMFP, the deficit had to equal or exceed 325 patients. See footnote page 326 of 2013 SMFP) In Project Year 2, Advanced proposes to serve 303 Brunswick County patients, 182 New Hanover County patients and 49 Pender County patients. See page 54 of the application. Furthermore, a review of the patient origin data for one of the existing Brunswick County agencies shows that in FY 2012 AssistedCare served 773 unduplicated patients from New Hanover County. The existing Brunswick County agencies currently serve residents of New Hanover County. Advanced adequately identified the population to be served.

Need Analysis

In Section III.1, pages 45-54, Advanced states the need for the proposed project is based on the need determination in the 2013 SMFP for one Medicare-certified home health agency or office in Brunswick County (p. 45), the projected population growth in the service area (p. 46), population aging (p. 47), home health use rates (p. 48), home health referral patterns (p. 49-51) and Advanced Home Care referral patterns (p. 51).

Projected Utilization

In Section IV, pages 63-64, Advanced provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
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Project Year 1 3/1/14-2/28/15	225	91	316
Project Year 2 3/1/15-2/29/16	379	154	533

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 3/1/14-2/28/15	269	96	221	16	56	48	706
Project Year 2 3/1/15-2/29/16	454	161	373	24	94	79	1,185

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 3/1/14-2/28/15	3,425	472	1,978	128	78	496	6,577
Project Year 2 3/1/15-2/29/16	5,780	793	3,333	216	132	869	11,123

Advanced describes the assumptions and methodology used to project utilization in Section IV.3, pages 65-68, which is summarized below.

Advanced states that, based on its 20 years of experience in the field, it has developed a methodology “to project home health agency patients based upon hospital discharges and direct referrals from the community.”

1. Determine the number of annual hospital discharges from the service area hospitals.
Advanced determined the number of annual hospital discharges from each hospital in the service area in FFY 2011. The discharges were held constant despite population growth.
2. Calculate the hospital discharges that represent potential home health agency patients.
Advanced states that, based on its experience, 14% of hospital discharges represent potential home health agency patients. As support, the applicant cites a 2009 MedPac report which states that 15% of hospital patients were discharged to a home health agency in 2007. See table on page 65 of the application showing the hospitals in Brunswick, New Hanover and Pender counties, total discharges and 14% of those discharges. Note: Advanced does not identify the source of the hospitals discharge data. Furthermore, Advanced does not state that the total discharges are for Brunswick, New Hanover, and Pender County residents only.
3. Determine a capture rate of discharges from the four hospitals.
Advanced projects a capture rate for Project Years 1 and 2 of the hospital discharges that represent potential home health agency patients as calculated in Step 2. The capture rate is based on Advanced’s experience. See table on page 65 of the application.

4. Calculate home health patients based on the capture rate from hospital discharges.
The number of home health patients from each of the four hospitals for Project Years 1 and 2 are calculated utilizing the information from Step 2 and Step 3. See table on page 65 of the application.
5. Calculate total number of referrals from both hospital based discharges and community-based referrals.
Based on its experience, Advanced states that it typically receives 70% of its referrals from hospitals and 30% of its referrals from community-based sources such as physician practices and nursing homes. Utilizing these numbers and the results of Step 4, the applicant calculated total projected home health agency patients for Project Years 1 and 2. See table on page 66 of the application.
6. Calculate the number of patients for Project Years 1 and 2.
Advanced calculated patients for Project Years 1 and 2 factoring in a ramp-up period. The ramp-up discounts and calculations are based on Advanced's 20 years of experience throughout North Carolina. Based on all of the calculations, the applicant projects 316 patients in Project Year 1 and 533 patients in Project Year 2. See table on page 66 of the application.
7. Validation of the patient projections.
On pages 66-67 of the application, Advanced compares its patient projections to the 2013 SMFP projections and county-level market share to validate its patient projections. Utilizing data from Table 12C of the 2013 SMFP and the closest corresponding year (Project Year 1) the applicant projects its market share of Brunswick County patients will be 4.8% in Project Year 1. See tables on page 67 of the application.
8. Calculate visits and patients by discipline.
On page 68 of the application, Advanced states that to calculate patients and visits by discipline three factors were considered: local market demographics, experience of the existing home health agencies in the local market, and Advanced's experience in North Carolina.
 - *“From the total number of unduplicated patients projected, apply the percentage of unduplicated patients by payor class and service discipline.*
 - *Apply a conversion factor for the number of episodes or visits per patient.*
 - *Calculate the number of duplicated patients and visits.*
 - *Calculate the number of unduplicated and duplicated patients and visits by month.”*

However, Advanced does not adequately demonstrate that projected utilization is based on reasonable, credible and supported assumptions. Advanced's methodology begins with the assumption that 14% of all hospital discharges will result in a referral to a home health

agency. On page 65 of the application, Advanced provides what it says is 2011 hospital discharge data for the four hospitals in Brunswick, Pender and New Hanover counties. However, the applicant does not identify the source of its data. The total discharges in the 2012 License Renewal Applications (LRAs) (FFY 2011 data) for these four hospitals differs somewhat. What is clear is that Advanced used total discharges, not just discharges from the three counties in Advanced’s service area. A review of the patient origin data in the 2012 LRAs for these four hospitals shows that Advanced overstates its projected utilization by as much as 14%. A review of the 2013 LRA’s (FFY 2012 data) also shows a 14% overstatement. Because the error occurs in Step 1 and all other Steps flow from Step 1, all projections of unduplicated patients, duplicated patients and visits are questionable. Thus, Advanced does not adequately demonstrate that projected utilization is based on reasonable, credible and supported assumptions.

In summary, Advanced did not adequately demonstrate the need to develop a Medicare-certified home health agency office in Brunswick County. Therefore, the application is nonconforming to this criterion.

HKZ Group. HKZ Group, LLC (**HKZ Group**) proposes to develop a Medicare-certified home health agency at 7495-3 High Market Street, Sunset Beach, NC 28468, Brunswick County. In Section I.11(a), page 5, the applicant states, “*HKZ Group is not an existing agency, and does not own any existing home health agencies in North Carolina.*” However, the applicant states HKZ Group will contract with HealthKeeperz, Inc. for management services, and that HealthKeeperz, Inc. owns Medicare-certified home health agencies in Robeson, Scotland, and Cumberland counties in North Carolina.

Population to be Served

In Section III.4, page 52, HKZ Group provides a table showing its projected patient origin by county in the first three years of operation, which is summarized below:

**HKZ Group Projected Patient Origin by County
Project Years 1 -3**

County	Year 1 CY2014	Year 2 CY2015	Year 3 CY2016
Brunswick	94.1%	95.7%	95.9%
New Hanover	5.9%	4.3%	4.1%
Total	100.0%	100.0%	100.0%

On page 51, the applicant states

“The defined service area is composed of Brunswick and New Hanover counties. HealthKeeperz of Brunswick will admit patients from a location within the 45 mile radius

shown in the map [on page 51 of the application], which estimates a 60-minute driving distance.”

The Project Analyst reviewed the home health patient surpluses/deficits in the 2013 SMFP for New Hanover County and compared it to the projected number of patients to be served in Project Year 2. In 2014, the 2013 SMFP projects a deficit of 186 patients in New Hanover County. (Note: in order to result in a “need determination” in the 2013 SMFP, the deficit had to equal or exceed 325 patients. See footnote page 326 of 2013 SMFP) In Project Year 2, HKZ Group proposes to serve 25 New Hanover County patients. See page 59 of the application. Furthermore, a review of the patient origin data for one of the existing Brunswick County agencies shows that in FY 2012 AssistedCare served 773 unduplicated patients from New Hanover County. The existing Brunswick County agencies currently serve residents of New Hanover County. HKZ Group adequately identified the population to be served.

Need Analysis

In Section III.1, pages 27-39, HKZ Group states the need for the proposed project is based on the need determination in the 2013 SMFP for one Medicare-certified home health agency or office in Brunswick County (p. 27), the projected deficit of 186 home health patients in New Hanover County as reported in Table 12C in the 2013 SMFP (pp. 27 and 33), projected growth and aging of the Brunswick and New Hanover County populations (pp. 27-36), treatment at home improves outcomes at a lower cost (pp. 36-37), in-home visits to discharge patients reduce rehospitalization (pp. 37-38), and patient preference to receive treatment at home (pp 38-39).

Projected Utilization

In Section IV, pages 68-69, HKZ Group provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 10/1/14 – 9/30/15	274	147	421
Project Year 2 10/1/15 – 9/30/16	378	204	582

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 10/1/14 – 9/30/15	488	104	366	29	51	77	1,117
Project Year 2 10/1/15 – 9/30/16	675	144	506	41	71	106	1,543

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 10/1/14 – 9/30/15	4,401	375	2,192	171	51	727	7,918
Project Year 2 10/1/15 – 9/30/16	6,078	518	3,028	236	71	1,004	10,935

HKZ Group describes the assumptions and methodology used to project utilization in Section IV.3, pages 54-70, which is summarized below.

1. Determine the total number of unduplicated patients to be served in Project Year 1. On pages 54-56, HKZ Group states that 4,138 Brunswick County residents are projected to need home health services in 2014 and the deficit is 324.94 patients. The applicant's source is Table 12C in the 2013 SMFP. HKZ Group assumes that it will serve 13.0% or 537 of the 4,138 projected unduplicated Brunswick County home health patients for Project Year 1 (10/14-9/15). The applicant notes that there are two existing agencies located in Brunswick County and they served 58.7% of all Brunswick County home health patients in FY2012. The applicant states that on average, each existing Brunswick County agency served 29.3% of the Brunswick County residents who utilized home health services. The applicant notes that it projects a 13.0% market share in Project Year 1.
2. Determine the total number of unduplicated patients to be served in Project Years 2 and 3. On pages 56-58, HKZ Group states that it assumes the number of unduplicated patients will increase 3.75% per year based on the average annual growth rate for Brunswick County unduplicated patients between 2009 and 2012. The applicant notes that this growth rate is faster than the rate of growth for the population of Brunswick County.
3. Calculate the number of unduplicated patients in New Hanover County. On pages 58-59, HKZ Group states that it projects to serve 25 unduplicated patients from New Hanover County in each of the first three years of operation, which is 13.4% of the deficit of 186 identified for New Hanover County in the 2013 SMFP.
4. Calculate the number of unduplicated patients in Brunswick and New Hanover Counties. On pages 59-60, HKZ Group states that it projects to serve a total of 421 unduplicated patients from Brunswick and New Hanover counties in the first year of operation, 582 in the second year and 603 in the third year. See table on page 60 of the application.
5. Calculate the number of unduplicated patients by qualifying discipline. On pages 60-61, HKZ Group states that it relied on the experience of the three existing home health agencies owned and operated by HealthKeeperz, Inc. (HealthKeeperz agencies) and the existing Brunswick County agencies to determine the number of unduplicated patients by qualifying discipline, which are nursing and physical therapy. HKZ Group assumes that 65% of unduplicated patients will be nursing and

35% will be physical therapy.

6. Calculate ratio of duplicated to unduplicated patients and projected total duplicated patients. On pages 61-63 of the application, HKZ Group states that it reviewed data and the existing Brunswick County agencies to determine the ratio of duplicated patients to unduplicated patients. The applicant calculated a ratio of 2.7:1 for the existing home health agencies located in Brunswick County. Utilizing the ratio, the applicant projected total duplicated patients of 1,117 for Project Year 1, 1,543 for Project Year 2 and 1,598 for Project Year 3. See tables on pages 62 and 63 of the application.
7. Calculate the percentage distribution of duplicated patients by discipline. On pages 63-64 of the application, HKZ Group states that it reviewed data for the three existing HealthKeeperz agencies and the existing Brunswick County and New Hanover agencies to determine the percentage of duplicated patients by discipline. The applicant used the average of the two sets of existing home health agencies and the HealthKeeperz, Inc agencies as shown in the table on page 63 of the application.
8. Calculate the number of duplicated patients by discipline. On page 64 of the application, HKZ Group states it calculated the number of duplicated patients by discipline using the assumptions in Steps 6 and 7. See the table on page 64 of the application.
9. Visits-Determine total number of unduplicated and duplicated home health patient visits. On pages 64-65 of the application, HKZ Group utilized 18.8 visits per unduplicated patient. The number of visits per unduplicated patient was derived from averaging the number of visits per unduplicated patient for home health agencies located in Brunswick County (14.2) and home health agencies located in New Hanover County (23.4) in FY 2012. The applicant notes that in FY 2012, the number of visits per unduplicated patients for the three home health agencies owned by HealthKeeperz, Inc. was 18.2 visits (not including Medicaid incontinence patients). See the table on page 65 of the application and Exhibit 8.
10. Calculate percentage distribution of duplicated home health patient visits by service discipline.
On pages 65-66 of the application, HKZ Group calculated the average percentage distribution of duplicated patient visits by discipline for the Brunswick, New Hanover and HealthKeeperz, Inc. agencies. The applicant relied on the data from the 2013 License Renewal Application Data Supplement (FY2012 data) for the Brunswick, New Hanover, and HealthKeeperz, Inc. existing agencies to project a percentage distribution of duplicated patient visits by discipline. See table on page 66 of the application and Exhibit 8.
11. Determine the number of duplicated home health patient visits by discipline.
On pages 66-67 of the application, HKZ Group calculated duplicated patient visits by discipline by the data from Steps 9 and 10. See the table on page 67 of the application.

12. Determine average number of home health patient visits by discipline.
On pages 67-68 of the application, HKZ Group projected the average number of home health patient visits by discipline by dividing projected annual duplicated patient visits for each discipline (Step 11) by annual duplicated patients for each discipline (Step 8). See table on page 68 of the application.
13. Determine duplicated home health patients and visits by discipline for Project Years 1-3.
On pages 68-70 of the application, HKZ Group projected unduplicated patients by service discipline for Project Years 1-3. See tables on page 69 of the application. The applicant also projected duplicated home health patients and visits by discipline for Project Years 1 and 2. See tables on page 69 of the application and Exhibit 8.

HKZ Group adequately demonstrates that projected utilization is based on reasonable, credible and supported assumptions.

In summary, HKZ Group adequately demonstrates the need to develop a Medicare-certified home health agency office in Brunswick County including the extent to which medically underserved groups will have access to the proposed home health services. See Criterion (13c) for discussion regarding access by medically underserved groups which is incorporated hereby as if set forth fully herein. Therefore, the application is conforming to this criterion.

Maxim. Maxim Healthcare Services, Inc. (**Maxim**) proposes to develop a Medicare-certified home health agency at 5051 Main Street, Suite 7, Shallotte, NC 28470, Brunswick County. In Section I.11(a), page 5, Maxim states it does not own and operate any Medicare-certified home health agencies in North Carolina, but that it owns 246 “home health offices” in other states. Maxim owns and operates an existing licensed home care agency located at 3541 Randolph Road, Suite 204, in Wilmington, NC, New Hanover County. New Hanover County is adjacent to Brunswick County. Since this application was submitted a certificate of need was issued to Maxim to develop a home health agency in Wake County.

Population to be Served

In Section III.4, pages 71-72, Maxim projects that 100% of its patients will be residents of Brunswick County in the first three years of operation. On page 64 of the application, the applicant states, “*Consistent with the service area definition in the 2013 State Medical Facilities Plan, Maxim identifies Brunswick County as the defined service area because this is the specific population that generated the need determination for one additional Medicare-certified home health agency.*” Maxim adequately identified the population to be served.

Need Analysis

In Section III.1, pages 45-54, Maxim states the need for the proposed project is based on the 2013 SMFP need methodology (pp. 45-46), projected growth and aging of the Brunswick County population (pp. 46-49), increases in home health use rates (pp. 50-52), and the need to improve access to home health services for Medicaid recipients (pp. 52-54).

Projected Utilization

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

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 1/1/14 – 12/31/14	258	129	387
Project Year 2 1/1/15-12/31/15	335	168	503

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 1/1/14- 12/31/14	454	454	454	26	21	454	1,863
Project Year 2 1/1/15- 12/31/15	632	632	632	37	30	632	2,595

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 1/1/14-12/31/14	3,836	385	1,785	131	64	545	6,746
Project Year 2 1/1/15 – 12/31/15	5,348	537	2,488	183	89	760	9,405

Maxim describes the assumptions and methodology used to project unduplicated patients in Section III.1, pages 54-60, as follows:

1. Project the number of Brunswick County home health patients. On page 54 of the application, Maxim states that the 2013 SMFP projects there will be 3,927 home health patients in Brunswick County in 2014 based on the methodology in the 2013 SMFP. Maxim states that the CAGR between 2008 and 2011 was 5.4% for Brunswick County. Maxim assumed the total number of home health patients in Brunswick County would continue to increase at the same rate the total population is projected to increase, which is 1.8%. In 2016, Maxim projects a total of 4,071 home health patients in Brunswick County.
2. Project Maxim’s market share and unduplicated patients. On page 56 of the application, Maxim states that it assumes it will admit 7 unduplicated home health patients per week during the first 6 months of Project Year 1 (CY2014) and 8 unduplicated home health patients per week during months 7 through 12. Maxim assumes it will admit 9 unduplicated home health patients per week during the first three months of Project Year 2 (CY2015), and 10 unduplicated patients per week during months 4 through 12. Maxim states that this results in admitting 387 unduplicated home health patients in Project Year 1 and 503 in Project Year 2.

Maxim determined that that would represent a market share 9.9% in Project Year 1 and 12.6% in Project Year 2. Maxim compared its projections with the actual experience of existing Medicare-certified home health agencies located in Brunswick County. See the table on page 59 of the application. The average market share for the existing agencies located in Brunswick County was 29.0% in FY2011.

3. Project unduplicated patients by admitting service discipline. On page 60 of the application, Maxim states it relied on its corporate experience in determining the number of unduplicated patients by admitting service discipline. Maxim assumes nursing will be 66.67% and physical therapy will be 33.3%.

