



May 31, 2017

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

RE: Comments on Home Health CON Applications for Mecklenburg County

Dear Mr. McKillip:

Enclosed please find comments prepared by Well Care Home Health of the Piedmont, Inc., regarding the competing CON applications for one new Medicare-certified Home Health Agency to meet the need identified in the *2017 State Medical Facilities Plan* for Mecklenburg County. We trust that you will take these comments into consideration during the Agency's review of the applications.

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

Sincerely,

Wanda Coley, MBA

Wanda Coley, MBA
Chief Operating Officer
Well Care Home Health of the Piedmont, Inc.

COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS
HOME HEALTH NEED DETERMINATION FOR MECKLENBURG COUNTY
SUBMITTED BY WELL CARE HOME HEALTH OF THE PIEDMONT, INC.
MAY 31, 2017

Three applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2017 State Medical Facilities Plan (SMFP)* for one additional Medicare-certified Home Health Agency in Mecklenburg County. In accordance with N.C.G.S. §131E-185(a1)(1), this document includes comments relating to the representations made by the other applicants, and a discussion about whether the material in those applications complies with the relevant review criteria, plans, and standards. These comments also address the issue of which of the competing proposals represents the most effective alternative for development of a new Medicare-certified home health program in Mecklenburg County.

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

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

The Agency typically performs a comparative analysis when evaluating all applications in a competitive batch review. The purpose is to identify the proposal that would bring the greatest overall benefit to the community. The table below summarizes several objective metrics that the Agency should use for comparing the three applications in this Mecklenburg County home health batch review.

Mecklenburg County Home Health Batch Review - Applicant Comparative Analysis

| Metrics | | | |
|---|-----------|-----------------|----------------|
| Comparative | Well Care | PruittHealth HH | NC Home Health |
| Conforming to All Applicable Regulatory Review Criteria | Yes | No | No |
| Offering of Services | 1/1/2018 | 7/1/2018 | 10/1/2018 |
| # of Unduplicated Medicare Patients | 602 | 515 | 308 |
| Unduplicated Medicare Patients as a % of Total Unduplicated Patients | 67.0% | 86.1% | 80.9% |
| # of Unduplicated Medicaid Patients | 135 | 29 | 34 |
| Unduplicated Medicaid Patients as a % of Total Unduplicated Patients | 15.0% | 4.8% | 9.0% |
| Medicaid Visits as % of Total Visits | 7.8% | 3.1% | 6.6% |
| Average Number of Visits per Unduplicated Patient | 21.3 | 25.7 | 20.8 |
| Average Net Revenue per Visit | \$161 | \$139 | \$147 |
| Average Net Revenue per Unduplicated Patient | \$3,421 | \$3,563 | \$3,071 |
| Average Total Operating Cost per Patient | \$2,368 | \$3,512 | \$2,739 |
| Average Total Operating Cost per Visit | \$111 | \$137 | \$131 |
| Average Direct Operating Cost per Visit | \$73 | \$109 | \$81 |
| Average Administrative Operating cost per Visit | \$38 | \$28 | \$50 |
| Average Direct Care Operating Cost per Visit as a % of Average Total Operating Cost per Visit | 65.8% | 79.9% | 61.7% |
| Registered Nurse Salary | \$83,602 | \$89,388 | \$54,546 |
| Home Health Aide Salary | \$34,456 | \$41,616 | \$30,272 |

