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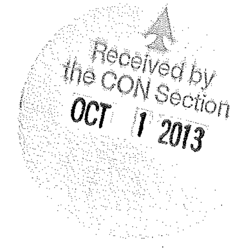

Jane Rhoe-Jones, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
Post Office Box 29530
Raleigh, NC 27626-0530

Dear Ms. Rhoe-Jones:

Continuum II Home Care & Hospice, Inc. ("Continuum") submits these comments related to the 2013 Granville County hospice home care review, in which Continuum is a competing applicant. Thank you in advance for your review and consideration of these comments. Should you have any additional questions, or require additional information about any of the issues raise, do not hesitate to contact me. I look forward to seeing you at the Public Hearing on October 14, 2013 in Oxford.

Very truly yours,

Max O. Mason
Director of Development

Enclosures

COMMENTS RE: **2013 GRANVILLE COUNTY HOSPICE HOME CARE AGENCY CON APPLICATIONS**

SUBMITTED BY: **CONTINUUM II HOME CARE & HOSPICE, INC.**

DATE: **SEPTEMBER 30, 2013**

APPLICANTS: **CONTINUUM II HOME CARE & HOSPICE, INC.**
GRANVILLE-VANCE HOME HEALTH & HOSPICE
GENTIVA HOSPICE

INTRODUCTION

North Carolina General Statute 131E-185 permits applicants for CON-regulated health service allocations to submit comments about their competitors' proposals. The parameters for these comments include:

a. *Facts relating to the service area proposed in the application;*

b. *Facts relating to the representations made by the applicant in its application, and its ability to perform or fulfill the representation made;*

c. *Discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with relevant review criteria (§131E-183), plans and standards.*

While these standards allow a fair amount of latitude for applicants to comment, introducing extraneous information outside the scope of these guidelines is unwarranted. Doing so shifts the focus of this process away from identifying the proposal that will best meet the home health needs of Granville County. The following comments consider, within the scope of the cited statute, the most pertinent issues affecting this CON review and whether or not the various applicants' proposals effectively address these issues.

OVERVIEW

Three (3) entities have submitted Certificate of Need (CON) applications for authorization to develop one new hospice home care agency in Granville County. At most, only one of these three applications is approvable, even if they were all to conform to each of the applicable review criteria. Two of the applicants—Continuum and Gentiva—are experienced hospice providers; however, ***only Continuum has experience operating hospice agencies in North Carolina*** (Gentiva operates hospices in other states, though it operates 32 home health agencies in this state). Granville-Vance District Health Department ("GVDHD") is an existing home health agency. GVDHD proposes to operate and manage a new hospice agency in Granville County, and "will obtain consulting services" from Hospice of Wake County, Inc., which is an existing provider with offices in the region, including one in Granville County (Creedmoor). It is noted that GVDHD leveraged its entrenched position in the primary communities to obtain considerable feedback and input for its proposal.

Since each entity, to one degree or another, is an experienced health care provider, differentiating among the applicants requires careful consideration of the unique factors driving the need in Granville County. The CON Section will evaluate each proposal against each of the applicable review criteria to determine overall conformity. Then, it will conduct a comparative analysis of the applicants, choosing the specific factors to compare. CON reviews can hinge on many issues/factors. Typically, the most important of those relate to accessibility, cost, and quality, though other factors also play a role. The following analysis focuses on the points of differentiation between the applicants in this review that we believe are most pertinent. Although our comments are comprehensive, they are not necessarily reflective of all potential shortcomings or non-conformities to applicable review criteria.

SERVICE AREA

Each of the applicants intends to locate its office in Oxford, which is an approximately central location in Granville County and proximate to the major acute care center and numerous physicians. All of the applicants also propose to serve residents in Granville County and Vance County; however, GVDHD and Gentiva also propose serving clients in additional counties:

Proposed Service Area (Year 2)					
	Granville	Vance	Franklin	Person	Warren
GVDHD	X	X	X	X	X
Gentiva	X	X	X	X	
Continuum	X	X			