Maxim describes the assumptions and methodology used to project duplicated patients and visits in Section IV, pages 78-88, as follows:

1. Project unduplicated patients by payor source. On page 78 of the application, Maxim states that the payor mix for unduplicated patients is based on its experience operating a home care agency in New Hanover County as well as a review of the payor mix for the existing Medicare-certified home health agencies located in Brunswick County.
2. Project patient readmissions. On page 79 of the application, Maxim states that the number of readmissions (Medicare and Medicaid only) is based on its corporate experience. Maxim assumes 10% of Medicare and Medicaid patients will be readmitted.
3. Project Medicare episodes. On pages 80-81 of the application, Maxim states that the number of episodes per Medicare admission is based on the experience of the existing agencies located in Brunswick County. See the table on page 80 of the application. The average is 1.22. Maxim used this average to project the number of episodes per Medicare admission.
4. Project Medicare episodes by reimbursement type. On pages 81 of the application, Maxim states that Medicare episodes by reimbursement type is based on its corporate experience and the Medicare LUPA utilization rate from the existing agencies located in Brunswick County. See the table on page 82 of the application. Full episodes without outliers are projected to be 88.03% of the total. Maxim projects full episodes with outliers to be 0.50% of the total, low-utilization payment adjustments (LUPAs) are projected to be 11.21% of the total and partial episode payments (PEPs) are projected to be 0.26% of the total.
5. Project visits by payor source. On page 83 of the application, Maxim states that visits by payor source are based on its corporate experience. Maxim states that the average number of visits per Medicare episode was 16.05. See the table on page 84 of the application. Visits for LUPAs and PEPs were based on Maxim's corporate experience because data is not available for the existing agencies located in Brunswick County. Maxim assumed 17.14 visits per Medicaid patient.

6. Project visits by service discipline and payor source. On page 86 of the application. Maxim states that visits by service discipline and payor source are based on the experience of the existing agencies located in Brunswick County and its corporate experience where data was not available.

Maxim adequately demonstrates that projected utilization is based on reasonable, credible and supported assumptions.

In summary, Maxim adequately demonstrates the need to develop a Medicare-certified home health agency office in Brunswick County including the extent to which medically underserved groups will have access to the proposed home health services. See Criterion (13c) for discussion regarding access by medically underserved groups which is incorporated hereby as if set forth fully herein. Therefore, the application is conforming to this criterion.

Gentiva. Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services (**Gentiva**) proposes to develop a Medicare-certified home health agency at 6 Doctors Circle, Suite 1, Supply, NC 28432, Brunswick County. In Section I.11(a), pages 9-10, the applicant states that its parent company, Gentiva Health Services, Inc. owns “273 home health agencies and 158 hospice offices in 41 states.” including 32 agencies in North Carolina of which four are owned by the applicant, Tar Heel Health Care Services, LLC. The applicant does not own any Medicare-certified home health agencies in Brunswick County.

Population to be Served

In Section III.4, page 64, and Exhibit 26 Gentiva projects patient origin for Project Years 1 and 2, as illustrated in the following table:

County	Patients Year 1: 2014	Patients Year 2: 2015	Percent of Total
Brunswick	188	313	80%
New Hanover	35	39	15%
Pender	12	20	
Total	236	391	100.0%

On page 60, the applicant states

“Gentiva projects that 80 percent of its admissions will derive from Brunswick and 20 percent will derive from New Hanover and Pender Counties. ... The 2013 SMFP projects a need of 186 home health patients in New Hanover County and 53 home health patients in Pender in 2014. Thus, Gentiva projects to meet 31.5 percent and 36.9 percent of the need in those counties, respectively. ... The projected level of in-migration is based on Gentiva’s experience. ... Further, these utilization projections

Project Year 1 1/1/14- 12/31/14	236	25	217	19	2	16	515
Project Year 2 1/1/15- 12/31/15	391	189	359	12	54	54	1,059

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 1/1/14-12/31/14	1,845	295	1,851	373	35	239	4,638
Project Year 2 1/1/15 – 12/31/15	3,066	490	3,076	619	58	397	7,706

Gentiva describes the assumptions and methodology used to project unduplicated patients in Section III.4, page 64, Section III.1, pages 57-60, and Section IV.3, page 66, as follows:

1. Determine Brunswick County home health patient demand in 2014 and 2015.
On page 58 of the application, Gentiva notes that the Brunswick County average annual rate of change in patients served and the Brunswick County average annual rate of change in use rates are significantly higher than the COG Region O rates utilized in the methodology used in the 2013 SMFP. Gentiva utilized the methodology used in the 2013 SMFP but substituted the Brunswick County rates for the COG Region O rates to determine the total number of home health patients in Project Years 1 (CY2014) and 2 (CY2015). See the tables on page 56 and 58 of the application. The applicant then calculated the unmet need in CY 2014 as 417 patients instead of the 324.94 patients identified in the 2013 SMFP. Gentiva also calculates an unmet need of 652 patients in CY 2015. See the table on page 59 of the application.

2. Determine Market Capture of Brunswick County Home Health Patients.
On page 59 of the application, Gentiva projects that its proposed home health agency in Brunswick County will capture 40 percent of the unmet need in Brunswick County in Project Year 1 and 48 percent of the unmet need in Brunswick County in Project Year 2. The unmet need for Brunswick County was derived in Step 1. Gentiva states the projected capture rates are based on Gentiva’s experience and established referral relationships. See table on page 59 of the application.

3. Project Patients from New Hanover and Pender Counties.
Gentiva projects to serve patients in Brunswick, New Hanover and Pender counties. On page 60 of the application, Gentiva states that it projects 80 percent of its patients will be Brunswick County residents and 20 percent of its patients will be New Hanover and Pender County residents. The applicant further states that of the 20 percent of its patients projected to be residents of New Hanover and Pender counties, 75 percent will be residents of New Hanover County and 25 percent will be residents of Pender County. These projections are based on Gentiva’s experience, the fact that Brunswick, New Hanover and Pender counties are contiguous and easily accessible via Highway 17, and Gentiva’s familiarity with the needs of the service area and established relationships with healthcare providers that refer patients for home health

services. See table on page 60 of the application.

In Section IV, page 66, Gentiva provided the methodology and assumptions used to project duplicated patients as follows:

“To project Gentiva’s duplicate patients, Gentiva first projected the Medicare episodes of care for the proposed project. Based on Gentiva’s historical experience, Gentiva projected an average of 1.3 episodes per patient. Gentiva then used the projected duplicated patients across disciplines and spread them out by discipline. The projected patients and visits are based on the experience of its existing licensed home health agencies in eastern North Carolina, as well as a review of the utilization of the Medicare-certified home health agencies serving Brunswick County in 2012.”

However, projected utilization is questionable because Gentiva provides inconsistent information regarding projected unduplicated patients. On pages 60, 64 and 67 of the application, Gentiva provides conflicting information on the number of patients projected to be served, as illustrated in the table below.

	Project Year 1	Project Year 2
Projected Unduplicated Patients as reported on page 60.	236	391
Projected Patients as reported on page 64	236	391
Unduplicated Patients as reported on page 67	490	813
Difference between pages 60, 64 and page 67	254	422

As shown in the table above, on pages 60 and 64, Gentiva projects 236 unduplicated patients in Project Year 1 and 391 in Project Year 2. However, on page 67, Gentiva projects 490 unduplicated patients in Project Year 1 and 813 in Project Year 2. The difference between page 64 and page 67 is 254 unduplicated patients in Project Year 1 and 422 unduplicated patients in Project Year 2.

The projected number of unduplicated patients is used to calculate duplicated patients, total visits, projected patients by service discipline and projected visits by service discipline. Thus, because these projections are based on unduplicated patients, they are also questionable.

Moreover, in response to comments received during the written comment period, Gentiva provides the following explanation regarding the inconsistent projections on pages 60, 64 and 67.

“Gentiva made a clerical error in presenting the data in Table IV.1 [page 67]. ... The following table clarifies the variation between each presentation and demonstrated [sic] the interrelationship of each projection.” (emphasis added)

The following table is reproduced from Gentiva’s response to written comments.

Year 2	Nurse	PT	ST	OT	MSW	HHA	Total
Unduplicated- Admitting Discipline Only	289	98	4	0	0	0	391
Percent Distribution	74.0%	25.0%	1.0%				100.0%
Unduplicated Patients by Disciplines Received (page 67)	301	276	9	145	41	41	815
Distribution of Discipline Received	77.0%	70.7%	2.4%	37.1%	10.6%	10.6%	208.4%
Duplicated Patients (1.3 Episodes per Patient- Page 66)							508
Duplicated Patients (1.3 Episodes by Discipline Received- page 68)	391	359	12	189	54	54	1,059
Distribution of Disciplines Received	77.0%	70.7%	2.4%	37.1%	10.6%	10.6%	208.4%

As shown in the table above, the first row purports to be unduplicated patients – admitting discipline only, which Gentiva states is 391 (289 SN, 98 PT and 4 ST) in Project Year 2. The third row purports to be unduplicated patients by discipline received. If that is so, then Gentiva failed to follow the instructions for completing Table IV.1. That is not a “clerical” error. Moreover, Gentiva has not clarified anything; instead Gentiva provides new information which it cannot do. The information in the first two rows of the table above was not provided in the application. Pursuant to 10A NCAC 14C .0204, applicants are not permitted to amend their application.

For all the foregoing reasons, the applicant does not adequately demonstrate that projected utilization is based on reasonable, credible and supported assumptions. Therefore, Gentiva did not adequately demonstrate the need to develop a Medicare-certified home health agency office in Brunswick County. Consequently, the application is nonconforming with this criterion.

Continuum. Continuum II Home Care and Hospice, Inc. (**Continuum**) proposes to develop a Medicare-certified home health agency at 58 NW Physicians Drive, Supply, Brunswick County. In Section I.11, page 9, the applicant states it owns and operates a Medicare-certified home health agency in Onslow County.

Population to be Served

In Section III.4, page 90, Continuum states

“Continuum projects that 100% of its clients will be Brunswick County residents during Project Year 1. This projection is based on Continuum’s findings that the primary home health need in CoG O in 2014 is in Brunswick County. Based on our assessment of 2015 home health need in CoG O, however, Continuum believes that New Hanover County need will be such that New Hanover County residents will seek care from Brunswick County agencies. In addition to serving 453 Brunswick residents in Year 2, we have also projected serving a modest twenty-one (21) New Hanover County residents.”

The Project Analyst reviewed the home health patient surpluses/deficits in the 2013 SMFP for New Hanover County and compared it to the projected number of patients to be served in Project Year 2. In 2014, the 2013 SMFP projects a deficit of 186 patients in New Hanover

County. (Note: in order to result in a “need determination” in the 2013 SMFP, the deficit had to equal or exceed 325 patients.) In Project Year 2, Continuum proposes to serve 21 New Hanover County patients. See page 90 of the application. Furthermore, a review of the patient origin data for the existing Brunswick County agencies shows that 36.9% or 1,251 of the 3,392 patients served by those agencies in FY 2012 were not residents of Brunswick County. The existing Brunswick County agencies currently serve residents of New Hanover County. Continuum adequately identified the population to be served.

Need Analysis

In Section III.1, pages 41-80, Continuum states the need for the proposed project is based on the historical use rates and utilization of home health services in Brunswick and New Hanover County (pp. 41-49), the projected growth and aging of the Brunswick and New Hanover County population (pp. 49-52), the projected need for home health services in Brunswick and New Hanover County (pp. 52-59), and the results of a community needs assessment survey conducted by the applicant (pp. 59-80).

Projected Utilization

In Section IV, pages 99-105, Continuum provides projected utilization of its proposed facility, as illustrated in the following tables.

Table 1: Projected Unduplicated Patients by Service Discipline

	Nursing	Physical Therapy	Total
Project Year 1 4/1/14-3/31/15	88	37	125
Project Year 2 4/1/15-3/31/16	285	189	474

Table 2: Projected Duplicated Patients by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 4/1/14-3/31/15	156	55	140	9	14	18	392
Project Year 2 4/1/15-3/31/16	501	171	446	33	47	66	1,264

Table 3: Projected Visits by Service Discipline

	Nursing	Occupational Therapy	Physical Therapy	Speech Therapy	Medical Social Worker	Home Health Aide	Total
Project Year 1 4/1/14-3/31/15	1,620	277	1,243	63	23	229	3,455
Project Year 2 4/1/15-3/31/16	5,202	867	3,956	231	71	835	11,162

Continuum describes the assumptions and methodology used to project utilization in Section IV, pages 99-108, which is summarized as follows:

1. *“Continuum calculated that it will serve 125 UNDUPLICATED patients in its first year of operation and 474 UNDUPLICATED patients in its second year of operation. Please see Section 3 for a detailed description about the methodology used to calculate UNDUPLICATED clients in Years 1 and 2, including support for volume growth and market share.*
2. *Continuum expects to admit patients into either the NURSING or PHYSICAL THERAPY disciplines, which is customary for the initiation of a home health admission.*
3. *Continuum anticipates that admissions into these disciplines will approximate and average between Brunswick County/Cog O experience (relative number of visits of skilled nursing (52%) and physical therapy (48%)) ... and Continuum’s own mix at our existing agency serving the Onslow County region (relative number of visits of skilled nursing (67%) and physical therapy (33%)). ...*
4. *Continuum assumes that an increase in UNDUPLICATED clients from Year 1 (125) to Year 2 (474) is reasonable based on recent experience of newly operational HHA’s in North Carolina. ... Continuum’s projected increase in UNDUPLICATED clients is 279% between Year 1 and Year 2. Based on the AARC data in the table above, this rate is REASONABLE.”*

On pages 101-102, the applicant provided additional assumptions and methodology, quoted below:

“...For purposes of the CON application, DUPLICATED refers to clients who receive multiple types of services, such as nursing services, physical therapy, or occupational therapy. In this context, these patients are considered ‘DUPLICATED’ because a single patient is counted under multiple disciplines of care and may span longer than one episode of care.

Continuum based its projected number of DUPLICATED clients on data contained in the 2012 and 2013 License Renewal Application data for home health agencies serving North Carolina, CoG Region O, Brunswick County and New Hanover County residents. The LRA data provide the total number of UNDUPLICATED clients served, by county. The LRA data also reflect the number of DUPLICATED clients by SERVICE DISCIPLINE. The ratio of duplicated to unduplicated can be calculated by dividing duplicated patients by unduplicated patients. Within Brunswick County, the ratio ranges from 1.75 to 3.74, with an average of 2.30 (FY2012). ... See Appendix O.

...

Considering all of these data, Continuum has utilized a DUPLICATION FACTOR of 2.6 which results in 392 DUPLICATED CLIENTS in Year 1 and 1,264 DUPLICATED CLIENTS in Year 2. This projection corresponds to Continuum’s

experience over the past two years (2.44 & 2.7 = 2.57), the Brunswick County average (approximately 2.3) and is lower than the experience of the two Liberty agencies, both serving Brunswick County (and one of which is based in Brunswick County).

Continuum next distributed these projected DUPLICATED clients by SERVICE TYPE (i.e. nursing, P/T, O/T, Aide, etc.). Continuum again relied on 2012 and 2013 LRA from data (for county, region, and state), our own operational experience, and data from the Palmetto GBA Medicare fiscal intermediary. ...”

Continuum adequately demonstrates that projected utilization is based on reasonable, credible and supported assumptions.

In summary, Continuum adequately demonstrates the need to develop a Medicare-certified home health agency office in Brunswick County including the extent to which medically underserved groups will have access to the proposed home health services. See Criterion (13c) for discussion regarding access by medically underserved groups which is incorporated hereby as if set forth fully herein. Therefore, the application is conforming to this criterion.

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

NA – All Applicants

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

NC
NHRMC
Advanced
Gentiva

C- All Other Applicants

UniHealth. In Section II.5, pages 75-77, the applicant describes the alternatives it considered, which include:

- 1) Maintain the status quo. UniHealth states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposed project because the applicant’s analysis of the most recent utilization data indicates an unmet need for home health services in Brunswick County.
- 2) Joint venture. UniHealth states that a joint venture “*would change UHC’s successful ownership and care management structures, add administrative layers to the existing*

structure, possibly require expensive development of new policies and procedures, and possibly bring less experienced providers.” For these reasons, this alternative was not considered to be the least costly or most effective.

- 3) Develop a home health agency to provide only “*basic home health services.*” The applicant states it rejected this alternative because results from the applicant’s community needs assessment indicate a need for more specialized levels of home health services, such as advanced wound care, diabetes management, pain management and case management.

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

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

NHRMC. In Section II.5, pages 24-25, the applicant describes the alternatives it considered, which include:

- 1) Maintain the status quo. NHRMC states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposed project because the 2013 SMFP identifies a need for one additional home health agency in Brunswick County.
- 2) Build a New Building v. Lease an Existing Building: NHRMC states that developing a new building would not be the least costly or most cost effective alternative. Home health services are provided in the patient’s home, not in the agency office. The upfront capital costs to acquire land and construct a new building were not considered to be a reasonable alternative given that space permitting clinical staff access to workspace is available.
- 3) Joint venture. NHRMC states that a joint venture would “cloud” the distinction between how separate home health agencies, with separate and distinct reputations, would merge to form a unified joint venture. In addition, “*NHRMC Home Care is marketed as a continuation of health care services provided by NHRMC in the medical center’s service area.*” For these reasons, this alternative was not considered to be the least costly or most effective.
- 4) Location in Brunswick County. NHRMC has located a primary and secondary site in Supply that offer at-market lease rates and newer buildings. The locations offer NHRMC the ability to expand its home health service area. Home health providers travel to a patient’s home and are not required to travel to the home health office on a daily or weekly basis. Therefore the locations in Supply were deemed the least costly and most effective alternatives.

However, NHRMC did not adequately demonstrate that its projected utilization was based on

reasonable, credible and supported assumptions. Therefore, NHRMC does not adequately demonstrate the need the population to be served has for NHRMC's proposal. See Criterion (3) for facts and discussion regarding projected utilization which is incorporated hereby as if set forth fully herein. A proposal that is not needed is not the least costly or most effective alternative.

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

Therefore, the applicant did not adequately demonstrate that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Brunswick County. Consequently, the application is not conforming to this criterion.