| Rankings | | | |
|---|------------|-----------------|----------------|
| Comparative | Well Care | PruittHealth HH | NC Home Health |
| Conforming to All Applicable Regulatory Review Criteria | 1 | 2 | 2 |
| Offering of Services | 1 | 2 | 3 |
| # of Unduplicated Medicare Patients | 1 | 2 | 3 |
| Unduplicated Medicare Patients as a % of Total Unduplicated Patients | 3 | 1 | 2 |
| # of Unduplicated Medicaid Patients | 1 | 3 | 2 |
| Unduplicated Medicaid Patients as a % of Total Unduplicated Patients | 1 | 3 | 2 |
| Medicaid Visits as % of Total Visits | 1 | 3 | 2 |
| Average Number of Visits per Unduplicated Patient | 2 | 1 | 3 |
| Average Net Revenue per Visit | 3 | 1 | 2 |
| Average Net Revenue per Unduplicated Patient | 2 | 3 | 1 |
| Average Total Operating Cost per Patient | 1 | 3 | 2 |
| Average Total Operating Cost per Visit | 1 | 3 | 2 |
| Average Direct Operating Cost per Visit | 3 | 1 | 2 |
| Average Administrative Operating cost per Visit | 2 | 1 | 3 |
| Average Direct Care Operating Cost per Visit as a % of Average Total Operating Cost per Visit | 2 | 1 | 3 |
| Registered Nurse Salary | 2 | 1 | 3 |
| Home Health Aide Salary | 2 | 1 | 3 |
| Total | 29 | 32 | 40 |
| Average | 1.6 | 1.8 | 2.2 |

Based on this comparative analysis which shows Well Care ranks more favorably on the head-to-head comparison, and considering that the Well Care application conforms to the Review Criteria and best achieves the Basic Principles of the 2017 SMFP (Policy Gen-3), Well Care represents the most effective alternative for development of the need determined home health agency.

Cost Effectiveness

In the current economic climate, effective initiatives to contain unnecessary costs and expenditures are especially important to promote value in healthcare. In the current healthcare marketplace, declining reimbursement rates and increased government regulations are increasingly placing downward pressure on healthcare providers, demanding them to effectively do more with less.

Cost of care is a major concern with healthcare payors and the public. Therefore, the projected average cost of services is an important measure of consumer value. Well Care proposes the lowest average cost per visit of all applicants. The following table demonstrates that Well Care's proposal is the most effective alternative.

**Average Operating Cost per Visit
Project Year 2**

| Agency | Average Cost Per Visit |
|-----------------|-------------------------------|
| Well Care | \$111 |
| NC Home Health | \$131 |
| PruittHealth HH | \$137 |

Source: CON applications

Current economic conditions make low operating costs especially important to patients, payors, and providers. Well Care's low average costs make its application the least costly and most effective alternative.

Additionally, Well Care proposes the lowest costs per patient of all the new applicants through the initial two project years. The following page has a summary of competing applicants' proposed costs per patient.

**Average Operating Cost per Patient
 Project Year 2**

| Agency | Operating Cost Per Patient |
|-----------------|----------------------------|
| Well Care | \$2,368 |
| NC Home Health | \$2,739 |
| PruittHealth HH | \$3,512 |

Source: CON applications

Total administrative cost per visit is another indicator in determining an applicant’s cost effectiveness. Lower administrative costs demonstrate applicants’ organizational efficiency, and result in a cost benefit realized for patients and payors, especially for government programs facing budgetary pressures. Well Care’s administrative cost per visit is the second lowest overall in the second project year. The table below shows the total administrative cost per visit for applicants in this batch review.

**Total Administrative Cost per Visit
 Project Year 2**

| Agency | Admin Cost Per Visit |
|-----------------|----------------------|
| PruittHealth HH | \$28 |
| Well Care | \$38 |
| NC Home Health | \$50 |

Source: CON applications

In summary, Well Care’s application is clearly the most effective alternative based on its demonstration of competitive costs. Well Care’s application is consistent with Policy GEN-3 of the 2017 SMFP, in projecting to maximize healthcare value for resources expended.

Access for Medically Underserved

Medicaid Access

A key factor in considering the relative accessibility of the alternative proposals is the extent to which each applicant expands access to the medically underserved, particularly Medicaid recipients. Generally, the application proposing to serve the higher percent of total patients to Medicaid patients is the more effective alternative with regard to this comparative factor. As indicated in the following table, in terms of access for the medically underserved Medicaid populations, Well Care’s proposal represents the most effective alternative. The table below summarizes the projected Medicaid payor mixes for the competing applicants.