While it is likely that Continuum's competitors will argue that serving more counties represents a more effective alternative, this argument is only valid in the abstract. Continuum's proposed two-county service area, we believe, is a ***more realistic*** projection. This CON allocation has been made specifically for Granville County, which is an area, as documented by all three applicants, in which hospice utilization has ***lagged well below*** the statewide hospice penetration rate. Therefore, we question whether it is realistic to propose serving a wide geographic area after only a short time of operation. While there are clear links between the healthcare systems of Granville and Vance counties, as evidenced by the GVDHD (the "district" home health agency), such is not the case with Franklin, Person and Warren counties. One further questions whether such an expansive service area is realistic given that the secondary counties also have shown a reluctance to accept hospice care (as compared to the statewide HPR). These areas will also require significant education and community interaction since they are not, generally speaking, receptive to the hospice philosophy. It is ***doubtful*** that GVDHD and Gentiva have proposed ***adequate staffing*** for their agencies to facilitate the time and effort required to meaningfully penetrate these additional markets (by just the second year of operation). In summary, it is likely that the GVDHD and Gentiva projects do not conform to CON Review Criterion (3) because

they do not demonstrate that their respective projects can meet the need in their proposed service areas.

PAYOR MIX

A principle tenet of the CON law is to ensure that all residents of North Carolina have access to regulated health care services, and particularly those individuals who are "medically underserved," which a generally people who receive Medicaid and Medicare, or who have no payor source. The following table reflects each applicants proposed breakdown of its days of care, by payor source:

Proposed Payor Mix as Percentage of Days of Care (Year 2)						
	Medicare	Medicaid	Commercial Insurance	Private/Self Pay	Charity	Total
GVDHD	84%	7%	5%	0%	4%	100%
Gentiva	93%	4%	0%	2%	1%	100%
Continuum	92%	4%	2%	1%	1%	100%

Here we see some variation in the projected access by various payor groups. Of particular note is that GVDHD projects providing zero (0) days of care to patients who pay out of pocket and Gentiva projects zero days of care for individuals with commercial insurance. These projections are curious, particularly with respect to Gentiva's Commercial Insurance estimates. Commercial insurance is a growing reimbursor of hospice care in North Carolina since at least 2008. As described in its CON application, Continuum's proposed payor mix is based on assessment of various historical payor mix data, including very specific analysis of Granville County's historical access to hospice care. We believe are projections are the most sound and, thus, represent a realistic likely breakdown of patient payor mix.

PATIENT VOLUME

As the following table reflects, there is a general degree of similarity among the three applicants' in terms of patient volume projections:

Projected Patient Volume						
	GVHD		**Gentiva**		**Continuum**	
Number of Patients	**Admissions**	**Deaths**	**Admissions**	**Deaths**	**Admissions**	**Deaths**
Year 1	112	???	92	67	91	70
Year 2	219	???	163	121	169	131

While Continuum and Gentiva provide clear information about the numbers of projected deaths and admissions (and, coincidentally, are quite similar in both categories), GVDHD does not provide clear information on the projected number of deaths. A careful examination of Section III of GVDHD's application reveals numerous apparent inconsistencies in its discussion of patient volume (deaths and admissions). There appear to be disconnects between these two patient-categories and difficult-to-reconcile references to tables within Section III (that serve as the assumptions for the projections). Please see page 78 of the GVDHD application (for example, "Step 2" does not follow a "Step 1". "Step 3" indicates that it is derived from Table III.22 ("multiply the County Unserved Deaths for each project year in Table III.22 above by 1.22 admits per death to get Patients in Need by County by Project Year." The problem, though, is that Table III.22 contains only percentages. Multiplying 1.22 by various percentages does not relate in any way to projected admissions or deaths. While it may be the case that GVDHD's actual base-data is included in Section III, it is not presented in a manner that can be easily discerned. An inability to clearly convey the basis for the critical death and admission projections raises credibility issues. Under these circumstances, GVDHD has likely failed to demonstrate the need that its volume projections suggest.

PATIENT VISITS

Hospice care, at its most fundamental level, is the delivery of various services (direct and ancillary healthcare, spiritual, and bereavement, etc.) to an individual in his or her home (whether it is a private resident, nursing home, hospital, or hospice facility, etc.) and to his or her family. Generally, the more visits an individual receives, the better the overall hospice experience. A particular area of differentiation among the applicants in this review is the proposed ***number of visits*** to be performed. In this regard, Continuum considerably outpaces either GVDHD or Gentiva:

Average Number of Visits per Patient			
	Projected # of Patients	Projected # of Visits	Average # of Visits per Patient
GVDHD	219	11,003	50
Gentiva	163	8,659	53
Continuum	169	14,156	**84**
Note: Calculated visits per patient may differ from assumptions in an application given that some patients from Year 1 carry into Year 2 and some patients admitted in Year 2 do not receive all visits in Year 2 (some are provided in Year 3.			