Advanced. In Section II.5, pages 28-39, the applicant describes the alternatives it considered, which include:

1. Maintain status quo. Advanced states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposed project because the 2013 SMFP identifies a need for one additional home health agency in Brunswick County.
2. Joint venture. Advanced determined that this alternative would not be an effective alternative. Advanced states that "*additional joint ventures at the local level would likely increase administrative and management costs, to the detriment of patients and payors.*" For these reasons, this alternative was not considered to be the least costly or most effective.
3. Combine Sites. Advanced considered relocating a home medical equipment company it owns in Wilmington, New Hanover County to Brunswick County to create a joint facility. Advanced decided this would not make operations more efficient and decided that development of a new home health agency, in its own building, was the most cost effective alternative.

However, Advanced did not adequately demonstrate that its projected utilization was based on reasonable, credible and supported assumptions. Therefore, Advanced does not adequately demonstrate the need the population to be served has for Advanced's proposal. See Criterion (3) for facts and discussion which is incorporated hereby as if set forth fully herein. A proposal that is not needed is not the least costly or most effective alternative.

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

Advanced did not adequately demonstrate that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Brunswick County. Consequently, the application is nonconforming to this criterion.

HKZ Group. In Section II.5, pages 18-20, HKZ Group describes the alternatives it considered, which include:

- 1) Maintain the status quo. HKZ Group states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposed project because the 2013 SMFP identifies a need for one additional home health agency in Brunswick County.
- 2) Joint venture. HKZ Group states that a joint venture “*adds administrative complexities, a different service delivery philosophy and management style, and operational protocols.*” For these reasons, this alternative was not considered to be the least costly or most effective.
- 3) Develop a home health agency to serve only Brunswick County. The applicant states it rejected this alternative because serving contiguous counties will provide opportunities for combined services and economies of scale.

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

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

Maxim. In Section II.5, pages 28-30, the applicant describes the alternatives it considered, which include:

1. Maintain status quo. Maxim states that not developing the proposed home health agency would not be an effective alternative because the applicant would not be able to meet the needs of its existing Brunswick County patients who require Medicare-certified home health services. Maxim currently owns and operates a licensed home care agency in New Hanover County.
2. Joint venture. Maxim determined that this alternative would not be an effective alternative. On page 29, Maxim states “*a joint venture would combine two organizations that may have different definitions of quality patient care and/or community service. Maxim prides itself on continually improving its patient services and would find it difficult to be proactive in providing patient care if it had to constantly receive feedback from a second organization. In addition, governance and operation of such a joint venture facility could be inefficient and less responsive to market conditions and needs.*”
3. Locate the proposed Medicare-certified home health agency in a different location. Maxim determined that this would not be a cost effective alternative. The local marketplace, consideration of geographic access to a large county, staff access, traffic corridors and cost effective lease rates all resulted in Maxim determining that the proposed location is the most cost effective alternative.

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

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

Gentiva. In Section II.5, pages 24-25, the applicant describes the alternatives it considered, which includes only maintaining the status quo. Gentiva states that not developing the proposed home health agency would not be an effective alternative to meet the need for the proposed project because the 2013 SMFP identifies a need for one additional home health agency in Brunswick County.

However, Gentiva:

- Did not adequately demonstrate that its projected utilization was based on reasonable, credible and supported assumptions. Therefore, Gentiva does not adequately demonstrate the need the population to be served has for Gentiva's proposal. See Criterion (3) for facts and discussion regarding projected utilization which is incorporated hereby as if set forth fully herein. A proposal that is not needed is not the least costly or most effective alternative.
- Did not adequately demonstrate it would have adequate staff in Project Year 2 for the projected number of visits. See Criterion (7) for discussion regarding projected staffing in Project Year 2 which is incorporated hereby as if set forth fully herein.

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

Gentiva did not adequately demonstrate that the proposal is its least costly or most effective alternative to meet the need for a new Medicare-certified home health agency in Brunswick County. Consequently, the application is not conforming to this criterion.

Continuum. In Section II.5, pages 26-27, and II.4, page 26, the applicant describes the alternatives it considered, which include:

1. Maintain status quo. Continuum states that it considered not filing a CON application to develop a Medicare-certified home health agency. The applicant states that a need for a Medicare-certified home health agency was identified in the 2013 SMFP and that Continuum has corroborated this need through extensive analysis of home health agency utilization and operational data.
2. Develop a new Medicare-certified home health office in a different area of Brunswick

County. The applicant states that it considered location as a factor in its proposal, and selected a site in Supply based on the travel times given the geography of the county, communities both South and North of NC-17 that require healthcare, that NC-17 is a major access road, and visibility. Based on these factors the applicant found the site in Supply to be the most cost effective alternative.

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

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

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

NC
NHRMC
Advanced
Gentiva

C- All Other Applicants

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

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

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

“Under prospective payment, Medicare pays home health agencies (HHAs) a predetermined base payment. The payment is adjusted for the health condition and care needs of the beneficiary. The payment is also adjusted for the geographic differences in wages for HHAs across the country. The adjustment ... is referred to

as the case-mix adjustment. The home health PPS will provide HHAs with payments for each 60-day episode of care for each beneficiary. ... While payment for each episode is adjusted to reflect the beneficiary's health condition and needs, a special outlier provision exists to ensure appropriate payment for those beneficiaries that have the most expensive care needs.”²

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

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

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

UniHealth. *Availability of Funds* – In Section VIII.1, page 218, UniHealth projects the total capital cost of the proposed project will be \$318,967 with the capital cost to be divided between the two applicants: UniHealth (\$170,467 consisting of \$6,000 for fixed equipment, \$80,870 for movable equipment, \$13,100 for furniture, \$55,000 for consultant fees, and \$15,467 for contingency) and Brunswick County Healthcare Properties (\$148,500 consisting of \$135,000 for building purchase and \$13,500 in contingency). In Section VIII.2, page 212, the applicant states that the total capital cost of \$318,967 will be funded with cash from ongoing operations of United Health Services, Inc. (UHS), which the applicants identified as their parent company in Section I.2 of the application.

In Section IX, page 216, UniHealth projects start-up expenses of \$130,117 and \$450,319 in initial operating expenses, for a total working capital requirement of \$580,437 (\$130,117 + \$450,319 = \$580,437). The applicant states the total working capital will also be funded with cash from ongoing operations of UHS.

Exhibit 68 contains a letter from the Chief Financial Officer of UHS, which states:

² For more information see <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/HomeHlthProsPaymt.pdf>.

“This letter documents the availability of all funds necessary for any fixed and working capital required for the proposed home health agency in Brunswick County, applied for by United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc... The applicants are majority owned subsidiaries of United Health Services, Inc. ... United Health Services, Inc. hereby commits to provide up to \$1,000,000 in funds to successfully develop and operate the proposed project with cash from ongoing operations....

Attached are the consolidated cash flow statements from United Health Service, Inc.’s audited financial statements for the period ending June 30, 2012 and June 30, 2011. As you can see, in the past two years, United Health Services, Inc., as a consolidated entity, generated more than \$100,811,015 in net cash from operating activities. Based on these figures, funding the proposed project from cash from ongoing operations is reasonable.

As a financial representative of United Home Care, Inc, d/b/a UniHealth Home Health, Inc. d/b/a United Home Health and Brunswick County Healthcare Properties, Inc. I am authorized to commit all funds necessary from United Health Services, Inc. for the development and operation of this project.”

Exhibit 64 contains the consolidated financial statements for UHS which indicates that, as of June 30, 2012, it had \$3.4 million in cash and cash equivalents. The applicant adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenues – The following table summarizes UniHealth’s projected revenues and operating costs during each of the first two operating years, as provided in the pro forma financial statements (Form B) of the application:

UniHealth	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$765,733	\$2,225,041
B. Charity Care Deduction	\$680	\$1,700
C. Bad Debt Deduction	\$2,376	\$6,312
D. Medicare Contractual Allowance	\$197,398	\$594,577
E. Medicaid Contractual Allowance	\$104,470	\$174,177
F. Contractual Allowances	\$6,343	\$17,774
G. Net Revenue [A – (B + C + D + E + F)]	\$454,466	\$1,430,501
H. Total Operating Costs	\$771,468	\$1,410,200
I. Net Income (G – H)	(\$317,001)	\$20,301

As shown above, net revenue is projected to exceed total operating costs by Project Year 2.

Operating Costs – The following tables illustrate:

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

3) Average administrative cost per visit in Project Year 2

**UniHealth
Project Year 2
Projected Average Total Operating Cost per Visit**

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
11,576	\$1,410,200	\$121.82

**UniHealth
Project Year 2
Projected Average Direct Care Cost per Visit**

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
11,576	\$1,015,571	\$87.73

**UniHealth
Project Year 2
Projected Average Administrative Cost per Visit**

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
11,576	\$394,629	\$34.09

UniHealth adequately demonstrates that projected revenues and operating costs are based on reasonable, credible and supported assumptions, including projected utilization.

Medicare Reimbursement – In Section IV, pages 147-162, and the pro forma financial statements, page 240, UniHealth provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

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

NHRMC. Availability of Funds – In Section VIII.1, page 98, NHRMC projects the total capital cost of the proposed project will be \$80,190, which consists of \$28,400 for computer equipment, \$15,000 for office equipment, \$29,500 for consultant fees and \$7,290 for contingencies. In Section VIII.2, page 99, the applicant states the capital cost will be funded with cash.

In Section IX, page 102, NHRMC projects start-up expenses of \$8,624 and \$ 42,140 in initial operating expenses, for a total working capital requirement of \$50,764 (\$8,624 + \$42,140). The applicant states the total working capital will be funded with unrestricted cash of the applicant.

Exhibit 17 contains a letter from NHRMC’s Director, which states,

“NHRMC Home Care will obligate and commit \$80,190 for the sole purpose of funding the development of a Medicare-certified home health agency in Supply, Brunswick County.

NHRMC Home Care will obligate and commit \$50,764 for the sole purpose of funding the initial start-up and operating expenses associated with the development of a Medicare-certified home health agency in Supply, Brunswick County.

The identified financial commitments will be funded through the use of Cash and Cash Equivalents, which are identified on the NHRMC Home Care Balance Sheet.”

Exhibit 18 contains the financial statements for NHRMC Home Care, which indicates that, as of September 30, 2012, the applicant had cash and cash equivalents of \$506,286. NHRMC adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

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

NHRMC	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$2,868,128	\$3,812,029
B. Charity Care Deduction	\$8,745	\$12,174
C. Bad Debt Deduction	\$630	\$825
D. Contractual Allowances	\$6,087	\$7,973
E. Medicare Contractual Allowances	None shown	None Shown
F. Medicaid Contractual Allowances	\$164,310	\$226,237
G. Net Revenue [A – (B + C + D + E + F)]	\$2,688,356	\$3,564,820
H. Total Operating Costs	\$1,581,463	\$2,041,650
I. Net Income (G - H)	\$1,106,893	\$1,523,171

As shown above, net revenue is projected to exceed total operating costs for Project Years 1 and 2.

Operating Costs – The following tables illustrate:

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

NHRMC
Project Year 2
Projected Average Total Operating Cost per Visit

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
23,022	\$2,041,650	\$88.68

NHRMC
Project Year 2

Projected Average Direct Care Cost per Visit

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
23,022	\$1,473,222	\$63.99

NHRMC

Project Year 2

Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
23,022	\$568,428	\$24.69

However, NHRMC does not adequately demonstrate that projected revenues and operating costs are based on reasonable, credible, and supported assumptions regarding projected utilization. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein.

Medicare Reimbursement – In Section X, pages 101-104, and the pro forma financial statements in Section XIII, NHRMC provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

In summary, although NHRMC adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project, NHRMC does not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is nonconforming to this criterion.

Advanced. Availability of Funds – In Section VIII.1, page 92, Advanced projects the total capital cost of the proposed project will be \$70,000, which consists of \$5,000 for build out contingency, \$5,000 for movable equipment, \$5,000 for furniture, \$30,000 for consultant fees and \$25,000 for contingencies. In Section VIII.2, page 93, the applicant states the capital cost will be funded with its accumulated reserves.

In Section IX, page 97, Advanced projects start-up expenses of \$3,000 and no initial operating expenses, for a total working capital requirement of \$3,000. The applicant states the total working capital will be funded with unrestricted cash of the applicant.

Exhibit 16 contains a letter from Advanced’s Chief Financial Officer, which states,

“This letter represents the commitment of funds that Advanced Home Care, Inc, will utilize for the Brunswick County home health agency project.

Advanced Home Care will use internal funds from cash and cash equivalents to finance the approximately \$75,000 required to initiate the project.”

Exhibit 17 contains the audited financial statements for Advanced Home Care, Inc., which indicates that, as of September 30, 2012, the applicant had cash and cash equivalents of \$24.5 million. Although it is not reasonable for Advanced to propose no initial operating expenses for a brand new facility, the parent company has committed approximately \$75,000 to “initiate the project,” which is \$72,000 more than the projected start-up costs (\$3,000). The projected loss in Project Year 1 is \$68,358, which is less than the \$72,000 that the parent has committed to “initiate the project.”

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

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

Advanced	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$1,068,715	\$1,804,095
B. Charity Care Deduction	\$18,625	\$33,240
C. Bad Debt Deduction	\$16,031	\$27,062
D. Commercial Contractual Allowances	\$19,450	\$32,025
E. Medicare Contractual Allowances	\$28,785	\$90,073
F. Medicaid Contractual Allowances	\$47,129	\$79,713
G. Net Revenue [A – (B + C + D + E + F)]	\$938,695	\$1,541,982
H. Total Operating Costs	\$1,007,053	\$1,306,201
I. Net Income (G - H)	(\$68,358)	\$235,781

As shown above, net revenue is projected to exceed total operating costs by Project Year 2.

Operating Costs – The following tables illustrate:

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

**Advanced
Project Year 2
Projected Average Total Operating Cost per Visit**

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
11,123	\$1,306,201	\$117.43

**Advanced
Project Year 2
Projected Average Direct Care Cost per Visit**

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
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11,123	\$883,641	\$79.44
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**Advanced
Project Year 2**

Projected Average Administrative Cost per Visit

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
11,123	\$422,560	\$37.99

However, Advanced does not adequately demonstrate that projected revenues and operating costs are based on reasonable, credible and supported assumptions regarding projected utilization. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

Medicare Reimbursement – In Section X, pages 101-104, and the pro forma financial statements in Section XIII, Advanced provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

In summary, although Advanced adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project, Advanced does not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is nonconforming to this criterion.

HKZ Group. Availability of Funds – In Section VIII.1, page 100, HKZ Group projects the total capital cost of the proposed project will be \$62,400, which consists of \$9,900 for movable equipment, \$10,000 for furniture and \$42,500 for consultant fees. In Section VIII.2, page 101, the applicant states the capital cost will be funded from a line of credit.

In Section IX, page 104, HKZ Group projects start-up expenses of \$122,326 and \$13,731 in initial operating expenses, for a total working capital requirement of \$137,057 (\$122,326 + \$13,731 = \$137,057). The applicant states the total working capital will be funded from a line of credit obtained by HealthKeeperz, Inc.

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

“We have examined the financial position of HealthKeeperz, Inc. in relation to the proposed financing of a Medicare-certified Home Health Agency in Brunswick County, NC. Based on the financial condition of your company and its principals, as well as the long positive banking relationship we have had, we would be willing to provide financing for this project as follows:

Purpose: To fund initial capital and operating expenditures
Rate: A variable rate of Prime + 0.00%, equal to 3.25%
Repayment: A revolving line of credit with interest payments due monthly and renewable annually
Amount: \$250,000”

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

“This letter is to advise you HealthKeeperz, Inc. will establish the proposed line of credit of \$250,000 with Lumbee Bank in Pembroke, NC. which is adequate to fund the anticipated equity for the capital costs of \$62,400, the working capital of approximately \$137,057 which includes \$123,326 for start-up costs as needed for the above-referenced project. Documentation from the bank is included in the HKZ Group, LLC CON Application.

HealthKeeperz, Inc. will provide HKZ Group LLC the funds necessary to meet the capital and borrowing expenses required for the development, start up and initial operation of the HKZ Group LLC home health agency in Mecklenburg [sic] County. The terms of the line of credit from the Lumbee Bank will be applicable to HKZ Group LLC.

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

Exhibit 15 also contains a letter from the President of HealthKeeperz (who is also the President of HKZ Group, LLC), which states:

“This letter is to inform you that HKZ Group, LLC will utilize funds from HealthKeeperz, Inc. as necessary to meet the capital and operating expenses required for the development, startup, and initial operation of the home health agency in Brunswick County. “

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

Net Revenue – The following table summarizes HKZ Group’s projected revenues and operating costs during each of the first two operating years, as provided in the pro forma financial statements (Form B):

HKZ Group	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$1,231,030	\$1,1700,137
B. Charity Care Deduction	\$3,411	\$4,711
C. Bad Debt Deduction	\$3,411	\$4,711
D. Medicare Contractual Adjustment	none shown	none shown
E. Medicaid Contractual Adjustment	\$51,416	\$71,092
F. Other Contractual Adjustments	\$17,315	\$23,914

G. Net Revenue [A – (B + C + D + E + F)]	\$1,155,477	\$1,595,709
H. Total Operating Costs	\$1,085,157	\$1,445,606
I. Net Income (G - H)	\$70,320	\$150,103

As shown above, net revenue is projected to exceed total operating costs for both Project Year 1 and 2.

Operating Costs – The following tables illustrate:

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

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

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
10,935	\$1,445,606	\$132.20

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

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
10,935	\$975,508	\$89.20

**HKZ Group
Project Year 2
Projected Average Administrative Cost per Visit**

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
10,935	\$470,098	\$42.99

HKZ Group adequately demonstrates that projected revenues and operating costs are based on reasonable, credible and supported assumptions, including projected utilization.

Medicare Reimbursement – In Section IV, pages 54-70, and the pro forma financial statements, page 122-124, HKZ Group provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

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

Maxim. Availability of Funds – In Section VIII.1, page 119, Maxim projects the total capital cost of the proposed project will be \$90,000, which consists of \$20,000 for computer equipment, \$10,000 for office equipment, \$20,000 for furniture, and \$40,000 for consultant fees. In Section VIII.2, page 120, the applicant states the capital cost will be funded with its accumulated reserves.

In Section IX, page 124, Maxim projects start-up expenses of \$50,000 and \$475,000 in initial operating expenses, for a total working capital requirement of \$525,000 (\$50,000 + \$475,000 = \$525,000). The applicant states the total working capital will be funded with unrestricted cash of the applicant.