**Projected Medicaid Payor Mix
 Project Year 2**

| Agency | % of Patients | # of Unduplicated Medicaid Patients |
|-----------------|---------------|-------------------------------------|
| Well Care | 15.0% | 135 |
| NC Home Health | 9.0% | 34 |
| PruittHealth HH | 4.8% | 29 |

Source: CON Applications

Well care projects the highest percentage of total patients as Medicaid recipients. Well Care projects to serve a higher Medicaid percentage of patients than is currently served on average by Mecklenburg County home health agencies. Well Care also proposes to serve the greatest number of unduplicated Medicaid patients of the competing applications (898 unduplicated patients in Project Year 2 x 15% = 135 Medicaid patients). It is Well Care’s desire to improve access to home health services for Medicaid patients in Mecklenburg County. This is indicative of Well Care’s commitment to serving the medically needy and indigent with quality healthcare services. This philosophy is also consistent with the Access Basic Principle as described in the 2017 State Medical Facilities Plan.

Additionally, if Well Care is successful in developing a Medicare-certified home health agency, Well Care intends to apply to become a provider for Community Care Partners of Greater Mecklenburg (CCPGM). CCPGM provides care management and coordination for consumers with Medicaid Access II insurance living in Anson, Mecklenburg and Union counties. CCPGM collaborates and connects with community organizations to share resources and execute care

improvement initiatives. Well Care’s CON application included a letter documenting its desire to become a provider for CCPGM.

Medicare Access

Well Care projects to serve a realistic percentage of Medicare patients, compared to the competing applicants who each propose unreasonable and unrealistic Medicare payor mix percentages. Because the projections of service to Medicare patients presented by PruittHealth HH and NC Home Health are not supported by reasonable assumptions, it may not be possible to make a conclusive comparison of the applications with regard to percentage of Medicare patients and this comparative factor may be of limited value.

Well Care proposes to serve the greatest number of unduplicated Medicare patients of the competing applications (898 unduplicated patients in Project Year 2 x 67% = 602 Medicaid patients).

In summary, Well Care’s proposal for service to Medicaid and Medicare recipients is supported by reasonable assumptions and will provide the best and most reasonable projection of access for Medicaid and Medicare patients of the competing proposals. Therefore, the Well Care application is the most effective alternative with respect to access.

Home Health Patient Utilization

Well Care projects to serve the highest number of unduplicated patients in the first and second project years among the competing applicants. This utilization is based on reasonable and adequately supported assumptions regarding historical experience in similar competitive, metropolitan markets, and projected patient utilization described in Well Care’s application. Please refer to the following table.

**Annual Unduplicated Patients
 Project Years 1 & 2**

| HH Patients | Well Care | PruittHealth HH | NC Home Health |
|-------------|-----------|-----------------|----------------|
| YR1 | 449 | 238 | 281 |
| YR2 | 898 | 598 | 381 |

Source: CON Applications

Additionally, Well Care projects a high, yet reasonable number of patient visits among the competing applicants in the second project year. Please refer to the table below.

**Total Patient Visits
 Project Years 1 & 2**

| HH Visits | Well Care | PruittHealth HH | NC Home Health |
|-----------|-----------|-----------------|----------------|
| YR1 | 8,878 | 4,804 | 5,851 |
| YR2 | 19,095 | 15,352 | 7,943 |

Source: CON Applications

Well Care’s utilization projections result in 21.3 visits per patient in the second project year. The following table shows all competing applicants’ projected visits per patient for project years one and two.

**Projected Visits per Patient
 Initial Two Project Years**

| HH Visits | Well Care | PruittHealth HH | NC Home Health |
|-----------|-----------|-----------------|----------------|
| YR1 | 19.8 | 20.2 | 20.8 |
| YR2 | 21.3 | 25.7 | 20.8 |

Source: CON Applications

In summary, Well Care projects to serve the greatest number of patients, and offers a reasonable ratio of visits per patient among the competitors in this batch review. Well Care also utilizes a sound and reasonable projection methodology. Thus, Well Care’s application is the most effective alternative in terms of utilization by Mecklenburg County patients.

