

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

I. Introduction

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

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

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

II. Comparative Analysis

The Comparative Analysis in Attachment 1 shows that **HKZ** is the most effective alternative for a new Medicare-certified home health agency in Brunswick County.

III. Continuum CON Application

Continuum owns and operates one Medicare-home health agency in Onslow County. Continuum proposes to develop a Medicare-certified home health agency in Supply.

IV. CON Review Criteria

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

G.S. 131E-183 (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

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

- Policy GEN-3: Basic Principles.

As will be discussed in the context of CON Review Criteria (3), (4), (5), (6), (7), (8), (13c), and (18a), Continuum does not demonstrate:

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

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

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

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

A. PY 1 Lowest Projected Unduplicated Brunswick County Patients

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

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

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

As shown in the previous table, Continuum projects the lowest number of new patients from Brunswick County in PY 1. Its projected number of unduplicated new patients is **38.4%** (125/324.94) of the 2014 home health patient deficit in Brunswick County. There is no explanation provided for not proposing to serve a larger portion of the unmet need for home health services in Brunswick County.

B. Projected Annual Growth Rate between PYs 1 and 2 = Unreasonable

1. Unduplicated Patients – Growth Rate – 279%

Continuum projects to provide home health services to 125 unduplicated patients in its first year of operation, and 474 unduplicated patients in its second year of operation. That is an annual growth rate of 279%. Continuum includes 21 New Hanover County patients in its 474 unduplicated patients in PY 2.

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

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

For comparison purposes, Continuum’s Onslow County agency was Medicare-certified in December 1998. The following table shows Continuum’s unduplicated patient volume from Onslow County during its first three years of operation.

**Continuum – Onslow County Agency
Onslow County Unduplicated Patients: FYs 1999 - 2001**

FY	1999	2000	2001
Unduplicated Patients	91	213	331
Annual Growth Rate		134.1%	55.4%

Source: 2001-2003 SMFPs

As shown in the previous table, Onslow County unduplicated patient volume grew 134.1% between Continuum’s first and second years of operation. Equally important, Continuum’s second year volume of Onslow County patients is 44.9% of the Brunswick County volume that Continuum projects to serve in PY 2 (213/474).

Continuum’s Onslow County agency has not reported a total of 474 unduplicated patients from Onslow County during its 14 years of operation, as shown in the following table.

**Continuum – Onslow County Agency
Onslow County Unduplicated Patients: FYs 1999 - 2012**

FY	1999	2000	2001	2002	2003	2004	2005
Unduplicated Patients	91	213	331	358	386	460	466
Annual Growth Rate		134.1%	55.4%	8.2%	7.8%	19.2%	1.3%
FY	2006	2007	2008	2009	2010	2011	2012
Unduplicated Patients	422	367	418	418	411	441	472
Annual Growth Rate	-9.4%	-13.0%	13.9%	0%	-1.7%	7.1%	

Source: 2001-2013 SMFPs; Draft Table 12C dated May 10, 2013

As shown in the previous table, the largest number of unduplicated Onslow County patients served by Continuum during its 14 years of operation occurred in FY 2012, when it served 472 unduplicated Onslow County patients. Continuum has not experienced an annual growth rate of more than 134.1% during the entirety of its years of operation, as shown in the previous table.

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

2. Duplicated Patients – Growth Rate – 222%

Continuum projects to provide home health services to 392 unduplicated patients in its first year of operation, and 1,264 unduplicated patients in its second year of operation. That is an annual growth rate of 222%.

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

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

Continuum projects the highest annual growth rate of the seven applicants, as shown in the previous table. That rate of growth is 5.8 times greater than the rate proposed by **HKZ**, which is the lowest of all seven applicants.

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

3. Patient Visits – Growth Rate – 223%

Continuum projects to provide 3,455 patient visits in its first year of operation, and 11,162 patient visits in its second year of operation. That is an annual growth rate of 223%, as shown in the following table.