Exhibit 15 contains a letter from Maxim’s Chief Financial Officer, which states,

“As shown on our financial statements, Maxim Healthcare Services, Inc. d/b/a Maxim, has sufficient reserves to fund the project costs associated with the certificate of need application to develop a Medicare-certified Home Health Agency in Brunswick County. The total capital and working capital cost of the project is estimated at less than \$625,000. Maxim will fund the proposed project through accumulated reserves. Upon approval of this project, the available funds will be used for the proposed project.

As a financial officer of Maxim Healthcare Services, I am authorized to commit all funds necessary for the development and operation of this project.”

Exhibit 16 contains the audited financial statements for Maxim Healthcare Services, Inc. which indicates that, as of December 31, 2011, the applicant had cash and cash equivalents of \$10.09 million. Maxim adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

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

Maxim	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$589,792	\$1,547,697
B. Charity Care Deduction	\$5,952	\$7,737
C. Bad Debt Deduction	\$8,836	\$11,487
D. Commercial Contractual Allowances	\$7,658	\$9,955
E. Medicare Contractual Allowances	None shown	None shown
F. Medicaid Contractual Allowances	None shown	None shown
G. Net Revenue [A – (B + C + D + E + F)]	\$567,347	\$1,518,518
H. Total Operating Costs	\$1,038,101	\$1,305,747

I. Net Income (G - H)	(\$470,755)	\$212,771
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As shown above, net revenue is projected to exceed total operating costs by Project Year 2.

Operating Costs – The following tables illustrate:

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

**Maxim
Project Year 2
Projected Average Total Operating Cost per Visit**

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
9,405	\$1,305,747	\$138.83

**Maxim
Project Year 2
Projected Average Direct Care Cost per Visit**

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
9,405	\$811,259	\$86.26

**Maxim
Project Year 2
Projected Average Administrative Cost per Visit**

Total # of Visits	Administrative Costs	Average Administrative Cost per Visit
9,405	\$494,488	\$52.58

Maxim adequately demonstrates that projected revenues and operating costs are based on reasonable, credible and supported assumptions, including projected utilization.

Medicare Reimbursement – In Section IV, pages 74-88, Section X, page 132, and the pro forma financial statements in Section XIII, Maxim provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

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

Gentiva. *Availability of Funds* – In Section VIII.1, page 91, Gentiva projects the total

capital cost of the proposed project will be \$107,500, which consists of \$35,000 for movable equipment, \$35,000 for furniture, \$30,000 for consultant fees, and \$102,500 for other miscellaneous costs. In Section VIII.2, page 92, the applicant states the capital cost will be funded with the accumulated reserves of Gentiva Health Services, which the applicant identified as its parent company in Section I.2 of the application.

In Section IX, page 94, Gentiva projects start-up expenses of \$197,884 and \$300,000 in initial operating expenses, for a total working capital requirement of \$497,884 (\$197,884 + \$300,000 = \$497,884). The applicant states the total working capital will be funded with the unrestricted cash of Gentiva Health Corporation.

Attachment V contains a letter from the Senior Vice President, General Counsel and Secretary for Gentiva, which states:

“As the Senior Vice President, General Counsel and Secretary for Gentiva, I am very familiar with the organization’s financial position. The total capital cost of the project is estimated to be approximately \$107,500 to develop a new office to serve Brunswick, New Hanover and Pender Counties. In addition, working capital needs, including start-up costs for the project, are estimated to be \$497,884 for a total funding amount of \$605,384. Gentiva Health Services Inc. is a publically traded company and is the ultimate parent company for the applicant and last reported over \$200 million in cash or cash equivalents. Gentiva Health Services, Inc. has funding and will make it available to the applicant to cover both capital and working capital needs for the project.

Tar Heel Health Care Services, LLC d/b/a Gentiva Health Services will finance the capital cost and working capital needs for this project from existing accumulated case reserves of Gentiva Health Services, Inc.”

Attachment W contains the audited financial statements for Gentiva Health Services, Inc., which indicates that, as of December 31, 2011, it had \$124,101,000 in cash and cash equivalents. Gentiva adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenue – The following table summarizes Gentiva’s projected revenues and operating costs during each of the first two operating years, as provided in the pro forma financial statements (Form B) in the application:

Gentiva	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$741,765	\$1,208,033
B. First 3 months of operation	\$67,254	\$0
C. Charity Care Deduction	\$9,981	\$14,671
D. Bad Debt Deduction	\$2,495	\$4,890
E. Medicare Adjustment	\$5,549	\$9,021
F. Medicaid Adjustment	\$44,876	\$69,803
G. Other Contractual Adjustments	\$6,328	\$10,248
H. Net Revenue [A – (B+C+D+E+F+G)]	\$605,283	\$1,099,399
I. Total Operating Costs	\$798,359	\$1,056,821

J. Net Income (Loss) (H – I)	(\$193,076)	\$42,578
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As shown above, net revenue is projected to exceed total operating costs by Project Year 2.

Operating Costs – The following tables illustrate:

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

**Gentiva
Project Year 2
Projected Average Total Operating Cost per Visit**

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
7,706	\$1,056,821	\$137.14

**Gentiva
Project Year 2
Projected Average Direct Care Cost per Visit**

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
7,706	\$594,516	\$77.15

**Gentiva
Project Year 2
Projected Average Administrative Cost per Visit**

Total # of Visits	Total Administrative Costs	Average Administrative Cost per Visit
7,706	\$462,305	\$59.99

However, Gentiva does not adequately demonstrate that projected revenues and operating costs are based on reasonable, credible and supported assumptions regarding projected utilization. See Criterion (3) for discussion projected utilization which is incorporated hereby as if fully set forth herein.

Medicare Reimbursement – In Section IV, pages 66-68, and the pro forma financial statements, page 106-108, Gentiva provides its methodology, assumptions and worksheets for projecting Medicare revenue.

Adequacy of Staffing – Gentiva did not propose sufficient staffing for the number of visits projected to be performed per day by discipline, in Project Year 2. Therefore, the applicant does not adequately demonstrate that total operating costs, including salaries, in Project Year 2 are reliable. Therefore, the applicant does not adequately demonstrate that the financial feasibility of the proposal is based on reasonable projections of costs. See Criterion (7) for additional discussion which is incorporated hereby as if fully set forth herein.

In summary, although Gentiva adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project, Gentiva does not adequately

demonstrate that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues. Therefore, the application is nonconforming to this criterion.

Continuum. *Availability of Funds* – In Section VIII.1, page 128, Continuum projects the total capital cost of the proposed project will be \$102,200, which consists of \$47,100 for movable equipment, \$11,669 for furniture, \$1,000 for consultant fees, and \$42,432 for other miscellaneous costs. In Section VIII.2, page 129, the applicant states the capital cost will be funded with the accumulated reserves of Principle Long Term Care, Inc., which the applicant identified as its parent company in Section I.2 of the application.

In Section IX, page 132, Continuum projects start-up expenses of \$42,788 and \$211,731 in initial operating expenses, for a total working capital requirement of \$295,568 (\$42,788 + \$211,731 = \$295,568). The applicant states the total working capital will be funded with the unrestricted cash of Principle Long Term Care, Inc.

Exhibit L contains a letter from the President of Principle Long Term Care, Inc. which states:

“This is to certify that Principle Long Term Care, Inc. will fund from current assets, \$102,200 for equity contribution and \$295,567.88 for initial operating losses and start-up costs for a total of \$397,768.20 for the proposed development and implementation of a new certified home health agency in Brunswick County pursuant to the determination of need for such a service in the 2013 State Medical Facilities Plan. ... An examination of our financial records for the last two years will substantiate that this expenditure is well within our cash flow projections.”

Exhibit L contains the consolidated financial statements for Principle Long Term Care, Inc., which indicates that, as of September 30, 2012, it had \$792,000 in cash and \$7.9 million in current assets. Continuum adequately demonstrated the availability of sufficient funds for the capital and working capital needs of the project.

Net Revenue – The following table summarizes Continuum’s projected revenues and operating costs during each of the first two operating years, as provided in the pro forma financial statements (Form B) in the application:

Continuum	Project Year 1	Project Year 2
A. Gross Patient Revenue	\$505,655	\$1,682,515
B. Charity Care Deduction	\$1,379	\$4,590
C. Bad Debt Deduction	\$5,057	\$16,825
D. Medicare Adjustment	\$22,489	\$92,650
E. Medicaid Adjustment	\$32,767	\$117,709
F. Net Revenue [A – (B + C +D + E)]	\$443,963	\$1,636,041
G. Total Operating Costs	\$670,697	\$1,455,998
H. Net Income (Loss) (F – G)	(\$226,734)	\$180,043

As shown above, net revenue is projected to exceed total operating costs by Project Year 2.

Operating Costs – The following tables illustrate:

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

**Continuum
Project Year 2
Projected Average Total Operating Cost per Visit**

Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
11,162	\$1,455,998	\$130.44

**Continuum
Project Year 2
Projected Average Direct Care Cost per Visit**

Total # of Visits	Total Direct Care Costs	Average Direct Care Cost per Visit
11,162	\$1,095,989	\$98.19

**Continuum
Project Year 2
Projected Average Administrative Cost per Visit**

Total # of Visits	Total Administrative Costs	Average Administrative Cost per Visit
11,162	\$360,009	\$32.25

Continuum adequately demonstrates that projected revenues and operating costs are based on reasonable, credible and supported assumptions, including projected utilization.

Medicare Reimbursement – In Section IV, pages 99-108, and the pro forma financial statements, page 147-153, Continuum provides its methodology, assumptions and worksheets for projecting Medicare revenue.

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

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

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

Gentiva

C-All Other Applicants

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

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. UniHealth submitted its application in response to the need determination in the 2013 SMFP.
- 2) UniHealth adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See Sections III, IV, and VI of UniHealth's application.

Consequently, the application is conforming to this criterion.

NHRMC does not adequately demonstrate that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Brunswick County based on the following analysis:

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. NHRMC submitted its application in response to the need determination in the 2013 SMFP.
- 2) However, NHRMC did not adequately demonstrate in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See discussion regarding projected utilization in Criterion (3) which is incorporated hereby as if set forth fully herein.

Consequently, the application is nonconforming to this criterion.

Advanced does not adequately demonstrate that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Brunswick County based on the following analysis:

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. Advanced submitted its application in response to the need determination in the 2013 SMFP.

- 2) However, Advanced did not adequately demonstrate in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See discussion regarding projected utilization in Criterion (3) which is incorporated hereby as if set forth fully herein.

Consequently, the application is nonconforming to this criterion.

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

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. Healthkeeperz submitted its application in response to the need determination in the 2013 SMFP.
- 2) Healthkeeperz adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See Sections III, IV, and VI of Healthkeeperz's application.

Consequently, the application is conforming to this criterion.

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

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. Maxim submitted its application in response to the need determination in the 2013 SMFP.
- 2) Maxim adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See Sections III, IV, and VI of Maxim's application.

Consequently, the application is conforming to this criterion.

Gentiva did not adequately demonstrate that its proposal would not result in the unnecessary duplication of existing or approved Medicare-certified home health agencies in Brunswick County based on the following analysis:

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014

in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. Gentiva submitted its application in response to the need determination in the 2013 SMFP.

- 2) However, Gentiva did not adequately demonstrate in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See discussion regarding projected utilization in Criterion (3) which is incorporated hereby as if set forth fully herein.

Consequently, the application is nonconforming to this criterion.

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

- 1) The State Health Coordinating Council and Governor determined that a new Medicare-certified home health agency will be needed in Brunswick County in 2014 in addition to the existing agencies serving Brunswick County residents. See Table 12D on page 327 of the 2013 SMFP. Continuum submitted its application in response to the need determination in the 2013 SMFP.
- 2) Continuum adequately demonstrates in its application that the Medicare-certified home health agency it proposes to develop in Brunswick County is needed in addition to the existing agencies. See Sections III, IV, and VI of Continuum’s application.

Consequently, the application is conforming to this criterion.

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

NC- Gentiva

C-All Other Applicants

UniHealth. In Section VII, pages 205-208, UniHealth provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

UniHealth	FTEs* Project Year 1	FTEs Project Year 2
Administrator	1.00	1.00
Secretary/Clerk (Team Assistant)	1.00	1.00
Other Admin (BOM)	1.00	1.00
Nurse Supervisor	1.00	1.00
Registered Nurse (RN) (Care Provider)	1.10	3.20
Licensed Practical Nurse (LPN)	0.40	1.20
Certified Nursing Assistant	0.20	0.50

Medical Social Worker	0.20	0.30
Total	5.90	9.20

*Full-time equivalents

In Section VII.5, page 196, UniHealth states that it proposes to use contract staff provided by United Rehab to provide physical therapy, occupational therapy and speech therapy services. United Rehab is owned by UHS. In Section VII, page 208, the applicant states that the hourly contract fee amount in Year 2 will be \$76.50 per hour for physical therapy, occupational therapy, and speech therapy services.

In Section VII.3, pages 189-191 and 205-208, UniHealth provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week*	# of Visits per Day
Skilled Nursing	24.3	4.86
LPN	28	5.60
Home Health Aide	25.95	5.19
Medical Social Worker	16.9	3.38
Physical Therapist	25	5.00
Occupational Therapist	25	5.00
Speech Therapist	Not Provided	Not Provided

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 202, UniHealth states, "All UHC agencies provide coverage 24 hours a day, seven days per week."

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

Discipline	Projected Visits Project Year 2 (Section IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions Project Year 2** (Section VII)
Nursing	5,463	4.86	4.3	4.4 (3.2 + 1.2)
Certified Nursing Assistant	681	5.0	0.5	0.5
Medical Social Worker	45	3.4	0.1	0.3
Physical Therapist	3,868	5.0	3.0	None Projected
Occupational Therapist	1,342	5.0	1.0	None Projected
Speech Therapist	177	Not provided	NA	None projected

*Calculated by the Project Analyst.

**For purposes of the table above, the project analyst combined the RN and LPN positions to project 4.4 FTE positions (3.2 RN FTE positions + 1.2 LPN FTE positions = 4.4 FTE positions) as provided on page 206 of the application.

As shown in the table above, UniHealth's projected FTE positions in Project Year 2 for

nursing, certified nursing assistants, and medical social workers are equal to or exceed the required FTE positions as calculated by the project analyst. In the table above, UniHealth did not provide the number of contract FTE positions for physical therapists, occupational therapists, and speech therapists. Contract employees are compensated on a per visit basis. Thus, it is not necessary to provide a specific number of FTE positions. On pages 215-216, UniHealth provides the hourly contract fee and the projected total number of contract visits per year for the physical therapists, occupational therapists, and speech therapists. In Form B of the pro forma financial statements, pages 243-244, UniHealth budgeted sufficient funds to cover the total hourly contract fees multiplied by the projected total number of contract visits for each of the three service disciplines projected to use contract employees.

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

NHRMC. In Section VII.2, page 89-90, NHRMC provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

NHRMC	FTEs Project Year 1	FTEs Project Year 2
Office Manager	1.0	1.0
Receptionist/ Scheduler	1.0	1.0
RN	2.0	2.0
HHA	0.9	1.2
LPN	5.2	7.2
Medical Social Worker	0.3	0.4
Physical Therapist	3.8	5.2
Occupational Therapist	1.0	1.4
Speech Therapist	0.2	0.3
Total	15.4	19.7

In Section VII.5, page 94, NHRMC states it does not propose to use contract staff for the proposed project.

In Section VII.2, page 90, and VII.3, pages 92, NHRMC provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week	# of Visits per Day
RN	27.5	5.5
LPN	30.0	6.0
Certified Nursing Assistant	27.5	5.5
Physical Therapist	27.5	5.5
Occupational Therapist	27.5	5.5
Speech Therapist	27.5	5.5
Medical Social Worker	15.0	3.0

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 96, NHRMC

states “NHRMC Home Care will have full-time staff during the week and on-call staff available during the weekend and after hours.”

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

Discipline	Projected Visits Project Year 2 (Sections IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions** Project Year 2 (Section VII)
RN	11,182	5.5	7.8	9.2
Certified Nursing Assistant	1,740	5.5	1.2	1.2
Physical Therapist	7,382	5.5	5.0	5.2
Occupational Therapist	2,042	5.5	1.4	1.4
Speech Therapist	403	5.5	0.3	0.3
Medical Social Worker	273	3.0	0.4	0.4

*Calculated by the Project Analyst.

**For purposes of the table above, the project analyst combined the RN and LPN positions to project 9.2 FTE positions (2.0 RN FTE positions + 7.2 LPN FTE positions = 9.2 FTE positions).

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

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

Advanced. In Section VII.2, page 85, Advanced provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Advanced	FTEs Project Year 1	FTEs Project Year 2
Administrator	0.50	0.50
Other admin	2.00	2.00
Nurse Supervisor	1.00	1.50
RN (Care Provider)	2.90	3.80
LPN	0.00	1.00
Certified Nursing Assistant	0.50	0.80
Medical Social Worker	0.25	0.25
Physical Therapist	1.80	2.90
Occupational Therapist	0.50	1.00
Speech Therapist	0.15	0.25
Total	9.60	14.0

In Section VII.5, page 87, Advanced states it does not propose to use contract staff for the proposed project.

In Section VII.3, pages 86, Advanced provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week*	# of Visits per Day
RN	25.0	5.0
Certified Nursing Assistant	27.5	5.5
Physical Therapist	25.0	5.0
Occupational Therapist	25.0	5.0
Speech Therapist	22.5	4.5
Medical Social Worker	15.0	3.0

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 89, the applicant states “*Advanced Home Care provides coverage to patients 24 hours a day, seven days per week.*”

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

Discipline	Projected Visits Project Year 2 (Sections IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions** Project Year 2 (Section VII)
RN	5,780	5.0	4.5	4.80
Certified Nursing Assistant	869	5.5	0.6	0.80
Physical Therapist	3,333	5.0	2.3	2.90
Occupational Therapist	793	5.0	0.6	1.00
Speech Therapist	216	4.5	0.2	0.25
Medical Social Worker	132	3.0	0.2	0.25

*Calculated by the Project Analyst.