Clinical Staff Salaries

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

Projected Nursing Salaries Project Year 2

| Agency | RN |
|-----------------|----------|
| PruittHealth HH | \$89,388 |
| Well Care | \$83,602 |
| NC Home Health | \$54,546 |

Source: CON Applications

PruittHealth HH's projected RN salary is extremely high for the Mecklenburg County marketplace, well over the 90th percentile for home health RN salaries according to salary.com. Because the PruittHealth HH projection is not supported by reasonable and adequately supported assumptions, it is not possible to conclude that PruittHealth is more effective on this factor. One questions if PruittHealth HH will actually offer positions at this rate, or if PruittHealth HH included the projected high salary solely as a calculation to present more favorably in this CON batch review. And NC Home Health's projected RN salary is so low it should be considered non-competitive, in that NC Home Health is unlikely to be able to hire any RNs at its projected annual salary.

Projected Nurse Aide Salaries Project Year 2

| Agency | RN |
|-----------------|----------|
| PruittHealth HH | \$41,616 |
| Well Care | \$34,456 |
| NC Home Health | \$30,272 |

Source: CON Applications

PruittHealth HH's projected Nurse Aide salary is extremely high for the Mecklenburg County marketplace; well over the 90th percentile for home health CNA salaries according to salary.com. One questions if PruittHealth HH will actually offer positions at this rate, or if PruittHealth HH included the projected high salary solely as a calculation to present more favorably in this CON batch review.

Well Care projects the second highest, and most reasonable, salary per FTE for RN and Nurse Aide salary. Therefore, Well Care is an effective alternative with regard to payments for nursing and certified nursing aides.

Scope of Services

As described in its CON application, Well Care will provide a full continuum of home health services to Mecklenburg County residents. Some of the competing applicants may describe specialized services or populations as a method to differentiate their proposal from the competing applicants. Well Care will offer comprehensive home health services as part of its continuum of care, and will provide care to any population in need of home health services.

Specific Comments Regarding Competing Applicants

PruittHealth Home Health, Inc. F-11327-17

Comments Specific to Criterion 3

- PruittHealth HH provides conflicting statements regarding the assumptions used to project home health patients and visits. The conflicting statements result in projected patients and visits that are not supported.

In Step 2 of PruittHealth HH's methodology (page 134 of PruittHealth HH CON application), the applicant states, "*Determine the number of unduplicated client admissions by service discipline by multiplying the Year 1 and Year 2 unduplicated client admissions calculated in Step 1 by 50.4% for skilled nursing and 49.6% for physical therapy.*" However, in the tables immediately following this statement, the applicant indicates Year 1 and Year 2 unduplicated client admissions calculated in Step 1 were actually multiplied by 60.5% for skilled nursing and 39.5% for physical therapy. The discrepancy does not appear to be the result of a typographical error and the difference between the respective assumptions is over 20% higher for skilled nursing and 20% lower for physical therapy. The final paragraph on page 134 of PruittHealth HH's CON application states, "*The skilled nursing and physical therapy unduplicated client admission percentages are based on PruittHealth HH's home health operating experience in North Carolina.*" Therefore, it is important (but not possible) to know which assumptions are indeed representative of PruittHealth HH's operating experience in North Carolina. Given there is no explanation in the CON application of which percentages actually represent PruittHealth HH's operating experience in North Carolina, the unduplicated patient projections by service are not reasonable or credible.

In Step 4 of PruittHealth HH's methodology (page 137 of PruittHealth HH CON application), the applicant states, "*Determine the number of readmissions by payor by multiplying the Year 1 and Year 2 unduplicated client admissions by payor calculated in Step 3 by 9.2% for Medicare with no additional readmissions projected in the other payor categories through the first two years of operation*". However, in the tables immediately following this statement, the applicant indicates Year 1 and Year 2 unduplicated client admissions calculated in Step 3 were actually multiplied by 10.8% for Medicare clients and 6.2% for Medicaid clients. The discrepancy does not appear to be the result of a typographical error and the difference between the respective readmission rate assumptions is over 17% higher for Medicare clients and 74% lower for Medicaid clients. Further, the applicant previously described readmissions would be applied only to Medicare clients and there would be "*no additional readmissions projected in the other payor categories through the first two years of operation*"; however, PruittHealth HH's projection of Medicaid readmissions is in direct conflict with this statement. The first paragraph on page 138 of PruittHealth HH's CON application states, "*The Medicare*