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

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

Continuum projects the highest annual growth rate of the seven applicants, as shown in the previous table. That rate of growth is 5.8 times greater than the rate proposed by **HKZ**, which is the lowest of all seven applicants.

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

4. Unreasonable Growth Rate = Unreasonable Projections

As discussed in Subsections 1., 2., and 3., Continuum’s PY 2 projections are unreasonable due to its use of unreasonable and unsubstantiated high annual growth rates for its unduplicated patients, duplicated patients, and patient visits.

Continuum’s unreasonable unduplicated patient volume, duplicated patient volume, and patient visits infect each of the following metrics of comparison discussed in the Comparative Analysis (Attachment 1):

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

The entirety of Continuum’s staffing and financial projections are rendered unreliable by the unreasonableness of its unduplicated patient volume, duplicated patient volume, and patient visits.

C. Third Highest 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, assuming the projections are based upon reasonable assumptions. The applications are listed in the following table in decreasing order of effectiveness.

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

As shown in the previous table, Continuum proposes the highest number of visits per unduplicated patient in PY 2. However, Continuum did not propose the most effective

alternative with regard to that comparative factor because its PY 2 projections are unreasonable due to its use of unreasonable and unsubstantiated high annual growth rates.

D. Third Highest Access by Medicare Patients

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

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

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

As shown in the previous table, Continuum proposes the third highest number of duplicated Medicare patients in PY 2. Because its PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates, Continuum's number of duplicated Medicare patients in PY 2 may actually be lower.

E. Third Lowest Access by Medicaid Patients

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

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

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

As shown in the previous table, Continuum proposes the third lowest number of duplicated Medicaid patients in PY 2. Because its PY 2 projections are unreasonable due to its use of unreasonable and unsubstantiated high annual growth rates, Continuum's number of duplicated Medicaid patients in PY 2 may actually be lower.

F. Continuum has Lost Market Share of Onslow County Unduplicated Patients

Continuum's unduplicated patients from Onslow County during the data reporting years FY 1999-2012 is shown in the following table.

**Continuum – Onslow County Agency
Onslow County Unduplicated Patients: FYs 1999 - 2012**

FY	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Undup Pts	91	213	331	358	386	460	466	422	367	418	418	411	441	472
Total Undup Pts	1,385	1,530	1,613	1,660	1,728	1,976	1,876	1,929	2,203	2,322	2,303	2,594	2,704	2,858
Market Share	6.6%	13.9%	20.5%	21.6%	22.3%	23.3%	24.8%	21.9%	16.7%	18.0%	18.2%	15.8%	16.3%	16.5%

Source: 1999-2013 SMFPs, Draft Table 12C dated May 10, 2013

As shown in the previous table, Continuum reached its largest market share of Onslow County unduplicated patients in FY 2005 (24.8%). In the last seven years, its market share of Onslow County unduplicated patients decreased, increasing only slightly in FY 2011, holding constant through FY 2012.

G. No Experience Operating Multiple Agencies

Brunswick County is not contiguous to Onslow County. Onslow County is 1.5 hours away from the proposed home health agency in Brunswick County. The distance between those two locations will make it more difficult to utilize combined services or realize any economies of scale.

Further, Continuum has not tested its ability to effectively and efficiently manage multiple sites. An addition of a second site has the potential to place at risk any and all of the sites Continuum manages.

Continuum's Proformas include a travel and education expense of \$1,000 in PY 1 and \$1,040 in PY 2. Those amounts are not sufficient for travel and education expenses. For example, the sum of \$1,040 in PY 2 covers travel of 1,841 miles (at \$0.565/mile), which is low given the distance between Onslow and Brunswick counties, and leaves nothing to pay for education and training.