**For purposes of the table above, the project analyst combined the RN and LPN positions to project 4.8 FTE positions (3.8 RN FTE positions + 1.0 LPN FTE positions = 4.8 FTE positions) as provided on page 85 of the application.

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

In summary, Advanced proposes adequate staffing for the visits it projects to perform during

the second operating year. Additionally, Advanced has proposed sufficient staffing for administrative and managerial functions of the proposed Medicare-certified home health agency. Therefore, the application is conforming to this criterion.

HKZ Group. In Section VII.2, pages 97-99, HKZ Group provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

HKZ Group	FTEs Project Year 1	FTEs Project Year 2
Administrator	1.0	1.0
Secretary / Clerk	1.0	1.0
RN (Care Provider)	2.0	3.0
LPN	1.25	2.15
Certified Nursing Assistant	0.5	0.75
Medical Records	0.0	0.5
Physical Therapist	1.65	2.32
Occupational Therapist	0.27	0.38
Speech Therapist	0.13	0.17
Medical Social Worker	0.06	0.08
Total	7.86	11.35

In Section VII.5, page 94, the applicant states “*HealthKeeperz of Brunswick has discussed using contract services with Supplemental Healthcare, Achieving Better Communications, LLC, and CoreMedical Group. As needed, HealthKeeperz of Brunswick will utilize these entities for RNs, LPNs, physical therapist assistants, speech therapists, medical social workers and occupational therapists.*” In Section VII.5(b), page 95, the applicant states “*Additionally, under the Management Agreement, HealthKeeperz, Inc. agrees to provide medical social worker services and nutritionist services as needed.*”

In Table VII.3, pages 91-92, the applicant indicates that it intends to use contract staff as well as employees for registered nurses, medical social workers, physical therapists, occupational therapists and speech therapists.

In Section VII.3, page 86, HKZ Group provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

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

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 89 the applicant

states,

“On-call coverage will be provided for patient care on a 24-hour on-call basis by staff and through contract personnel. ... The staffing proposed in Table VII.2 will be sufficient to meet that need.”

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

Discipline	Projected Visits Project Year 2 (Sections IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
Nursing**	4,457	5.0	3.4	5.2
Certified Nursing Assistant	622	5.2	0.5	0.8
Physical Therapist	2,768	5.4	2.0	2.3
Occupational Therapist	546	5.3	0.4	0.4
Speech Therapist	151	5.3	0.1	0.2
Medical Social Worker	34	3.5	0.04	0.08

*Calculated by the project analyst.

**In Section VII, pages 97-99, HKZ Group projects 5.0 RN visits per day and 5.9 LPN/LVN visits per day. The applicant did not provide a ratio of RN visits to LPN / LVN visits. For purposes of the table above, the project analyst combined the RN and LPN positions and assumed 5.0 visits per day to project 5.2 FTE positions (3.0 RN FTE positions + 2.2 LPN FTE positions = 5.2 FTE positions) as provided on page 98 of the application.

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

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

Maxim. In Section VII.2, pages 109-110, Maxim provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Maxim	FTEs Project Year 1	FTEs Project Year 2
Administrator	0.50	0.50
Secretary / Clerk	1.00	1.50
OASIS Coordinator	1.00	1.00
Marketing/Account Exec.	0.50	0.50
Manager of Branch Operations	1.00	1.00
Nurse Supervisor/Clinical Team Leader	1.00	1.00
RN (Care Provider)	3.00	4.10
RN (On-Call Coverage)	0.50	0.50
Certified Nursing Assistant	0.40	0.60
Dietician	0.05	0.10
Medical Social Worker	0.10	0.10
Physical Therapist	1.40	2.00
Occupational Therapist	0.30	0.45
Speech Therapist	0.10	0.15
Total	10.85	13.50

In Section VII.5, page 114, Maxim states it does not propose to use contract staff for the proposed project.

In Section VII.3, pages 111-112, Maxim provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week*	# of Visits per Day
Registered Nurse	25.0	5.0
Certified Nursing Assistant	26.0	5.2
Physical Therapist	25.0	5.0
Occupational Therapist	25.0	5.0
Speech Therapist	25.0	5.0
Medical Social Worker	17.5	3.5

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 116, the applicant states that the normal business hours for its proposed Medicare-certified home health agency will be 8am-5pm Monday – Friday. The applicant further states “*After these staffed hours and during weekends, Maxim will have an on-call coordinator (staff RN) to take telephone calls, educate, reassure, and advise potential patients, and to coordinate or provide intake or assessment, as needed. ... Maxim will have an additional layer of on-call provided by an RN Administrator from its Corporate Office.*”

To determine if Maxim’s proposed staffing for Project Year 2 is sufficient, the Project

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

Discipline	Projected Visits Project Year 2 (Sections IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
Registered Nurse	5,348	5.0	4.1	4.6
Certified Nursing Assistant	760	5.2	0.6	0.6
Physical Therapist	2,488	5.0	1.9	2.0
Occupational Therapist	537	5.0	0.4	0.5
Speech Therapist	183	5.0	0.1	0.2
Medical Social Worker	89	3.5	0.1	0.1

*Calculated by the Project Analyst.

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

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

Gentiva. In Section VII, pages 122-123, Continuum provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Continuum	FTEs Project Year 1	FTEs Project Year 2
Administrator	1.00	1.00
Other Adm: CTC	1.00	1.00
Nurse Supervisor	1.00	1.00
RN (Care Provider)	1.60	2.50
Certified Nursing Assistant	0.20	0.30
Medical Records	1.00	1.00
Medical Social Worker	0.03	0.10
Therapy Supervisor	0.30	0.30
Physical Therapist	1.60	2.50
Occupational Therapist	0.30	0.50
Speech Therapist	0.20	0.40
Other: Marketing	1.00	1.00
Total	9.23	11.6

In Section VII.5, page 84, Gentiva states that it does not propose to use contract staff for the proposed project.

In Section VII.2, pages 88-89, Gentiva provides the assumptions it used in projecting staffing

levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week*	# of Visits per Day
Registered Nurse	23	4.6
Physical Therapist	23	4.6
Speech Therapist	23	4.6
Occupational Therapist	23	4.6
Medical Social Worker	23	4.6
Home Health Aide (CNA)	23	4.6

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 85, the applicant states, “*Gentiva routinely staffs its offices and offers services 24 hours a day, 7 days a week, with nurses on-call after normal business hours and on weekends.*”

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

Discipline	Projected Visits Project Year 2 (Section IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
Nursing	3,066	4.6	2.6	2.5
Home Health Aide	397	4.6	0.3	0.3
Physical Therapist	3,076	4.6	2.6	2.5
Occupational Therapist	490	4.6	0.4	0.5
Speech Therapist	619	4.6	0.5	0.4
Medical Social Worker	58	4.6	0.1	0.1

*Calculated by the Project Analyst.

As shown in the table above, Gentiva’s projected FTE positions in Project Year 2 are equal to or exceed the required FTE positions as calculated by the project analyst for home health aides, occupational therapists and medical social workers. However, Gentiva’s projected FTE positions in Project Year 2 are less than the required FTE positions as calculated by the project analyst for three of the six disciplines: nursing; physical therapists; and speech therapists. Furthermore, Gentiva does not propose to use contract staff. Therefore, Gentiva did not adequately demonstrate that it proposes adequate staffing for the visits it projects to perform during the second operating year for three of the six disciplines. Consequently, the applicant did not adequately demonstrate the availability of sufficient health manpower for

provision of the services proposed to be provided and the application is nonconforming to this criterion.

Continuum. In Section VII, pages 122-123, Continuum provides the proposed staffing for the first two operating years of the proposed project, as shown in the table below:

Continuum	FTEs Project Year 1	FTEs Project Year 2
Administrator	1.00	1.00
Secretary/Clerk	1.00	1.00
Accounting	1.00	1.00
Director of Professional Services	0.50	0.50
Nurse Supervisor	0.50	0.50
Registered Nurse (Care Provider)	1.00	3.24
Licensed Practical Nurse	0.33	1.00
Certified Nursing Assistant	0.20	0.74
Dietician	0.03	0.03
Medical Social Worker	0.10	0.14
Therapy Supervisor	0.00	0.50
Physical Therapist	1.00	2.00
LPTA	0.00	1.10
Occupational Therapist	0.22	1.00
Speech Therapist	0.07	0.24
Oasis/QA	0.10	1.00
Total	7.04	14.98

In Section VII.5, page 126, Continuum states that it does not propose to use contract staff for the proposed project.

In Section VII.2, pages 122-123, Continuum provides the assumptions it used in projecting staffing levels for its patient care staff. The assumptions are shown in the table below.

Discipline	# of Equivalent Visits per Week*	# of Visits per Day
Registered Nurse	26.50	5.30
Licensed Practical Nurse	30.00	6.00
Physical Therapist	28.10	5.62
LPTA	30.00	6.00
Speech Therapist	21.25	4.25
Occupational Therapist	10.57	5.57
Medical Social Worker	16.50	3.30
Home Health Aide (CNA)	25.00	5.00

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

Regarding staffing for weekend and on-call coverage, in Section VII.7, page 127, the applicant states, *“The Director of Professional Services/Nursing Supervisor, the OASIS/QA nurse, and the RN/Case Manager will rotate on-call responsibilities 24 hours/day.”*

To determine if Continuum’s proposed staffing for Project Year 2 is sufficient, the Project Analyst divided the projected visits by the visits per day assumption, which results in the total work days required to complete the visits. The resulting quotient was divided by 260

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

Discipline	Projected Visits Project Year 2 (Section IV) (A)	Visits per Day Project Year 2 (Section VII) (B)	Required FTE Positions* [(A)/(B)] / 260	Projected FTE Positions Project Year 2 (Section VII)
Nursing**	5,202	5.30	3.8	4.2
Home Health Aide	835	5.00	0.6	0.7
Physical Therapist**	3,956	5.62	2.7	3.1
Occupational Therapist	867	5.57	0.6	1.0
Speech Therapist	231	4.25	0.2	0.2
Medical Social Worker	71	3.30	0.1	0.1

*Calculated by the Project Analyst.

**For purposes of the table above, the project analyst combined the RN and LPN positions to project 4.24 FTE positions (3.24 RN FTE positions + 1.00 LPN FTE positions = 4.24 FTE positions), and combined the Physical Therapist and LPTA positions to project 3.10 FTE positions (2.00 Physical Therapist FTE + 1.10 LPTA FTE position = 3.10 FTE positions), as provided on page 123 of the application.

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

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

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

C- All Applicants

UniHealth. In Section VII.5, pages 196-197, UniHealth states it will contract for speech therapy, physical therapy, occupational therapy. In Section V.2 and V.3, pages 164-167, the applicant discusses anticipated referral sources. Exhibit 17 contains a copy of a letter and sample contract from United Rehab expressing its intention to contract with UniHealth to provide speech therapy, physical therapy and occupational therapy services. (See Exhibit pages 637-638) Exhibits 14, 15, 17, 22, 25-30, 36, 53 and 77 contain documentation showing that health care providers and others were contacted regarding the proposal. UniHealth adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

NHRMC. In Section VII.5, page 94, NHRMC states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 77-78, NHRMC discusses

anticipated referral sources. Exhibit 20 contains letters of support for the proposal from health care providers and referral letters. NHRMC adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Advanced. In Section VII.5, page 87, Advanced states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 71-72, Advanced discusses anticipated referral sources. Exhibit 12 contains letters of support for the proposal from health care providers and referral sources. Advanced adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

HKZ Group. In Section VII.5, page 94, HKZ Group states it may contract for nursing, speech therapy, physical therapy, occupational therapy, and medical social work services. Exhibit 12 contains a letter of intent from Core Medical Group for staffing services (nursing, physical therapists, speech therapist, occupational therapists, and medical social workers). Exhibits 6, 7 and 9 contain letters of support for the proposal from health care providers, a list of health care providers contacted, and copies of letters sent by the applicant to area health care providers. In Sections V.2 and V.3, pages 71-75, HKZ Group discusses anticipated referral sources. HKZ Group adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Maxim. In Section VII.5, page 114, Maxim states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 89-90 the applicant discusses anticipated referral sources. Exhibits 19 and 20 contain letters of support for the proposal from health care providers and a list of referral sources and a contact log. Maxim adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Gentiva. In Section VII.5, page 84, Gentiva states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 70-71, the applicant discusses anticipated referral sources. Attachments L and M contain letters of support for the proposal from health care providers and a list of referral sources and a contact log. Gentiva adequately demonstrated it will provide or make arrangements for the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

Continuum. In Section VII.5, page 126, Continuum states it does not propose to contract for direct patient care services. In Sections V.2 and V.3, pages 109-110 the applicant discusses anticipated referral sources. Exhibit I contain letters of support for the proposal from health care providers and copies of responses to the applicant's needs assessment survey. Continuum adequately demonstrated it will provide or make arrangements for the

necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

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

NA- All Applicants

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

NA- All Applicants

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA-All Applicants

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

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

C
NHRMC
Maxim

NA-All Other Applicants

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Brunswick County and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	CY2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Brunswick County	7%	2.8%	19.8%
Statewide	17%	7%	19.7%

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

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

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

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

NHRMC. In Section V.11, page 87, when asked for the payor mix for an existing licensed home care office during the last full operating year, NHRMC stated that question was *“Not applicable. NHRMC does not have an existing home care office in Brunswick County.”* While that is true, NHRMC does operate a Medicare-certified home health agency in Pender County which serves patients in Brunswick County. In FFY2012, NHRMC served 380 Brunswick County patients from its Pender County office, which is 10.4% of the total number of Brunswick County patients served in FFY 2012. Pender County is contiguous to Brunswick County. In the Home Health Agency 2013 Annual Data Supplement to License Application on file with DHSR, NHRMC reported visits as a percentage of total visits by payor source during FFY 2012, as shown in the table below.

Payor	Visits as a % of Total Visits
Medicare	76.9%
Medicaid	14.1%
Private Insurance	7.4%
Indigent Non-Pay	0.6%
Contract	0.8%
Worker Comp	0.2%
Total	100.0%

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

Maxim operates an existing licensed home care agency in New Hanover County which serves patients from Brunswick County. New Hanover County is contiguous to Brunswick County. In Section VI.3, page 98, and VI.12, page 106, Maxim states that *“During CY2012 at the adjacent New Hanover County office, 83.68% of annual revenue was Medicaid funded, and 56.14% of the census was Medicaid patients.”* Note: Maxim’s existing licensed home care agency is not certified for Medicare reimbursement. The applicant demonstrates that it provides adequate access to medically underserved groups. Therefore, the application is conforming to this criterion.

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

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

UniHealth. In Section VI.9, pages 180-186, UniHealth provides a table listing 30 civil rights complaints filed by employees against UHS facilities, which includes home health agencies, nursing facilities, hospices, pharmacies, adult day cares, and assisted living facilities, in the past five years. None of these complaints involve patients. UniHealth also discusses the current status or resolution of these employee complaints. In Section VI.10, page 186, UniHealth states, “*The applicant has no obligation, but still willingly provides uncompensated care, community service, and access to minorities and handicapped persons.*” The application is conforming to this criterion.

NHRMC. In Section VI.9, page 86, NHRMC states that “*NHRMC Home Care does not have any civil rights equal access complaints against any of its facilities or agencies.*” In Section VI.10, page 86, NHRMC states that “*NHRMC Home Care does not have any obligation under any applicable regulations to provide uncompensated care, community service, or access by minorities and handicapped persons.*” The application is conforming to this criterion.

Advanced. In Section VI.9, page 79, Advanced states that no civil rights equal access complaints have been filed against the applicant’s facilities. In Section VI.10, page 79, Advanced states that it has no obligation to provide uncompensated care, community service, or access by minorities and handicapped persons. The application is conforming to this criterion.

HKZ Group. In Section VI.9, page 86, HKZ Group states, “*HealthKeeperz of Brunswick is not an existing home health agency. HealthKeeperz, Inc. [the company that will manage the proposed home health agency] has not had any civil rights equal access complaints filed against its existing home health agencies in North Carolina in the last five years.*” In Section VI.10, page 86, HKZ Group states, “*HealthKeeperz of Brunswick has no obligation under any applicable regulations to provide uncompensated care, community service or access by minorities and handicapped persons.*” The application is conforming to this criterion.

Maxim. In Section VI.9, page 103, Maxim states “*Maxim has not had any civil rights equal access complaints filed against its North Carolina home care agencies in the last five years.*” In Section VI.10, page 104, Maxim states “*Maxim is not obligated under federal regulations to provide uncompensated care, community service, or access by minorities or handicapped persons. ... Maxim provides, and will continue to provide, uncompensated care, community service and other services to the local community, as previously described in Section VI. Maxim does not discriminate based on race, creed, color, sex, age, religion, national origin, medical condition, disability, veteran status, sexual orientation, genetic information or ability to pay.*” The application is conforming to this criterion.

Gentiva. In Section VI.9, page 80, Gentiva states “*No civil rights equal access complaints have been filed against Gentiva in the last five years.*” In Section VI.10, page 80, Gentiva states it “*is under no obligation to provide uncompensated care,*

community service, or access by minorities and handicapped persons.” The application is conforming to this criterion.

Continuum. In Section VI.9, page 119, Continuum states “*No civil rights equal access complaints have been filed against Continuum or its parent company.*” In Section VI.10, page 119, Continuum states “*Continuum has no obligation to provide uncompensated care or community services; however, it is company policy to provide access to minorities and handicapped persons as a matter of course.*” The application is conforming to this criterion.

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

C- All Applicants

The following table illustrates the FFY 2012 payor mix for the two existing Medicare-certified home health agencies located in Brunswick County (Brunswick County agencies), as reported in their respective *Home Health Agency 2013 Annual Data Supplement to License Application* forms.

Existing Medicare-Certified Home Health Agencies Located in Brunswick County	Percent of Total Visits	
	Medicare	Medicaid
AssistedCare Home Health	69.0%	23.8%
Liberty Home Care	83.1%	9.8%

As shown in the table above, the Medicare percentage ranges from a low of 69.0% to a high of 83.1%. The Medicaid percentages range from a low of 9.8% to 23.8%. Calculating the average (weighted or simple) is not appropriate in this circumstance given that there are only two agencies and they differ quite a bit from each other as shown in the table above.