readmission percentages [sic] based on PruittHealth HH's home health operating experience in North Carolina." Therefore, it is important (but not possible) to know which readmission projections are indeed representative of PruittHealth HH's operating experience in North Carolina. Given there is no explanation in the CON application of which percentages actually represent PruittHealth HH's operating experience in North Carolina, the readmissions by payor mix are not reasonable or credible.

In Step 5 of PruittHealth HH's methodology (page 139 of PruittHealth HH CON application), the applicant states, "*Determine the number of Medicare episode starts by multiplying the Year 1 and Year 2 total Medicare clients calculated in Step 4 by 1.55 Medicare episodes per Medicare client*". However, in the tables immediately following this statement, the applicant indicates Year 1 and Year 2 total Medicare clients calculated in Step 4 were actually multiplied by 1.41 not 1.55. The discrepancy does not appear to be the result of a typographical error and the difference between the respective readmission rate assumptions is over 9%. Further, the applicant provided a sample calculation which also included conflicting statements. Specifically, the sample calculation on page 139 states, "*Calculation: [A x 1.55 = B]; As an example, Year 1 October = [6 x 1.41 = 9] Medicare episode starts.*" Therefore, it is important (but not possible) to know which assumption should be used in the PruittHealth HH methodology. Given there is no explanation in the CON application of which Medicare episodes per client assumption is the intended assumption, the projected Medicare starts are not reasonable or credible.

In Step 8 of PruittHealth HH's methodology (page 143 of PruittHealth HH CON application), includes the applicant's projections regarding the total number of visits per start by reimbursement type. PruittHealth HH projects Medicare – Full without outlier starts will incur 21.1 visits. The applicant states, "*The number of visits per start by reimbursement type for Medicare – Full w/o Outliers, Medicaid, Commercial, Indigent, and Private Pay are based on the FY2016 Mecklenburg County-based home health agencies' Medicare episodes per client calculated from the 2017 License Renewal Application for Home Care, Nursing Pool, and Hospice completed by the eleven home health agencies based in Mecklenburg County. However, after discussions with the members of PruittHealth HH-C referral network and documentation of verified referrals from many acute care providers, including physician groups and hospitals, PruittHealth HH leadership believed that it was necessary to increase the number of visits per start of care. The increase in the number of visits per start of care is directly correlated with the data provided within this application that demonstrates that higher acuity patients needing more intense services, will be referred to PruittHealth HH-C. As such, PruittHealth HH increased the number of visits per start for Medicare – Full w/o Outliers, Medicaid, Commercial, Indigent, and Private Pay by 17.0%*". There are several errors with this rationale:

First, 2017 License Renewal Application data for Home Care, Nursing Pool, and Hospice completed by the eleven home health agencies based in Mecklenburg County does not itemize Medicare visits per episode by discipline. Rather, the data includes the average number of Medicare visits per episode for all

disciplines, i.e. full episodes without outliers, full episodes with outliers, Medicare LUPAs and Medicare PEPs. Therefore, the 2017 License Renewal Application data cannot be used to accurately project Medicare visits per episode for each discipline (i.e. full episodes without outliers, full episodes with outliers, Medicare LUPAs and Medicare PEPs).

Second, PruittHealth HH is an existing home health provider in North Carolina and has access to its own historical operating experience in North Carolina. Indeed, notwithstanding the issues noted above, the applicant stated that it relied on its own historical operating experience in North Carolina for other steps of its methodology. Therefore, it could have utilized, or at a minimum, reviewed its operating experience in North Carolina with respect to Medicare visits per episode by discipline. There is no such information or explanation included in PruittHealth HH's CON application with regard to this matter.