As shown, Continuum projects providing, on average, 84 visits per client admitted to our proposed hospice, as compared to 50 and 53 for GVDHD and Gentiva, respectively. Continuum's projection is ***well-founded*** in our operational experience, as reflected in the following table:

Analyis of Visits per Patient Served Continuum & North Carolina					
Lic. #	Agency	Agency County	Total Patients Served	Total Visits	Visits per Patient Served
HC1209	Continuum	Onslow	178	16,660	93.60
HOS3238	Continuum	Craven	53	4,183	78.92
HOS3261	Continuum	Lenoir	66	7,765	117.66
HOS3256	Continuum	Halifax	30	2,594	86.47
	Continuum	**TOTAL**	**327**	**31,202**	**95.42**
Source: 2013 License Renewal Application Database					

In Fiscal Year 2012, the time period for which these data were reported, Continuum's average number of visits per patient, combined for all of our existing agencies, was 95.42. Our projections for Granville County, therefore, are ***rooted in supportable data*** reflecting Continuum's ***actual practice***.

VISITS PER DISCIPLINE

While hospice care is comprised of a multitude of disciplines, a large percentage of total visits fall within the following categories: skilled nursing, hospice aide, social work, and clergy. The following tables reflect the applicants' visits per patient per week for these four primary disciplines:

Visits per Patient ***RN Visits***						
	Projected # of Patients (Year 2)	Projected Visits	Average Visits / Patient	ALOS	# Weeks / LOS	Average Visits/ Patient/Week
GVDHD	219	4,047	18.48	60.45	8.635590346	2.14
Gentiva	163	3,166	19.42	64.66	9.236634531	2.10
Continuum	169	5,061	30.00	71.01	10.14468078	2.96

Visits per Patient ***Aide Visits***						
	Projected # of Patients (Year 2)	Projected Visits	Average Visits / Patient	ALOS	# Weeks / LOS	Average Visits/ Patient/Week
GVDHD	219	3,650	16.67	60.45	8.635590346	1.93
Gentiva	163	3,506	21.51	64.66	9.236634531	2.33
Continuum	169	5,575	33.05	71.01	10.14468078	3.26

Visits per Patient ***SW Visits***						
	Projected # of Patients (Year 2)	Projected Visits	Average Visits / Patient	ALOS	# Weeks / LOS	Average Visits/ Patient/Week
GVDHD	219	1,124	5.13	60.45	8.635590346	0.59
Gentiva	163	886	5.44	64.66	9.236634531	0.59
Continuum	169	1,434	8.50	71.01	10.14468078	0.84

Visits per Patient *Clergy Visits*						
	Projected # of Patients (Year 2)	Projected Visits	Average Visits / Patient	ALOS	# Weeks / LOS	Average Visits/ Patient/Week
GVDHD	219	538	2.46	60.45	8.635590346	0.28
Gentiva	163	429	2.63	64.66	9.236634531	0.28
Continuum	169	725	4.30	71.01	10.14468078	0.42

Without exception, Continuum is the ***most effective alternative*** with respect to all four disciplines.

It should also be noted that Gentiva, apparently, ***failed to account for bereavement and volunteer visits*** in response to Quest IV.6.(a) (pp. 86-93), despite indicating that it will offer bereavement services (pp. 24-25) and volunteer services (p.25), which is particularly confusing since Gentiva projects 1.0 FTEs of "Volunteer Manager" in Section VII (p. 122). This apparent omission makes it impossible to compare Gentiva's project with GVDHD's and Continuum's on a one-to-one basis.

AVERAGE LENGTH OF STAY ("ALOS")

In addition to providing more visits to our clients, Continuum also projects serving patients for a longer period than our competitors, as reflected by our anticipated average length of stay ("ALOS") in Year 2:

Average Length of Stay			
	Projected # of Patients (Year 2)	Projected Days of Care (Year 2)	Calculated ALOS
GVDHD	219	13,238	60.45
Gentiva	163	10,539	64.66
Continuum	169	11,980	71.01
Note: Calculated ALOS may differ from projected ALOS reported elsewhere in applications as patients carry over from Year 1 and others in Year 2 do not receive their full LOS in Year 2			

As reflected in the following table, Continuum's projected ALOS for Year 2 is reasonable:

Analysis of Average Length of Stay ***Granville Co. & North Carolina (FY2012) & US (2011)***			
License	Agency	Facility County	Average Length Stay
HOS0021	Duke Hospice	Durham	45.80
HOS3826	Amedisys Hospice	Franklin	94.20
HOS2561	Community	Vance	44.00
HOS3269	United	Nash	115.00
HOS2281	Heartland	Wake	109.00
HOS3133	Hospice of Wake Co.	Granville	315.00
HOS3304	Liberty	Durham	67.00
		Average (excluding HOS3133)*	**79.17**
		Median (excluding HOS3133)*	**80.60**
		Average (excluding HOS3133, HOS2281, & HOS3304)**	***74.75***
		Median (excluding HOS3133, HOS2281, & HOS3304)**	**70.00**
		NC ALOS***	**74.85**
		US 2011 ALOS****	**69.10**
Notes:			
**** This agency, although located in Granville Co., is excluded because it only served a single patient in FY2012. Thus, its data is not statitically significant/meaningful.***			
***** These agencies were excluded because they served only 7 out of 124 admissions / deaths and are thus less representative of Granville Co.***			
******NC ALOS calculated from 2013 LRA database, excludes agency data that is more than 2 standard deviations from calculated mean. Mean = 77.2, S.D. = 37.35.***			
*******US ALOS derived from the "2012 Edition of NHPCO Facts & Figures: Hospice Care in America" report, p.5.***			
Source: 2013 Hospice License Renewal Application database			

These data illustrate that the Granville County ALOS (74.75) is extremely similar to the FY2012 North Carolina ALOS (74.85). Continuum's projected ALOS, which is in line with these actual numbers, is justifiable. The ALOS projected by GVDHD and Gentiva is considerably lower.

The benefit of a higher ALOS, assuming it is reasonable, is that a patient will likely benefit from receiving hospice care earlier in the course of the terminal

diagnosis/disease, which is generally considered a better result than a patient receiving end-of-life care with only a few days until death. From this perspective, Continuum is a ***more effective alternative*** than its competitors.

COST OF CARE

The CON program exists, in part, to ensure the cost-effective provision of health care services. Continuum's proposal offers a ***highly cost-effective*** option in this review. In many respects, it is the most-effective option available. Please consider the following cost measures:

Average Total Operating Cost per Visit			
	Total Projected Visits (Year 2)	Total Cost (Year 2)	Average Total Cost per Visit
GVDHD	11,003	$1,709,329	$155.35
Gentiva	8,659	$1,413,619	$163.25
Continuum	14,156	$1,675,413	$118.35

As shown, Continuum proposes the ***lowest total cost*** per visit of all applicants in this review. This relative benefit can also be seen in the following analysis, which derives a ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit:

Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit			
[A]	[B]	[C]	[D]
	Average Net Patient Revenue per Visit	Average Total Cost per Visit	Ratio of Avg. Net Revenue to Avg. Total Operating Cost ***(B / C)***
GVDHD	$175.42	$155.35	1.13
Gentiva	$195.58	$163.25	1.20
Continuum	$129.30	$118.35	**1.09**

As emphasized in prior CON reviews, the application proposing the lowest ratio in this comparison is generally the ***more effective alternative***.

Compared to our competitors, though, Continuum has higher ***direct care costs*** per visit:

Average Direct Care Cost (Clinical Services) per Visit			
	Total Projected Visits (Year 2)	Total Direct Cost (Year 2)	Average Direct Cost per Visit
GVDHD	11,003	$694,111	$63.08
Gentiva	8,659	$562,352	$64.94
Continuum	14,156	$941,297	$66.49

While all applicants are close in this category, Continuum is ***slightly more effective***. A higher direct care cost should be viewed as ***positive projection*** since it reflects the cost of care for staff interacting directly with patients. Further examination puts Continuum's direct care cost in additional perspective. The following table examines the Average Direct Care Operating Cost per Visit as a Percentage of Average Total Operating Cost per Visit:

Average Direct Care Operating Cost per Visit as a Percentage of Average Total Operating Cost per Visit			
[A]	[B]	[C]	[D]
	Average Total Cost per Visit	Average Direct Cost per Visit	Average Direct Operating Cost as a % of Average Total Cost per Visit ***(C / B)***
GVDHD	$155.35	$63.08	40.6%
Gentiva	$163.25	$64.94	39.8%
Continuum	$118.35	$66.49	**56.2%**

In this analysis, a ***higher percentage*** represents ***a more effective alternative***. Continuum's average direct care cost per visit is 56.2% of its average total cost per visit,

which is considerably higher than GVDHD or Gentiva, at 40.6% and 39.8%, respectively. Thus, ***Continuum is the most effective alternative*** by this measure.