UniHealth. In Section VI.12, page 188, UniHealth provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 188)	Visits as a % of Total Visits (from Section VI.12, page 188)
Medicare	76.65%	79.35%
Medicaid	17.73%	18.32%
Commercial	4.49%	2.23%
Private Pay	0.38%	0.02%
Charity	0.75%	0.09%
Total	100.00%	100.00%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

NHRMC. In Section VI.12, page 87, NHRMC provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 87)	Visits as a % of Total Visits (from Section VI.12, page 87)
Medicare	100.00%	11.3%
Total	100.00%	11.3%

As shown in the table above, NHRMC provides inconsistent information in its table on page 87 of its application. If 100% of duplicated patients were Medicare beneficiaries, then 100% of visits would be Medicare beneficiaries, not 11.3%. Moreover, NHRMC’s table cannot be correct with regard to visits. The total of the percentages for each payor would be 100% not 11.3%.

In Section VI, pages 82-83, NHRMC states

“Low-income persons needing care will have access to NHRMC Home Care services. ... NHRMC Home Care will be accessible to all persons, including the medically-underserved and medically indigent. ... All persons will have access to NHRMC Home Care, which will render appropriate medical care to all persons in need of care regardless of their ability to pay. ...”

In Section IV, page 68, NHRMC projects to serve 1,113 unduplicated Medicare patients and 200 unduplicated Medicaid patients out of a total of 1,328 unduplicated patients in Project Year 2. Thus, the Medicare percentage is 84% ($1,113/1,328 = 0.838$) and the Medicaid percentage is 15% ($200/1,328 = 0.15$). Furthermore, in the financial pro formas (Form B), NHRMC projects Medicaid revenue which equals 12.2% of total gross revenue ($\$463,440/\$3,812,029 = 0.122$).

NHRMC demonstrates that medically underserved groups will have adequate access to the proposed home health services. Therefore, the application is conforming to this criterion.

Advanced. In Section VI.12, page 80, the applicant provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 80)	Visits as a % of Total Visits (from Section VI.12, page 80)
Medicare	73.9%	80.2%
Medicaid	15.6%	12.9%
Commercial	4.1%	3.3%
Private Pay	1.9%	0.9%
VA	1.9%	0.9%
Charity	2.6%	1.8%
Total	100.00%	100.00%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

HKZ Group. In Section VI.12, pages 90 and 92, the applicant provides the following projected payor mix for Project Year 2.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 90)	Visits as a % of Total Visits (from Section VI.12, page 92)
Medicare	68.4%	76.6%
Medicaid	17.9%	14.8%
Private Insurance	11.4%	7.3%
Indigent Non-Pay	0.7%	0.1%
VA	0.2%	0.1%
Others	1.5%	1.1%
Total	100.0%	100.0%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

Maxim. In Section VI.12, page 105, the applicant provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 105)	Visits as a % of Total Visits (from Section VI.12, page 105)
Medicare	71.2%	73.2%
Medicaid	17.4%	17.8%
Commercial	10.3%	8.2%
Self Pay/Indigent/Charity	1.1%	0.9%
Total	100.0%	100.0%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

Gentiva. In Section VI.12, page 81, the applicant provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 81)	Visits as a % of Total Visits (from Section VI.12, page 81)
Medicare	68.7%	75.3%
Medicaid	25.5%	20.2%
Commercial	3.0%	2.4%
Private Pay	1.0%	0.8%
Charity	1.5%	0.8%
Total	100.00%	100.00%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

Continuum. In Section VI.12, page 120, the applicant provides the following projected payor mix for the second year of operation.

Payor	Duplicated Patients as a % of Total Duplicated Patients (from Section VI.12, page 120)	Visits as a % of Total Visits (from Section VI.12, page 120)
Medicare	70.94%	75.54%
Medicaid	18.09%	21.77%
Commercial	7.47%	0.57%
Private Pay	0.14%	0.03%
VA	1.40%	1.55%
Charity	1.31%	0.27%
Other	0.64%	0.26%
Total	100.00%	100.00%

The projected Medicare and Medicaid percentages for visits are within the ranges reported by the existing Brunswick County agencies.

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

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

C - All Applicants

UniHealth. In Section VI.8(a), page 179, UniHealth identifies the range of means by which a person will have access to its services. UniHealth adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

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

Advanced. In Section VI.8(a), page 78, Advanced identifies the range of means by which a person will have access to its services. Advanced adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

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

Maxim. In Section VI.8(a), page 101, Maxim identifies the range of means by which a person will have access to its services. Maxim adequately demonstrates that it will

offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

Gentiva. In Section VI.8(a), page 79, Gentiva identifies the range of means by which a person will have access to its services. Gentiva adequately demonstrates that it will offer a range of means for access to the proposed home health services. Therefore, the application is conforming to this criterion.

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

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

C – All Applicants

UniHealth. In Section V.1, page 163, UniHealth states, “*UniHealth is committed to assisting health professional programs meet their clinical training needs when such assistance is requested. ... UniHealth has already communicated its interest in developing relationships with local health professional programs, reaching out to seven training programs in the proposed service area.*” Exhibit 57 contains a copies of correspondence sent to area health professional training programs expressing an intention to offer the proposed agency as a clinical training site. UniHealth adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

NHRMC. In Section V.I, page 76, NHRMC states “*NHRMC Home Care has working relationships with the health professional training programs at Cape Fear Community College. As a part of this project, NHRMC Home Care has reached out to the following health training programs to establish working arrangements:*

- *Brunswick Community College*
- *Southeastern Community College*
- *Bladen Community College*”

Exhibit 14 contains copies of the training agreement and letters. NHRMC adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Advanced. In Section V.1, page 70, Advanced states “*The philosophy of Advanced Home Care is to provide health professional students in the local markets the opportunity to experience home health care practice. ... Advanced Home Care also offers an internship program for new graduates who meet specific criteria. ... Currently, Advanced Home Care has agreements with 12 North Carolina health care training schools. ... Since we currently*

had agreements with UNC-Chapel Hill, UNC-Charlotte, UNC-Greensboro, we would also be able to provide the same service for UNC-Wilmington. Additionally, we would seek out relationships with Brunswick Community College and other schools in the area that also provide nursing education.” Exhibit 13 contains an email to UNC-Wilmington and a response indicating preliminary interest from UNC-Wilmington. Advanced adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

HKZ Group. In Section V.1, page 71, HKZ Group states that it has an existing professional training relationship with UNC-Pembroke to provide training for health professionals within home health disciplines and intends to establish similar relationships with clinical programs in Brunswick County and surrounding counties. HKZ Group states, *“Representatives of HealthKeeperz of Brunswick contacted representatives at UNC Wilmington and local community colleges, as documented in the contact summary included in Exhibits 6 and 9. ... HealthKeeperz of Brunswick will continue to contact educational and training programs to health [sic] meet the clinical needs of students in those programs.”* HKZ Group adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Maxim. In Section V.1, page 89, Maxim states *“Maxim has existing clinical training agreements with The University of North Carolina Wilmington (UNC-W) School of Nursing and Brunswick Community College (BCC). ... The proposed Medicare-certified Brunswick County home health agency would be incorporated in the existing agreements with UNC-W and BBC and will provide additional training opportunities for nursing students...”* Exhibit 10 contains a copy of the agreement with UNC-W. Maxim adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Gentiva. In Section V.I, page 69, Gentiva states *“Gentiva has identified five professional training programs in the area. They are identified in Exhibit 28 below. .. The applicant has contacted each of the institutions by phone and/or in person to discuss potential training programs and educational relationships should this project be approved. Letters of support from Brunswick Community College and Cape Fear Community College are included in Attachment N.”* Attachment N contains a copy of a contact log and letters indicating interest in establishing a training arrangement from Brunswick Community College and Cape Fear Community College. Gentiva adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

Continuum. In Section V.1, page 109, Continuum states, *“Continuum will accommodate the clinical needs of health professional training programs in and around Brunswick County. Upon issuance of the CON and licensure/certification of the agency, we would enter into contracts wit those schools that wish to work with us.”* Exhibit H contains a copy of correspondence from an area health professional training program, Brunswick Community College, referencing contact from Continuum and expressing an interest to develop the

proposed agency as a clinical training site. Continuum adequately demonstrates that the proposed facility will accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
 - (16) Repealed effective July 1, 1987.
 - (17) Repealed effective July 1, 1987.
 - (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

NC
NHRMC
Advanced
Gentiva

C- All Other Applicants

Each of the seven applicants propose to develop a new Medicare-certified home health agency or office in response to the 2013 SMFP need determination for one new Medicare-certified home health agency or office for Brunswick County.

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

Existing Medicare-Certified Home Health Agencies Located in Brunswick County	Location
AssistedCare Home Health	1003 Old Waterford Way, Suite 1B, Leland, NC 28451
Liberty Home Care	1120 Ocean Highway W, Supply, NC 28462

UniHealth does not currently own or operate a Medicare-certified home health agency in Brunswick County. However, UniHealth owns a Medicare-certified home health agency in Wake County. In Section V.7, pages 170-175, UniHealth discusses how any enhanced competition in the service area will have a positive impact upon the cost-effectiveness, quality and access to the proposed services. UniHealth states

“Operationally, UniHealth will contain costs through efficient use of health care resources, economies of scale, and careful use of external productivity benchmarks. ... As discussed in response to Policy GEN-3, UniHealth and its family of companies have an intense commitment to quality, including all of the elements of the CMS Triple Aim. ... As discussed in Section III.2, the proposed project will provide access to home health

services for clients who have limited financial resources and the medically underserved.”

See also Sections II, III, V, VI and VII where UniHealth discusses the impact of the project on cost-effectiveness, quality and access. The information provided by UniHealth in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- UniHealth adequately demonstrates the need to develop a new Medicare-certified home health agency in Brunswick County and that it is a cost-effective alternative;
- UniHealth will provide quality services; and
- UniHealth will provide adequate access to medically underserved populations.

The application is conforming to this criterion.

NHRMC does not currently own or operate a Medicare-certified home health agency in Brunswick County. NHRMC does currently own one Medicare-certified home health agency in Pender County. In Section V.7, page 80, NHRMC discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. NHRMC states

“This project will result in establishment of an additional home health agency located in Brunswick County and the agency will be located in existing office space, thus enabling NHRMC Home Care to minimize capital costs. ... NHRMC Home Care has establish [sic] rigorous staff quality standards and will hire only personnel who understand what is expected from them both clinically and professionally. ... NHRMC does not discriminate access to its services based on any patient characteristic, including inability to pay for services.”

See also Sections II, III, V, VI and VII where NHRMC discusses the impact of the project on quality and access. The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have a positive impact on the quality and access to the proposed services.

However, NHRMC does not adequately demonstrate that any enhanced competition will have a positive impact on the cost effectiveness of the proposed services. Specifically, NHRMC does not adequately demonstrate the need for its proposal. Thus, NHRMC’s proposal will not have a positive impact on the cost effectiveness of the proposed services. Services that are not needed cannot be cost effective. The application is nonconforming to this criterion.

Advanced does not currently own or operate a Medicare-certified home health agency in Brunswick County. Advanced does currently own nine Medicare-certified home health agencies elsewhere in the State. In Section V.7, pages 73-74, the applicant discusses how any enhanced competition in the service area will have a positive impact on the quality and access to the proposed services. Advanced states

“Home health services in and of themselves are a cost-effective alternative to hospitalization and other forms of inpatient care. ... Cost effectiveness will be achieved by, among other ways, the sharing of common support services within the Advanced Home Care network of providers and by providing and coordinating a continuum of home-based services to the patient. ... Our goal is to prevent avoidable hospitalizations, reduce negative outcomes, achieve industry audit measures and quality outcomes as well as promoting a high quality of life for our patients in the home. ... Consistent with the unmet need for home health agency services as identified in the 2013 SMFP, Advanced Home Care’s proposed project will improve access to services to residents of Brunswick, New Hanover and Pender Counties.”

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have a positive impact on the quality and access to the proposed services.

However, Advanced does not adequately demonstrate that any enhanced competition will have a positive impact on the cost effectiveness of the proposed services. Specifically, Advanced does not adequately demonstrate the need for its proposal. Thus, Advanced’s proposal will not have a positive impact on the cost effectiveness of the proposed services. Services that are not needed cannot be cost effective. The application is nonconforming to this criterion.

HKZ Group does not currently own or operate a Medicare-certified home health agency in Brunswick County or anywhere else in the State. The proposed management company, HealthKeeperz, Inc., does own and operate three Medicare-certified home health agencies in Robeson, Scotland and Cumberland counties. In Section V.7, pages 76-78, the applicant discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. HKZ Group states

“HealthKeeperz, Inc. will provide management services to HealthKeeperz of Brunswick, to include administrative services, which will reduce expenses through economies of scale. ... Quality assurance/performance activities will be performed by HealthKeeperz, Inc. under the Management Services Agreement. ... HealthKeeperz of Brunswick will provide services to all patients without discriminating on the basis of payment source, age, gender, race, religion, national origin or handicap.”

See also Sections II, III, V, VI and VII where HKZ Group discusses the impact of the project on cost-effectiveness, quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- HKZ Group adequately demonstrates the need to develop a new Medicare-certified home health agency in Brunswick County and that it is a cost-effective alternative;
- HKZ Group will provide quality services; and

- HKZ Group will provide adequate access to medically underserved populations.

The application is conforming to this criterion.

Maxim does not own or operate any existing Medicare-certified home health agencies in North Carolina. It does own and operate them in other states. Effective July 31, 2013, Maxim was authorized to develop a Medicare-certified home health agency in Wake County. Maxim does currently own and operate 17 licensed home care agencies in North Carolina, including one in New Hanover County. Maxim does not operate a licensed home care office in Brunswick County. In Section V.7, pages 93-96, Maxim discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. Maxim states

“According to the National Association for Home Care & Hospice, home care is a cost-effective service for individuals recuperating from a hospital stay and for those who, because of a functional or cognitive disability, are unable to care for themselves. ... The proposed project will provide high quality home health services by an organization that is recognized for excellence in care delivery. ... Maxim will render appropriate medical care to all persons in need of care, regardless of their ability to pay.”

See also Sections II, III, V, VI and VII where Maxim discusses the impact of the project on cost-effectiveness, quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

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

The application is conforming to this criterion.

Gentiva does not currently own or operate a Medicare-certified home health agency in Brunswick County. However, Gentiva owns four Medicare-certified home health agencies in North Carolina located in Wayne, Lenoir and Jones counties. In Section V.7, pages 72-75, Gentiva discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. Gentiva states

“According to the National Association for Home Care & Hospice, home care is a cost-effective service for individuals recuperating from a hospital stay and for those who, because of a functional or cognitive disability, are unable to care for themselves. ... Each office has a Quality Advisory Committee which ... under the Performance Improvement Plan and the Clinical Record Review Policy, office clinical managers conduct an ongoing review of clinical records at least every 60 days to determine the adequacy of the plan of care and appropriateness of continuing and/or modifying the

plan of care. ... Gentiva offers care to all patients who receive a proper referral, regardless of payor. Additionally, Gentiva does not discriminate based on sex, race, religion, nation of origin, sexual preference, or any other factor.”

See also Sections II, III, V and VI where the Gentiva discusses the impact of the project on access. The information provided by Gentiva in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have a positive impact on access to the proposed services.

However, Gentiva does not adequately demonstrate that any enhanced competition will have a positive impact on the quality and cost-effectiveness of the proposed services for the following reasons.

1. Gentiva did not adequately demonstrate that it will provide quality services. Specifically, Gentiva does not adequately demonstrate it proposes sufficient staffing for the number of visits projected.
2. Gentiva did not adequately demonstrate the need for its proposal. Thus, Gentiva’s proposal will not have a positive impact on the cost effectiveness of the proposed services. Services that are not needed cannot be cost effective.

The application is nonconforming to this criterion.

Continuum does not currently own or operate a Medicare-certified home health agency in Brunswick County. However, Continuum owns a Medicare-certified home health agency in Onslow County. In Section V.7, page 111, Continuum discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services. Continuum states

“In general, Continuum’s proposed development of a new home health agency in Brunswick County will foster competition because it represents a new provider offering home health services in response to identified needs at reasonable rates. ... This project will also have a positive impact on quality of care as a result of Continuum’s proven track record of delivering quality home health services to our clients. ... Lastly, Continuum’s proposal will provide increased access to home health services for residents of Brunswick County and the extended service area who are projected to be underserved in 2014 and beyond.”

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

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

- Continuum adequately demonstrates the need to develop a new Medicare-certified home health agency in Brunswick County and that it is a cost-effective alternative;
- Continuum will provide quality services; and
- Continuum will provide adequate access to medically underserved populations.

The application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C
NHRMC
Maxim

NA- All Other Applications

NHRMC currently owns and operates a Medicare-certified home health agency in Pender County which serves a significant number of Brunswick County residents. According to the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, there were no incidents during the 18 months immediately preceding the date of this decision which resulted in any of the following actions: provisional license; suspension of services; intent to revoke license; or revocation of license. Furthermore, the agency operated in compliance with all Medicare conditions of participation during the same time period. Therefore, the application is conforming to this criterion.

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

None of the other applicants currently own or operate either a licensed home care agency or a Medicare-certified home health agency located in Brunswick County or any agency that serves a significant number of Brunswick County residents from another county.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in

order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NC
Advanced
Gentiva

C- All Other Applications

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

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

The specific criteria are discussed below.

SECTION .2000 – CRITERIA AND STANDARDS FOR HOME HEALTH SERVICES

10A NCAC 14C .2002 INFORMATION REQUIRED OF APPLICANT

(a) *An applicant shall identify:*

(1) *the counties that are proposed to be served by the new office;*

- C- **UniHealth** projects to serve residents of Brunswick, New Hanover and Pender counties.
- C- **NHRMC** projects to serve residents of Brunswick, Bladen and Columbus counties.
- C- **Advance** projects to serve residents of Brunswick, New Hanover and Pender counties.
- C- **HKZ Group** projects to serve residents of Brunswick and New Hanover counties.
- C- **Maxim** projects to serve residents of Brunswick County.
- C- **Gentiva** projects to serve residents of Brunswick, Pender and New Hanover counties.
- C- **Continuum** projects to serve residents of Brunswick and New Hanover counties.