Third, it is not reasonable to inflate the 2017 License Renewal Application home health patient visit data by 17%. PruittHealth HH states its increased the number of visits per start for Medicare – Full w/o Outliers, Medicaid, Commercial, Indigent, and Private Pay by 17.0% based on the assumption that it will serve higher acuity patients (see page 143 of PruittHealth HH CON application); however, the applicant provided no rationale or documentation to indicate that the existing Mecklenburg County-based home health do not adequately serve high-acuity patients. Indeed, Healthy @ Home – Carolinas Medical Center – Charlotte and Health @ Home – Carolinas Medical Center North are owned by The Charlotte-Mecklenburg Hospital Authority (CMHA also d/b/a CHS) and collectively serve over 22% of the Mecklenburg County home health market (based on data provided in the 2017 SMFP). It is reasonable to assume that these agencies serve high acuity patients discharged from CHS hospitals in Mecklenburg County. Based on data provided in its 2017 license renewal application, Healthy @ Home – Carolinas Medical Center – Charlotte averaged 11.28 Medicare visits per episodes during FY2016. This is much lower compared to PruittHealth HH's projection of 21.1 for Medicare – Full w/o Outliers. Novant Health shares in the ownership of Advanced Home Health in Mecklenburg County and serves over 15% of the Mecklenburg County home health market (based on data provided in the 2017 SMFP). It is reasonable to assume that this agency also serves high acuity patients discharged from Novant hospitals in Mecklenburg County. Based on data provided in its 2017 license renewal application, Advanced Home Health averaged 13.6 Medicare visits per episodes during FY2016. This is also much lower compared to PruittHealth HH's projection of 21.1 for Medicare – Full w/o Outliers. PruittHealth HH failed to provide any reasonable justification to demonstrate that high-acuity home health patients are not being served in Mecklenburg County. Furthermore, PruittHealth HH's visit projections are inconsistent with providers that are likely already serving high acuity home health patients. Therefore, the applicant's projected visits by payor type are not justified nor supported.

In summary, PruittHealth HH methodology for projecting home health patients and visits contains several errors and conflicting statements. In addition, the applicant projects unreasonably high visits per episode start which are not supported by historical data. Therefore, PruittHealth HH’s projected patients and visits are not reliable and the application is not conforming to Criterion 3.

Comments Specific to Criterion 4

- PruittHealth HH projects a later date for offering services in Mecklenburg County than Well Care. PruittHealth HH’s proposed date of July 1, 2018 is six months later than Well Care. Given the 2017 SMFP’s need determination for an additional Medicare-certified home health agency, the PruittHealth HH application is not the most effective alternative in terms of offering timely access to services for Mecklenburg County residents.
- PruittHealth HH does not propose a cost-effective alternative, as it proposes the highest average operating costs per visit.

**Average Cost per Visit
Project Year 2**

| | PruittHealth HH | WellCare | NC Home Health |
|--|------------------------|-----------------|-----------------------|
| Average Total Operating Cost per Visit | \$137 | \$111 | \$131 |

Source: CON Applications

- PruittHealth HH projects the highest Average Net Revenue/Patient. The applicant is therefore not a cost-effective alternative for Mecklenburg County residents seeking home health services.

**Average Net Revenue per Unduplicated Patient
Project Year 2**

| | PruittHealth HH | WellCare | NC Home Health |
|--|------------------------|-----------------|-----------------------|
| Average Net Revenue per Unduplicated Patient | \$3,563 | \$3,421 | \$3,071 |