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

G.S. 131E-183 (4)

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

As discussed in detail in the context of CON Review Criterion (3), Continuum fails to demonstrate the need for the services proposed because its PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates. As discussed in the context of CON Review Criterion (5), projections of cost and revenue are not based on reasonable projections and exceed costs and revenue proposed by many of the other applicants. Consequently, Continuum does not demonstrate that it proposed the least costly or most effective alternative as required by CON Review Criterion (4).

G.S. 131E-183 (5)

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

As discussed in the context of CON Review Criterion (3), Continuum's PY 2 projections are unreasonable due to its use of unreasonably high annual growth rates for its unduplicated patients, duplicated patients, and duplicated patient visits. **HKZ** does not reasonably believe any of the Continuum's financial metrics can be used as a basis for comparison with the six other applicants.

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

A. Analysis of Financial Projections

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

Financial Projection/Cost	Page Reference	Comment
Amortization cost is \$5,877 per year	Form B, page 146	<ul style="list-style-type: none"> Amortization cost is low If Continuum had amortized the start-up cost for the 9 month actual start-up period, costs would be greater per year
Data processing cost is \$2,884 per year in PY 1 and \$2,942 per year in PY 2 for Software and Computer costs	Form B, page 146	<ul style="list-style-type: none"> Data processing costs are low
Central Office Overhead cost is \$17,759 in PY 1 and \$65,442 in PY 2	Form B, page 146	<ul style="list-style-type: none"> Central Office Overhead cost is low. Other applicants projecting Central Office Overhead costs/Management fees are over \$100,000

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

B. Second Lowest Average Administrative Cost per Visit

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

Brunswick County Home Health Agency CON Applications Average Total Direct Care Operating Cost per Visit: PY 2

PY 2				
Rank	Applicant	Total Number of Visits	Total Administrative Operating Cost	Average Total Administrative Operating Cost per Visit
1	NHRMC	23,022	\$568,428	\$25
2	Continuum	11,162	\$360,009	\$32
3	UniHealth	11,756	\$394,629	\$34
4	Advanced	11,123	\$422,560	\$38
5	HKZ	10,935	\$470,098	\$43
6	Maxim	9,405	\$494,488	\$53
7	Gentiva	7,706	\$463,305	\$60
			Average of Applicants Ranked 2-6	\$40

As shown in the previous table, Continuum projects the second lowest average total administrative operating cost per visit, which is **125%** (\$40/\$32) **lower** than the average of \$40 per visit among the applicants ranked 2-6 in the previous table. As discussed in Section A., Continuum's administrative operating cost does not reflect true expenses necessary for the development of the proposed Brunswick County Medicare-certified home health agency.

C. Start-up Period and Expenses are Understated

On page 132, Continuum details its start-up assumptions. Included in those assumptions are 40 hours total pay for caregivers during the entire start-up period. The start-up period is defined as 3 months (January 1, 2014 through April 1, 2014). Continuum defines its first two Project Years as April 1, 2014 through March 30, 2016.

On page 142, Continuum expects to be licensed in April 2014, but accepts only 2 patients per month through September 30, 2014, which is consistent with an agency during its start-up period before an agency is fully operational. As a result, Continuum should have included January 1, 2014 through September 30, 2014 (9 months) in its start-up period, and defined its first two Project Years as October 1, 2014 through September 30, 2016. Continuum, therefore, projects only 18 months in its first two Project Years (October 1, 2014 – March 30, 2016).

For comparison purposes, **HKZ** projects a 5-month start-up period (May 1, 2014 – September 30, 2014) during which **HKZ** will obtain its license and certification, and accept only a few patients each month. Once licensed and certified, **HKZ** begins accepting Medicare, Medicaid, and all other patients in October 2014, which is when the agency is considered by **HKZ** to be fully operational.

The effects of Continuum's understating its start-up period by 5 months include understated start-up expenses.

D. Highest Average Net Revenue per Unduplicated Patient

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

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

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

As shown in the previous table, Continuum projects the highest average net revenue per unduplicated patient, which makes it the least effective alternative with regard to that comparative factor.