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

- C- **UniHealth**. In Section II.1, pages 36-69 and Section II.8, page 99, UniHealth describes the services it proposes to offer by each discipline.
- C- **NHRMC**. In Section II.1, pages 13-19 and Section II.8, pages 31-35, NHRMC describes the services it proposes to offer by each discipline.
- C- **Advanced**. In Section II.1, pages 18-26 and Section II.8, pages 33-34, Advanced describes the services it proposes to offer by each discipline.
- C- **HKZ Group**. In Section II.1, pages 9-14, and Section II.8, page 25, HKZ Group describes the services it proposes to offer by each discipline.
- C- **Maxim** . In Section II.1, pages 11-21, and Section II.8, page 40, Maxim describes the services it proposes to offer by each discipline.

- C- **Gentiva.** In Section II.1, pages 16-22, and Section II.8, page 27, Gentiva describes the services it proposes to offer by each discipline.
- C- **Continuum.** In Section II.1, pages 11-22, and Section II.8, pages 31-34, Continuum describes the services it proposes to offer by each discipline.
- (3) *the projected total unduplicated patient count of the new office for each of the first two years of operation;*
- C- **UniHealth.** In Section IV, page 148, UniHealth projects to serve 204 unduplicated patients in Year 1 and 508 unduplicated patients in Year 2.
- C- **NHRMC.** In Section IV, pages 60-61, NHRMC projects to serve 995 unduplicated patients in Year 1 and 1,328 unduplicated patients in Year 2. However, see Criterion (3) for discussion regarding the reasonableness of NHRMC's projections.
- C- **Advanced.** In Section IV, page 63, Advanced projects to serve 316 unduplicated patients in Year 1 and 533 unduplicated patients in Year 2. However, see Criterion (3) for discussion regarding the reasonableness of Advanced's projections.
- C- **HKZ Group.** In Section IV, page 69, HKZ Group projects to serve 421 unduplicated patients in Year 1 and 582 unduplicated patients in Year 2.
- C- **Maxim.** In Section IV, pages 74-75, Maxim projects to serve 387 unduplicated patients in Year 1 and 503 unduplicated patients in Year 2.
- NC- **Gentiva.** In Section IV, page 67, Gentiva projects to serve 490 unduplicated patients in Year 1 and 813 unduplicated patients in Year 2. However, on pages 60 and 64, Gentiva projects to serve 236 unduplicated patients in Year 1 and 391 unduplicated patients in Year 2. Because Gentiva provides inconsistent projections, the application is not conforming to this Rule.
- C- **Continuum.** In Section IV, page 99, Continuum projects to serve 125 unduplicated patients in Year 1 and 474 unduplicated patients in Year 2.
- (4) *the projected number of patients to be served per service discipline for each of the first two years of operation;*
- C- **UniHealth.** In Section IV, page 149, UniHealth provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.
- C- **NHRMC.** In Section IV, page 62-63, NHRMC provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency. However, see Criterion (3) for discussion regarding the reasonableness of NHRMC's projections.
- C- **Advanced.** In Section IV, page 64, Advanced provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency. However, see Criterion (3) for discussion regarding the reasonableness of Advanced's projections.
- C- **HKZ Group.** In Section IV, page 70, HKZ Group provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.

- C- **Maxim.** In Section IV, pages 76-77, Maxim provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.
 - NC- **Gentiva.** In Section IV, page 68, Gentiva provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency. However, the applicant provides inconsistent projections of unduplicated patients on pages 60, 64 and 67. Since projected patients to be served by service discipline is based on unduplicated patients, projected patients by service discipline are unreliable. Therefore, the application is nonconforming to this Rule.
 - C- **Continuum.** In Section IV, page 105, Continuum provides the projected number of patients to be served per service discipline for each of the first two years of operation of the proposed home health agency.
- (5) *the projected number of visits by service discipline for each of the first two years of operation;*
- C- **UniHealth.** In Section IV, page 149, UniHealth provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.
 - C- **NHRMC.** In Section IV, page 62-63, NHRMC provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency. However, see Criterion (3) for discussion regarding the reasonableness of NHRMC's projections.
 - C- **Advanced.** In Section IV, page 64, Advanced provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency. However, see Criterion (3) for discussion regarding the reasonableness of Advanced's projections.
 - C- **HKZ Group.** In Section IV, page 70, HKZ Group provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.
 - C- **Maxim.** In Section IV, pages 76-77, Maxim provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.
 - NC- **Gentiva.** In Section IV, page 68, Gentiva provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency. However, the applicant provides inconsistent projections of unduplicated patients on pages 60, 64 and 67. Since visits are based on unduplicated patients, projected visits are unreliable. Therefore, the application is nonconforming to this Rule.
 - C- **Continuum.** In Section IV, page 105, the applicant provides the projected number of visits by service discipline for each of the first two years of operation of the proposed home health agency.
- (6) *within each service discipline, the average number of patient visits per day that are anticipated to be performed by each staff person;*

- C- **UniHealth.** In Section VII.3, pages 189-191, UniHealth provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **NHRMC.** In Section VII.2, pages 89-90, and VII.3, page 92, NHRMC provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **Advanced.** In Section VII.3, page 86, Advanced provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **HKZ Group.** In Section VII.3, page 93, HKZ Group provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **Maxim.** In Section VII.3, pages 111-112, Maxim provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **Gentiva.** In Section VII.3, page 82, and Table VII.2, pages 88-89, Gentiva provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.
- C- **Continuum.** In Section VII., pages 122-124, Continuum provides, for each service discipline, the average number of visits per day that are anticipated to be performed by each staff person.

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

- C- **UniHealth.** In Section X.1, page 218, UniHealth provides the projected average annual cost per visit for each proposed service discipline.
- C- **NHRMC.** In Section X.1, page 104, NHRMC provides the projected average annual cost per visit for each proposed service discipline.
- C- **Advanced.** In Section X.1, page 100, Advanced provides the projected average annual cost per visit for each proposed service discipline.
- C- **HKZ Group.** In Section X.1, page 106, HKZ Group provides the projected average annual cost per visit for each proposed service discipline.
- C- **Maxim.** In Section X.1, page 126, Maxim provides the projected average annual cost per visit for each proposed service discipline.
- NC- **Gentiva.** In Section X.1, page 96, Gentiva provides the projected average annual cost per visit for each proposed service discipline. However, on pages 60, 64 and 67, Gentiva provides inconsistent projections of unduplicated patients. Since projected visits are based on unduplicated patients, projected visits are unreliable and so are projected costs per visit. Therefore, the application is not conforming to this Rule.
- C- **Continuum.** In Section X.1, page 134, Continuum provides the projected average annual cost per visit for each proposed service discipline.

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

- C- **UniHealth.** In Section X.2, page 220, UniHealth provides the projected charge by payor source for each proposed service discipline.

- C- **NHRMC.** In Section X.2, page 105, NHRMC provides the projected charge by payor source for each proposed service discipline.
- C- **Advanced.** In Section X.2, page 100, Advanced provides the projected charge by payor source for each proposed service discipline.
- C- **HKZ Group.** In Section X.2, page 106, HKZ Group provides the projected charge by payor source for each proposed service discipline.
- C- **Maxim.** In Section X.2, page 127, Maxim provides the projected charge by payor source for each proposed service discipline.
- C- **Gentiva.** In Section X.2, page 97, Gentiva provides the projected charge by payor source for each proposed service discipline.
- C- **Continuum.** In Section X.2, page 135, Continuum provides the projected charge by payor source for each proposed service discipline.

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

- C- **UniHealth.** In Section V, pages 164-167, and Section VI.8, pages 179-180, UniHealth identifies anticipated referral sources. Exhibits 14, 15, 17, 22, 25-30, 36, 53, 67, 69 and 77 contain documentation showing that health care providers and others were contacted regarding the proposal and contain copies of letters sent to area health care providers, copies of survey responses to the applicant's needs assessment survey, and copies of letters of support for the proposal from health care providers.
- C- **NHRMC.** In Section V, pages 77-78, NHRMC discusses anticipated referral sources. Exhibit 20 contains letters of support for the proposal from health care providers and referral letters.
- C- **Advanced.** In Section II, page 38, and Section V, pages 71-72, Advanced discusses anticipated referral sources. Exhibit 12 contains letters of support for the proposal from health care providers and referral sources.
- C- **HKZ Group.** In Section V, pages 71-75, and Exhibits 6 and 7, HKZ Group identifies anticipated referral sources. Exhibits 6 and 7 contain copies of the applicant's "*Outreach List and Documentation*" identifying potential referral sources, and copies of letters sent to area health care providers.
- C- **Maxim.** In Section V, pages 89-90, and Exhibits 19 and 20, Maxim identifies anticipated referral sources. Exhibit 19 contains letters of support for the proposal from health care providers and Exhibit 20 contains a list of "*Physician Referral Sources.*"
- C- **Gentiva.** In Section V, pages 70-71, Gentiva discusses anticipated referral sources. Attachments L and M contain letters of support for the proposal from health care providers and a list of referral sources and a contact log.
- C- **Continuum.** In Section II.8, pages 37-38, and Section V, pages 109-110, and Appendix J, Continuum identifies anticipated referral sources. Appendix J contains copies of needs assessment survey responses and letters of support for the proposal from health care providers.

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

- C- **UniHealth.** In Section V, pages 164-167, and Section VI.8, pages 179-180,

- UniHealth identifies anticipated referral sources. Exhibits 14, 15, 17, 22, 25-30, 36, 53, 67, 69 and 77 contain documentation showing that health care providers and others were contacted regarding the proposal and contain copies of letters sent to area health care providers, copies of survey responses to the applicant's needs assessment survey, and copies of letters of support for the proposal from health care providers.
- C- **NHRMC.** In Section V, pages 77-78, NHRMC discusses anticipated referral sources. Exhibit 20 contains letters of support for the proposal from health care providers and referral letters.
 - C- **Advanced.** In Section II, page 38, and Section V, pages 71-72, Advanced discusses anticipated referral sources. Exhibit 12 contains letters of support for the proposal from health care providers and referral sources.
 - C- **HKZ Group.** In Section V, pages 71-75, and Exhibits 6 and 7, HKZ Group identifies anticipated referral sources. Exhibits 6 and 7 contain copies of the applicant's "Outreach List and Documentation" identifying potential referral sources, and copies of letters sent to area health care providers.
 - C- **Maxim.** In Section V, pages 89-90, and Exhibits 19 and 20, Maxim identifies anticipated referral sources. Exhibit 19 contains letters of support for the proposal from health care providers and Exhibit 20 contains a list of "Physician Referral Sources."
 - C- **Gentiva.** In Section V, pages 70-71, and Section VI.8, pages 79-80, Gentiva discusses anticipated referral sources. Attachments L and M contain letters of support for the proposal from health care providers and a list of referral sources and a contact log.
 - C- **Continuum.** In Section II.8, pages 37-38, and Section V, pages 109-110, and Appendix's I and J, Continuum identifies anticipated referral sources. Appendix J contains copies of needs assessment survey responses and letters of support for the proposal from health care providers.

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

- C- **UniHealth** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
- C- **NHRMC** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
- C- **Advanced** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
- C- **HKZ Group** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.

- C- **Maxim** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
 - C- **Gentiva** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
 - C- **Continuum** provides the assumptions and methodology used to project utilization in Sections III and IV of the application. Assumptions regarding costs are contained in Section X and the pro forma financial statements. All assumptions are clearly stated.
- (b) *An applicant shall specify the proposed site on which the office is proposed to be located. If the proposed site is not owned by or under the control of the applicant, the applicant shall specify an alternate site. The applicant shall provide documentation from the owner of the sites or a realtor that the proposed and alternate site(s) are available for acquisition.*
- C- **UniHealth.** In Section XI, pages 226-228, UniHealth identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibit 63 contains documentation that both sites are available.
 - C- **NHRMC.** In Section XI, pages 110-116, NHRMC identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibits 6 and 7 contain documentation that both sites are available.
 - C- **Advanced.** In Section XI, pages 106-107, Advanced identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibits 18 and 19 contain documentation that both sites are available.
 - C- **HKZ Group.** In Section XI, pages 110-112, HKZ Group identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibit 16 contains documentation that both sites are available.
 - C- **Maxim.** In Section XI, pages 133-136, Maxim identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Exhibit 2 contains documentation that both sites are available. .
 - C- **Gentiva.** In Section XI, pages 102-104, Gentiva identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Attachment H contains documentation that both sites are available.
 - C- **Continuum.** In Section XI, pages 138-141, Continuum identifies the primary and alternate sites for the proposed Medicare-certified home health agency. Appendix M contains documentation that both sites are available.
- (c) *An applicant proposing to establish a new home health agency pursuant to a need determination in the State Medical Facilities Plan to meet the special needs of the non-English speaking, non-Hispanic population shall provide the following additional information:*
- (1) *for each staff person in the proposed home health agency, identify the foreign language in which the person is fluent to document the home health agency will have employees fluent in multiple foreign languages other than Spanish, including Russian;*

- (2) *description of the manner in which the proposed home health agency will actively market and provide its services to non-English speaking, non-Hispanic persons; and*
 - (3) *documentation that the proposed home health agency will accept referrals of non-English speaking, non-Hispanic persons from other home health agencies and entities, within Medicare Conditions of Participation and North Carolina licensure rules.*
- NA- **None of the applicants** propose to establish a new Medicare-certified home health agency pursuant to a need determination in the State Medical Facilities Plan to meet the special needs of the non-English speaking, non-Hispanic population.

10A NCAC 14C .2003 PERFORMANCE STANDARDS

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

The standard methodology in the 2013 SMFP identified a deficit of 324.94 patients in Brunswick County. The methodology in the 2013 SMFP is silent regarding rounding. The State Health Coordinating Council approved a petition requesting that 324.94 be rounded to 325 which would trigger a need determination pursuant to the standard methodology. The performance standard for the proposed new Medicare-certified home health agency is 325 Brunswick County patients during the third year of operation following completion of the proposed project.

- C- **UniHealth.** In Section IV, page 148, UniHealth projects to serve 508 unduplicated patients in the second year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. UniHealth does not provide projected utilization in Project Year 3. Given that the applicant projects to serve 432 unduplicated patients from Brunswick County in Project Year 2, it is reasonable to assume UniHealth will serve at least 325 Brunswick County residents in Project Year 3.
- C- **NHRMC.** In Section II.8, page 41, NHRMC projects to serve 1,328 unduplicated patients in the second year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. NHRMC does not provide projected utilization in Project Year 3. Given that NHRMC projects to serve 1,108 Brunswick County residents in Project Year 2, it is reasonable to assume NHRMC would serve at least 325 Brunswick County residents in Project Year 3, particularly since the existing Pender County office served 380 Brunswick County patients in FFY 2012.
- NC- **Advanced.** In Section II.8, page 41, Advanced projects to serve 588 unduplicated patients in the second year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. Advanced does not provide projected utilization in Project Year 3. Advanced projects to serve 303 Brunswick County residents in Project Year 2 but does not provide adequate documentation to show that

number would increase to 325 Brunswick County residents in Project Year 3. Moreover, Advanced's projected utilization is not based on reasonable, credible and supported assumptions. See Criterion (3) for the discussion regarding projected utilization which is incorporated hereby as if set forth fully herein. Consequently, Advanced does not adequately demonstrate it will serve at least 325 Brunswick County residents in Project Year 3. Therefore, the application is not conforming to this Rule.

- C- **HKZ Group.** In Section III, page 60, HKZ Group projects to serve 603 unduplicated patients in the third year of operation, of which 578 will be Brunswick County residents, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan.
- C- **Maxim.** In Section II.8, page 43, Maxim projects to serve 516 unduplicated patients in the third year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. Maxim only projects to serve Brunswick County residents.
- NC- **Gentiva.** In Section IV, page 67, Gentiva projects to serve 813 unduplicated patients in the second year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. However, on pages 60 and 64, Gentiva projects to serve only 391 unduplicated patients of which only 313 are projected to be residents of Brunswick County. Gentiva does not provide projected utilization in Project Year 3. Because Gentiva provides inconsistent information regarding projected utilization which cannot be reconciled, Gentiva does not adequately demonstrate projected utilization is based on reasonable, credible and supported assumptions. See Criterion (3) for the discussion regarding projected utilization which is incorporated hereby as if set forth fully herein. Consequently, Gentiva does not adequately demonstrate it will serve at least 325 Brunswick County residents in Project Year 3. Therefore, the applicant is nonconforming to this rule.
- C- **Continuum.** In Section IV, page 99, Continuum projects to serve 474 unduplicated patients in the second year of operation, which exceeds the minimum of 325 patients used in the 2013 State Medical Facilities Plan. Continuum does not provide projected utilization in Project Year 3. Given that Continuum projects to serve 453 Brunswick County residents in Project Year 2 (see application page 90), it is reasonable to assume the applicant will serve at least 325 in Project Year 3.

10A NCAC 14C .2005 STAFFING AND STAFF TRAINING

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

- C- **UniHealth.** In Section II.8, page 103, UniHealth states, *“Please see the responses in Section VII, question [sic] 1-9 that demonstrate the proposed office will meet the staffing requirements as contained in 10A NCAC 13J.”*
- C- **NHRMC.** In Section II.8, page 42, NHRMC states, *“Please refer to Section VII for details regarding proposed agency staffing. NHRMC Home Care will meet all*

relevant licensure requirements regarding staffing.” NHRMC also references Exhibits 8 and 9.