Source: CON Applications

Comments Specific to Criterion 5

- PruittHealth HH does not project a decline in Medicare reimbursement per episode for Project Year 2, which is unreasonable given the recent history of Medicare home health reimbursement, and the anticipated on-going downward political pressure on federal government reimbursement rates. Therefore, the projection of Medicare charges for PruittHealth HH is unreasonable, and particularly relevant because PruittHealth HH's Form B shows only a \$30,650 net income for Project Year 2. Thus, the PruittHealth HH application is non-conforming to Criterion 5 because it does not project financial feasibility based on reasonable projections of charges for providing health services.
- In Section II of its application, PruittHealth HH states that it will engage the services of PruittHealth HH Consulting Services and PruittHealth HH Pharmacy Services, among others, to provide various clinical audits, training and quality monitoring services. However, it is not apparent that PruittHealth HH included such expenses in its proforma financial statements. Form B lists contracted clinical services, but describes those as being for translation and "U-connect and Solutions". And the "clinical services fee" also shown in Form B is described as being for OASIS duties that are to be performed centrally by PruittHealth HH. PruittHealth HH has neglected to include expenses for the services which its application describes it will provide, and therefore, the application should be found non-conforming to Criterion 5. As noted above, this is particularly significant given that PruittHealth HH projects that its revenues will exceed expenses in Year 2 by a relatively small amount; additional expenses for Consulting and Pharmacy services, if properly accounted for in the pro forma, could reasonably be expected to cause a loss in Year 2.

Comments Specific to Criterion 6

- PruittHealth HH did not adequately demonstrate that projected utilization is reasonable, credible or supported. Therefore, PruittHealth HH did not adequately demonstrate in its application that the Medicare-certified home health agency it proposes to develop in Mecklenburg County is needed in addition to the existing agencies. See Criterion 3 for additional discussion. Consequently, the PruittHealth HH application is not conforming to Criterion 6.

Comments Specific to Criterion 7

- PruittHealth HH has inadequate marketing staffing for successful development of the proposed new Agency. As shown in Table VII.2 and the proformas of its application, PruittHealth HH projects just 0.33 FTE for community relations/marketing. By contrast,

Well Care projects to staff 1.0 FTE and 2.0 FTE marketing staff during the initial two project years. Mecklenburg County is a competitive healthcare marketplace, and PruittHealth HH has no home health or home care presence in the marketplace. On-the-ground staff is necessary to visit potential referral sources, and to cultivate the necessary understandings and relationships that would lead to the patient utilization totals that PruittHealth HH is projecting. A projection of only .33 FTE means just 13.33 hours per week will be allocated to marketing, which is inadequate, especially considering PruittHealth HH also projects a miniscule annual promotion/public relations budget for both project years.

- PruittHealth HH projects to increase its patient total by 151%, and its patient visit total by 220% from Project Year 1 to Project Year 2, and yet does not show any increased staffing for a scheduler, which maintains at 0.5 FTE for both project years. This is not reasonable, but is consistent with PruittHealth HH's apparent strategy of manufacturing cost figures designed to be competitive for a CON batch review comparative analysis.

Comments Specific to Criterion 8

- PruittHealth HH claims it will make available dietician services, yet in both Table VII.2 and the financial proformas, PruittHealth HH shows no dietician staffed or budgeted. It is likely that at some point during the initial two project years a home health patient will need dietician services. Therefore, PruittHealth HH is not conforming to Criterion 8 because it does not demonstrate that it will make available necessary ancillary and support services.

Comments Specific to Criterion 13

- Without providing reasonable justification, PruittHealth HH projects its Medicare payor mix unreasonably higher than the current Mecklenburg County average. PruittHealth HH's projection of 86.1% is 51% higher than the average of 57% for the existing Mecklenburg County providers during FY2016, as shown on the table on the following page.

Home Health Clients by Payor Source, FY2016

| Payment Source | Healthy @ Home (1038)* | Advanced Home Care (0171) | Gentiva (0787) | Gentiva (0097) | Gentiva (0138) | Interim HealthCare (1901) | Bayada (0355) | Liberty Home Care (3694) | Innovative Senior Care (Brookdale) (0369) | Personal Home Care of NC (3966) | Combined Total |
|-----------------|------------------------|---------------------------|----------------|----------------|----------------|---------------------------|---------------|--------------------------|---|---------------------------------|----------------|
| Medicare | 1,606 | 1,999 | 70 | 1,636 | 1,354 | 347 | 953 | 290 | 1,088 | 672 | 10,015 |
| Medicaid | 584 | 128 | 10 | 128 | 229 | 419 | 14 | 26 | 6 | 294 | 1,838 |
| Private | 761 | 921 | 15 | 843 | 826 | 417 | 370 | 89 | 200 | 47 | 4,489 |
| Indigent | 326 | 89 | - | 4 | 3 | - | - | - | - | 1 | 423 |
| Other | | 39 | 8 | 324 | 346 | 67 | 55 | 6 | 1 | 45 | 891 |
| Total | 3,277 | 3,176 | 103 | 2,935 | 2,758 | 1,250 | 1,392 | 411 | 1,295 | 1,059 | 17,656 |