STAFF SALARIES

Continuum is also competitive with its fellow applicants in terms of ***proposed salary*** for its ***direct care*** workers:

Salaries for Direct Care Staff (RN, Aide, SW)			
	RN	Aide	Social Worker
GVDHD	$60,752	$27,422	$56,599
Gentiva	$64,056	$25,500	$61,812
Continuum	$63,038	$26,791	$47,278

With respect to ***administrative staff salaries***, Continuum is also competitive:

Salaries for Administrative Staff			
	Administrator	Pat. Care Coord.	DoN
GVDHD	$75,458		
Gentiva	$86,802	$69,258	
Continuum	$76,170	$76,170	

Continuum recognizes that salaries are a significant contributing factor in the recruitment and retention of staff. Continuum proposes ***fair compensation*** for our proposed staff given the marketplace in which we propose to operate. These salaries are reasonable and based on actual wages.

FINANCIAL VIABILITY

A viable hospice home care agency ***must*** be able to provide services in a ***cost-effective manner***, while at the same time achieving profitability to ensure financial feasibility. The following table compares the projected profitability (i.e., Net Income (Revenue – Expense) for each applicant in Year 2:

Average Net Income per Patient			
	Year 2 Revenue	Year 2 Expense	Net Income
GVDHD	$1,930,185	$1,709,329	$220,856
Gentiva	$1,693,567	$1,413,619	$279,948
Continuum	$1,830,445	$1,675,413	$155,031

As shown, all proposed applicants project a profitable operation by the end of project Year 2. Continuum's profitability, though, is based on the following proposed charges/reimbursement rates, which we believe are the most reasonable of all applicants in this review. Whether an applicant has or has not overstated projected rates is a ***critical consideration*** in this review given funding issues, and particularly ***sequestration***, affecting Medicare rates, as well as Medicaid rates:

Charges & Costs per Level of Care					
	Year 2	Routine	Inpatient	Respite	Cont. Care (hourly)
GVDHD	Charges	164.85	695.45	164.85	41.21
	Costs	96.27	747.46	175.44	52.53
Gentiva	Charges	159.00	708.00	165.00	33.00
	Costs	132.00	315.00	169.00	42.00
Continuum	Charges	139.59	625.78	147.87	33.94
	Costs	129.10	370.71	180.23	27.27

Continuum has projected rates (i.e., charges) that are ***lower*** than the other applicants in ***nearly every level of care*** (Continuum recognizes, though, that its competitors' rates may not reflect what they will actually receive from Medicare and Medicaid; however, this is not clear from Section X of their applications).

CONCLUSION

While all three applicants are experienced health care providers, only one is approvable for a CON in this review. As illustrated above, Continuum represents the most effective alternative and should be awarded the CON. Continuum's project specifically targets the Granville and Vance County communities that should be the

primary focus of this review, particularly since Granville County is the trigger of the CON's availability. Continuum will provide patients more visits than its competitors and will do so over a more effective timeframe (i.e., ALOS), which will enable individuals with terminal diagnoses to benefit from hospice care longer. Additionally, Continuum will offer these services in the most cost-effective manner, as measured by multiple analyses.

In a competitive review, it is unlikely that any one applicant will "win" against other proponents in every category or conceivable point of comparison. Such is the case in this review, as Continuum's competitors also have certain strengths. The principle difference in this review, though, is that Continuum's strengths relate to the aspects of hospice care that matter most: visits (which relate to quality of care) and project costs. Furthermore, Continuum demonstrated in its application a concerted effort to understand the proposed service area in multiple respects, from demographic composition to health care conditions and service trends. We reached out to the community, and though we were met with some obstacles, likely due to established relationships with existing health care entities, we also made some in-roads with providers. These preliminary relationships, which were not similarly achieved by Gentiva, bode well for a future entry into this market. Ultimately, Continuum's proposal is sound, as our various projections are based on both our experience and our careful analysis of the proposed service area. Lastly, Continuum would represent a new entrant into the Granville-Vance County market, which would not be the case if the CON were to be awarded to GVDHD, a well-established, existing home health provider.