E. Highest Average Total Direct Care Operating Cost per Visit

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

**Brunswick County Home Health Agency CON Applications
Average Total Direct Care Operating Cost per Visit: PY 2**

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

As shown in the previous table, Continuum projects the highest average total operating cost per visit, which makes it the least effective alternative with regard to that comparative factor.

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

G.S. 131E-183 (6)

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

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

G.S. 131E-183 (7)

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

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

A. Second Lowest RN Annual Salary

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

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

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

As shown in the previous table, Continuum’s projected RN salary is the second lowest of all applicants.

B. Lowest LPN Annual Salary

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

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

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

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

C. Contractors are Necessary

As discussed in the context of CON Review Criterion (3), Continuum projects triple digit growth between Project Years 1 and 2 in unduplicated patients, duplicated patients, and patient visits.

On page 126 of the CON Application, Continuum states that no contractors will be used. Assuming that Continuum could achieve the explosive level of growth it projects, it will be necessary for Continuum to utilize some contract staff.

Based on the experience of HealthKeeperz, Inc., sister agencies to **HKZ**, it is always helpful to have the capacity to use contractors because it is difficult to predict utilization, recruitment, and

retention. Contractors help to ensure a higher level of care. Agencies without relationships with contractors are more vulnerable to shifts in utilization. As demand for home health services increases, its lack of contractors will become a significant issue for Continuum.

D. On-Call Coverage Schedule is Unsustainable

On page 127 of the CON Application, Continuum proposes to provide services on a 24 hour, on-call basis. "The Director of Professional Services/Nursing Supervisor, the OASIS/QA nurse [,] and RN/Case Manager will rotate on-call responsibilities 24 hours/day."

Staffing for patient care on evenings, weekends, and holidays will be provided by the "Director of Professional Services/Nursing Supervisor, the OASIS/QA nurse, and the RN/Case Manager who will rotate on-call responsibilities 24 hours/day."

Assuming that Continuum could achieve the explosive level of growth it projects, the "1 in 3" call schedule will be unsustainable.

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

G.S. 131E-183 (8)

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

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

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

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

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

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

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

on cost effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

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

V. North Carolina Criteria and Standards for Home Health Services

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

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

Projections are based on flawed and unreasonable assumptions. Please see discussion in the context of CON Review Criteria (3), (5), (7), and (8).

10A NCAC 14C .2003

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

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

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

VI. Conclusion

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

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Pursuant to G.S. 131E-183(a)(1) and the 2013 SMFP, no more than one new Medicare-certified home health agency or office may be approved for Brunswick County in the May 2013 review. Because each applicant proposes to develop a new Medicare-certified home health agency in Brunswick County, all seven applicants cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, a comparative analysis of the proposals has been conducted.

Projected Access by Medicare Recipients

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

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

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

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

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Projected Access by Medicaid Recipients

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

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

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

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

Average Number of Visits per Unduplicated Patient

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

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

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

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

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

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

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

Average Net Patient Revenue per Visit

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

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

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

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

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

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

Average Net Patient Revenue per Unduplicated Patient

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

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Section IV., as shown in the following table. Generally, the application proposing the lowest average net revenue per unduplicated patient is the more effective alternative with regard to this comparative factor. The applications are listed in the following table in decreasing order of effectiveness.

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

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

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

Average Total Operating Cost per Visit

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

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

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

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

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

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

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

Average Direct Care Operating Cost per Visit

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

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

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

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

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

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

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

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

Average Administrative Operating Cost per Visit

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

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

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

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

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

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

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

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

The ratios in the following table were calculated by dividing the average net revenue per visit in Project Year 2 by the average total operating cost per visit in Project Year 2. Generally, the application proposing the lowest ratio is the more effective alternative with regard to this

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Nursing and Home Health Aide Salaries in Project Year 2

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

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

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

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

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

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

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

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Summary

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

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