- C- **Advanced.** In Section II.8, page 42, Advanced states, “*Advanced Home Care’s new Medicare-certified agency will meet the staffing requirements found in 10A NCAC 13J. Details are provided in Section VII.*”
- C- **HKZ Group.** In response to this rule, in Section II.8, page 26, HKZ Group references Table VII.2, pages 97-98. Section VII projects proposed staffing for each of the first two years of operation.
- C- **Maxim.** In Section II.8, page 43, Maxim states, “*The proposed new Medicare-certified Brunswick home health agency office will meet the staffing and staff training requirements as contained in 10ANCAC 13J. Please refer to Section VII for details regarding agency staffing and staff training.*”
- NC- **Gentiva.** In Section II.8, page 31, Gentiva states, “*Please see the responses in Section VII, questions 1-9 and including Tables VII.1 through VII.3, that demonstrate the proposed office will meet the staffing requirements contained in 10A NCAC 13J.*” However, Gentiva does not adequately demonstrate that it proposes sufficient staff for the number of visits projected to be provided in Project Year 2. See Criterion (7) for discussion which is incorporated hereby as if set forth fully herein. Therefore, Gentiva does not adequately demonstrate that its proposed home health agency will comply with 10A NCAC 13J as required by this rule.
- C- **Continuum.** In Section II.8, page 40, Continuum states, “*The projections contained in Section VII have taken into consideration all staffing requirements contained in 10A NCAC 13J.*”

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

- C- **UniHealth.** In Section VII.5, page 196, UniHealth states that it will contract for speech therapists, physical therapists and occupational therapists. Exhibit 17 contains a copy of a letter of interest and sample contract from the proposed health care provider with which UniHealth plans to contract for the provision of speech therapists, physical therapists and occupational therapists.
- NA- **NHRMC.** In Section VII.5, page 94, NHRMC states “*NHRMC Home Care does not propose to utilize contracts [sic] services for its personnel.*”
- NA- **Advanced.** In Section VII.5, page 87, Advanced states “*Advanced Home Care will not use contract personnel.*”
- C- **HKZ Group.** In Section VII.5, page 94, HKZ Group states “*HealthKeeperz of Brunswick has discussed using contract services with CoreMedical Group. As needed, HealthKeeperz of Brunswick will utilize these entities for RNs, LPNs, physical therapist assistants, speech therapists, medical social workers and occupational therapists.*” In Section VII.5(b), page 95, HKZ Group states “*Additionally, under the Management Agreement, HealthKeeperz, Inc. agrees to provide medical social worker services and nutritionist services as needed.*” Exhibit 12 contains copies of letters of interest from the proposed health care provider with

which HKZ Group plans to contract for the provision of home health services. Exhibit 2 contains a copy of the management agreement.

- NA- **Maxim.** In Section VII.5, page 114, Maxim states “*Maxim does not propose to contract for personnel to provide direct patient care services for its Brunswick County Medicare-certified home health agency.*”
- NA- **Gentiva.** In Section VII.5, page 84, Gentiva states “*No services listed in Table VII.3 will be provided on a contract basis.*”
- NA- **Continuum.** In Section VII.5, page 126, Continuum states “*Continuum does not propose to contract for any services.*”

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2013 SMFP, no more than one new Medicare-certified home health agency may be approved for Brunswick County in this 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, the Project Analyst also conducted a comparative analysis of the proposals.

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

Projected Access by Medicare Recipients

The following tables compare: a) Medicare visits as a percentage of total visits; and b) duplicated Medicare patients as a percentage of total duplicated patients, as reported by each applicant in Section VI.12. Generally, the application projecting the highest percentage is the most effective alternative with regard to these comparative factors. The applications are listed in the tables below in decreasing order of effectiveness.

Rank	Applicant	Medicare Visits as a percentage of Total Visits
1	NHRMC*	88.1%
2	Advanced	80.2%
3	UniHealth	79.4%
4	HKZ Group	76.6%
5	Continuum	75.5%
6	Gentiva	75.3%
7	Maxim	73.2%

*This percentage was calculated by the project analyst based on data provided on page 72 of NHRMC's application since the response in Section VI.12 (11.3%) is clearly not correct.

As shown in the table above, NHRMC projects the highest Medicare visits as a percentage of total visits, Advanced projects the second highest and UniHealth projects the third highest. However, NHRMC's and Advanced's projected visits are not based on reasonable, credible and supported assumptions. Therefore, the percentages of Medicare visits shown in the table above for NHRMC and Advanced are not reliable. The application submitted by UniHealth is the most effective alternative with regard to Medicare visits as a percentage of total visits.

Rank	Applicant	Duplicated Medicare Patients as a Percentage of Total Duplicated Patients
1	UniHealth	76.7%
2	Advanced	73.9%
3	Maxim	71.2%
4	Continuum	70.9%
5	Gentiva	68.7%
6	HKZ Group	68.4%
7	NHRMC*	100.0%

*The percentage reported by NHRMC in Section VI.12 (100 %) is clearly not correct based on the responses in other sections. NHRMC does not provide the data required to determine this percentage.

As shown in the table above, UniHealth projects to serve the highest percentage of duplicated Medicare patients as a percentage of total duplicated patients in Project Year 2. The application submitted by UniHealth is the most effective alternative with regard to duplicated Medicare patients as a percentage of total duplicated patients.

Projected Access by Medicaid Recipients

The following tables compare: a) Medicaid visits as a percentage of total visits; and b) duplicated Medicaid patients as a percentage of total duplicated patients, as reported by each applicant in Section VI.12. Generally, the application projecting the highest percentage is the most effective alternative with regard to these comparative factors. The applications are listed in the tables below in decreasing order of effectiveness.

Rank	Applicant	Medicaid Visits as a percentage of Total Visits
1	Continuum	21.8%
2	Gentiva	20.2%
3	UniHealth	18.3%
4	Maxim	17.8%
5	HKZ Group	14.8%
6	Advanced	12.9%
7	NHRMC*	11.2%

*This percentage was calculated by the project analyst based on data provided on page 72 of NHRMC's application since the response in Section VI.12 (0%) is clearly not correct.

As shown in the table above, Continuum projects the highest Medicaid visits as a percentage of total visits. The application submitted by Continuum is the most effective alternative with regard to Medicaid visits as a percentage of total visits.

Rank	Applicant	Duplicated Medicaid Patients as a Percentage of Total Duplicated Patients
1	Gentiva	25.5%
2	Continuum	18.1%
3	HKZ Group	17.9%
4	UniHealth	17.7%
5	Maxim	17.4%
6	Advanced	15.6%
7	NHRMC*	0.0%

*The percentage reported by NHRMC in Section VI.12 is clearly not correct. NHRMC does not provide the data required to determine this percentage.

As shown in the table above, Gentiva projects to serve the highest number of duplicated Medicaid patients as a percentage of total duplicated patients in Project Year 2 and Continuum projects the second highest. However, Gentiva’s projections of duplicated patients are not reliable because they are based on unduplicated patients and Gentiva provides inconsistent projections of unduplicated patients. Therefore, the percentage of Medicaid visits shown in the table above for Gentiva is not reliable. The application submitted by Continuum is the most effective alternative with regard to duplicated Medicaid patients as a percentage of total duplicated patients.

Average Number of Visits per Unduplicated Patient

The majority of home health care services are covered by Medicare, which does not reimburse on a per visit basis. Rather, Medicare reimburses on a per episode basis. Thus, there is a financial disincentive to providing more visits per Medicare episode. The following table shows the average number of visits per unduplicated patient projected by each applicant in Project Year 2. Generally, the application proposing the highest number of visits per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	# of Unduplicated Patients	Projected # of Visits	Average # of Visits per Unduplicated Patient
1	Continuum	474	11,162	24
2	UniHealth	508	11,576	23
3	Advanced	533	11,123	21
4	HKZ Group	582	10,935	19
4	Maxim	503	9,405	19
6	NHRMC	1,328	23,022	17
7	Gentiva	813	7,706	9

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

Average Net Patient Revenue per Visit

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

Project Year 2				
Rank	Applicant	Total # of Visits	Net Patient Revenue	Average Net Patient Revenue per Visit
1	UniHealth	11,576	\$1,430,501	\$124
2	Advanced	11,123	\$1,541,982	\$139
3	Gentiva	7,706	\$1,099,399	\$143
4	HKZ Group	10,935	\$1,595,709	\$146
4	Continuum	11,162	\$1,636,041	\$146
6	NHRMC	23,022	\$3,564,820	\$155
7	Maxim	9,405	\$1,518,518	\$161

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

Average Net Revenue per Unduplicated Patient

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

Project Year 2				
Rank	Applicant	# of Unduplicated Patients	Net Patient Revenue	Average Net Patient Revenue per Unduplicated Patient
1	Gentiva	813	\$1,099,399	\$1,352
2	NHRMC	1,328	\$3,564,820	\$2,684
3	HKZ Group	582	\$1,595,709	\$2,742
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 table above, Gentiva projects the lowest average net revenue per unduplicated patient in Project Year 2, NHRMC projects the second lowest and HKZ Group projects the third lowest. However, both Gentiva's and NHRMC's projections of unduplicated patients and net patient revenue are not based on reasonable, credible or supported assumptions. Therefore, the averages shown in the table above for both Gentiva and NHRMC are not reliable. The application submitted by HKZ Group is the most effective alternative with regard to average net revenue per unduplicated patient.

Average Total Operating Cost per Visit

The average total operating cost per visit in Project Year 2 was calculated by dividing projected operating costs from Form B by the total number of visits from Section IV, as shown in the table below. Generally, the application proposing the lowest average total operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total # of Visits	Total Operating Costs	Average Total Operating Cost per Visit
1	NHRMC	23,022	\$2,041,650	\$89
2	Advanced	11,123	\$1,306,201	\$117
3	UniHealth	11,576	\$1,410,200	\$122
4	Continuum	11,162	\$1,455,998	\$130
5	HKZ Group	10,935	\$1,445,606	\$132
6	Gentiva	7,706	\$1,056,821	\$137
7	Maxim	9,405	\$1,305,747	\$139

As shown in the table above, NHRMC projects the lowest average total operating cost per visit in Project Year 2, Advanced projects the second lowest and UniHealth projects the third lowest. However, NHRMC's and Advanced's projections of total number of visits and operating costs are not based on reasonable, credible or supported assumptions. Therefore, the averages shown in the table above for NHRMC and Advanced are not reliable. The application submitted by UniHealth is

the most effective alternative with regard to average total operating cost per visit.

Average Direct Care Operating Cost per Visit

The average direct care operating cost per visit in Project Year 2 was calculated by dividing projected direct care expenses from Form B by the total number of home health visits from Section IV, as shown in the table below. Generally, the application proposing the lowest average direct care operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total # of Visits	Total Direct Care Costs	Average Direct Care Operating Cost per Visit
1	NHRMC	23,022	\$1,473,222	\$64
2	Advanced	11,123	\$883,641	\$79
3	Gentiva	7,706	\$594,516	\$77
4	Maxim	9,405	\$811,259	\$86
5	UniHealth	11,576	\$1,015,571	\$88
6	HKZ Group	10,935	\$975,508	\$89
7	Continuum	11,162	\$1,095,989	\$98

As shown in the table above, NHRMC projects the lowest average direct care operating cost per visit in Project Year 2, Gentiva projects the second lowest, Advanced projects the third lowest and Maxim projects the fourth lowest. However, NHRMC’s, Gentiva’s and Advanced’s projections of total number of visits and direct care costs are not based on reasonable, credible or supported assumptions. Therefore, the averages shown in the table above for NHRMC, Gentiva and Advanced are not reliable. The application submitted by Maxim is the most effective alternative with regard to the average direct care operating cost per visit.

Average Administrative Operating Cost per Visit

The average administrative operating cost per visit in Project Year 2 was calculated by dividing projected administrative operating costs from Form B by the total number of visits from Section IV.1, as shown in the table below. Generally, the application proposing the lowest average administrative operating cost per visit is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

Project Year 2				
Rank	Applicant	Total # of Visits	Administrative Costs	Average Administrative Operating Cost per visit
1	NHRMC	23,022	\$568,428	\$25
2	Continuum	11,162	\$360,009	\$32
3	UniHealth	11,576	\$394,629	\$34
4	Advanced	11,123	\$422,560	\$38
5	HKZ Group	10,935	\$470,098	\$43
6	Maxim	9,405	\$494,488	\$53
7	Gentiva	7,706	\$462,305	\$60

As shown in the table above, NHRMC projects the lowest average administrative operating cost per visit in Project Year 2 and Continuum projects the second lowest. However, NHRMC's projections of total number of visits and administrative costs are not based on reasonable, credible or supported assumptions. Therefore, the average shown in the table above for NHRMC is not reliable. The application submitted by Continuum is the most effective alternative with regard to average administrative operating cost per visit.

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

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

Project Year 2				
Rank	Applicant	Average Net Revenue per Visit (B)	Average Total Operating Cost per Visit (C)	Ratio of Average Net Revenue to Average Total Operating Cost per Visit (B / C)
1	UniHealth	\$124	\$122	1.02
2	Gentiva	\$143	\$137	1.04
3	HKZ Group	\$146	\$132	1.11
4	Continuum	\$147	\$130	1.13
5	Maxim	\$161	\$139	1.16
6	Advanced	\$139	\$117	1.19
7	NHRMC	\$155	\$89	1.74

The application submitted by UniHealth is the most effective alternative with regard to the ratio of net revenue per visit to average total operating cost per visit.

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

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

Project Year 2				
Rank	Applicant	Average Total Operating Cost per Visit (A)	Average Direct Care Operating Cost per Visit (B)	Average Direct Care Operating Cost as a % of Average Total Cost per Visit (B / A)
1	Continuum	\$130	\$98	75%
2	UniHealth	\$122	\$88	72%
2	NHRMC	\$89	\$64	72%
4	Advanced	\$117	\$79	68%
5	HKZ Group	\$132	\$89	67%
6	Maxim	\$139	\$86	62%
7	Gentiva	\$137	\$77	56%

The application submitted by Continuum is the most effective alternative with regard to the average direct operating cost per visit as a percentage of average total operating cost per visit.

Nursing and Home Health Aide Salaries in Project Year 2

All seven applicants propose to provide nursing and home health aide services with staff that are employees of the proposed home health agency. The tables below compare the proposed annual salary for registered nurses, licensed practical nurses and home health aides in Project Year 2. Generally, the application proposing the highest annual salary is the more effective alternative with regard to this comparative factor. The applications are listed in the table below in decreasing order of effectiveness.

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

Rank	Applicant	Licensed Practical Nurse
1	HKZ Group	\$48,269

3	Advanced	\$46,800
2	NHRMC	\$47,386
4	UniHealth	\$46,155
5	Continuum	\$43,497
	Maxim	Not Provided
	Gentiva	Not Provided

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

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

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

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

SUMMARY

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

- UniHealth projects to serve the third highest Medicare visits as a percentage of total visits.
- UniHealth projects to serve the highest Medicare patients as a percentage of total duplicated patients.
- UniHealth projects to serve the third highest Medicaid visits as a percentage of total visits.
- UniHealth projects to serve the second highest average number of visits per unduplicated patient.
- UniHealth projects the lowest average net revenue per visit.
- UniHealth projects the third lowest average total operating cost per visit.
- UniHealth projects the third lowest average administrative operating cost per visit.
- UniHealth projects the lowest ratio of average net revenue per visit to average total operating cost per visit.
- UniHealth projects the second highest average direct care operating cost per visit as a percentage

of average total operating cost per visit.

- UniHealth projects the highest RN salary.
- UniHealth projects the highest Home Health Aide Salary.

The following table:

- 1) Compares the proposal submitted by UniHealth with the proposals submitted by the denied applicants; and
- 2) Illustrates the reasons the approved application is determined to be the more effective alternative than the proposals submitted by the denied applicants.

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

Comparative Factor - Project Year 2	UniHealth	NHRMC	Advanced	HKZ Group	Maxim	Gentiva	Continuum
Medicare Patients as % of Total Duplicated Patients Section VI.12	76.7%	100.0%*	73.9%	68.4%	71.2%	68.7%	70.9%
Medicare Visits as % of Total Visits Section VI.12	79.4%	88.1%*	80.2%	76.6%	73.2%	75.3%	75.5%
Medicaid Patients as % of Total Duplicated Patients Section VI.12	17.7%	0.0%*	15.6%	17.9%	17.4%	25.5%	18.1%
Medicaid Visits as % of Total Visits Section VI.12	18.3%	11.2%*	12.9%	14.8%	17.8%	20.2%	21.8%
Average # of Visits per Unduplicated Patient	23	17	21	19	19	9	24
Average Net Revenue per Visit	\$124	\$155	139	\$146	\$161	\$143	\$146
Average Net Revenue per Unduplicated Patient	\$2,816	\$2,684	\$2,893	\$2,742	\$3,019	\$1,352	\$3,452
Average Total Operating Cost per Visit	\$122	\$89	\$117	\$132	\$139	\$137	\$130
Average Direct Operating Cost per Visit	\$88	\$64	\$79	\$89	\$86	\$77	\$98
Average Administrative Operating Cost per Visit	\$34	\$25	\$38	\$43	\$53	\$60	\$32
Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit	1.02	1.74	1.19	1.11	1.16	1.04	1.13
Average Direct Care Operating Cost per Visit as a % of Average Total Operating Cost per Visit	72%	72%	68%	67%	62%	56%	75%
RN Salary Section VII	\$76,500	\$73,329	\$67,600	\$70,627	\$69,215	\$50,247	\$67,172
Home Health Aide Salary Section VII	\$35,037	\$26,237	\$30,160	\$30,810	\$30,320	\$22,168	\$31,552

* The information provided by NHRMC in Section VI is clearly not correct. See discussion in Criterion (13c). Medicare and Medicaid patients as a percentage of total duplicated patients cannot be calculated from any other data provided by NHRMC. However, Medicare and Medicaid visits as a percentage of total visits was calculated from data provided by NHRMC in Section IV, page 72.

CONCLUSION

All of the applications are individually conforming to the need determination in the 2013 SMFP for one additional Medicare-certified home health agency in Brunswick County. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of Medicare-certified home health agencies that can be approved by the Certificate of Need Section. The Certificate of Need Section determined that the applications submitted by UniHealth is the most effective alternative proposed in this review for the development of an additional Medicare-certified home health agency in Brunswick County and is approved. The approval of any other application would result in the approval of a Medicare-certified home health agency in excess of the need determination in Brunswick County, and therefore, all of the competing applications are denied.

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

1. United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. shall materially comply with all representations made in the certificate of need application.
2. Prior to issuance of the certificate of need, United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. shall acknowledge in writing to the Certificate of Need Section acceptance of and agree to comply with all conditions stated herein.