| Payment Source | Healthy @ Home (1038)* | Advanced Home Care (0171) | Gentiva (0787) | Gentiva (0097) | Gentiva (0138) | Interim HealthCare (1901) | Bayada (0355) | Liberty Home Care (3694) | Innovative Senior Care (Brookdale) (0369) | Personal Home Care of NC (3966) | Combined Total |
|-----------------|------------------------|---------------------------|----------------|----------------|----------------|---------------------------|---------------|--------------------------|---|---------------------------------|----------------|
| Medicare | 49.0% | 62.9% | 68.0% | 55.7% | 49.1% | 27.8% | 68.5% | 70.6% | 84.0% | 63.5% | 56.7% |
| Medicaid | 17.8% | 4.0% | 9.7% | 4.4% | 8.3% | 33.5% | 1.0% | 6.3% | 0.5% | 27.8% | 10.4% |
| Private | 23.2% | 29.0% | 14.6% | 28.7% | 29.9% | 33.4% | 26.6% | 21.7% | 15.4% | 4.4% | 25.4% |
| Indigent | 9.9% | 2.8% | 0.0% | 0.1% | 0.1% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 2.4% |
| Other | 0.0% | 1.2% | 7.8% | 11.0% | 12.5% | 5.4% | 4.0% | 1.5% | 0.1% | 4.2% | 5.0% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

*Data was obtained from Healthy@HomeHC1038 2017 License Renewal Application. Healthy@Home HC4677 did not provide client data by payor source on its 2017 License Renewal Application.
Source: 2017 License Renewal Applications, Mecklenburg County Home Health Agencies

More specifically, no existing Mecklenburg County home health provider serving the general population has a Medicare mix higher than 70.6%. Brookdale has a licensed agency in Mecklenburg County, but serves only residents of its own senior living communities, and therefore its Medicare payor mix is not representative of the entire Mecklenburg County market. On page 136 of its application, PruittHealth HH describes the rationale for its Medicare projection: “*The Medicare and Medicaid unduplicated client admission payor percentages are based on PruittHealth HH’s operating experience in North Carolina.*” That one sentence represents the entire justification for a grossly exaggerated Medicare payor mix. Unfortunately for PruittHealth HH, this is far from a sufficient rationale for justifying the projected Mecklenburg County payor mix. Rather than reviewing the actual historical payor mix information from existing Mecklenburg County Home Health agencies, PruittHealth HH chose to manufacture a

Medicare payor mix without providing any supporting data, and without demonstrating how or why it's one sentence justification is even relevant to the characteristics of the Mecklenburg County marketplace. The apparent rationale for this contrivance is to appear more attractive in the CON batch review. In summary, PruittHealth HH's Medicare payor mix is completely unreasonable and unjustified, and therefore PruittHealth HH's application should be found non-conforming to Criterion 13 because it does not reasonably project the extent to which elderly and underserved groups are expected to utilize the proposed services.

- Compared to Well Care, PruittHealth HH projects a lower Medicaid payor mix. The table below shows the Medicaid payor mix comparison between the PruittHealth HH and Well Care proposals, reflecting that PruittHealth HH represents a less effective alternative than Well Care for Medicaid access.

**Projected Medicaid Payor Mix, by Patients
 Project Year 2**

| | PruittHealth HH | Well Care |
|----------|------------------------|------------------|
| Medicaid | 4.8% | 15% |

Source: CON Applications

Comments Related to Comparative Review

- PruittHealth HH's application is not the most competitive of the three competing applications, based on the comparative analysis shown at the beginning of these written comments.
- PruittHealth HH is owned by United Health Services, Inc. (UHS). UHS has formed similar subsidiary companies to develop home health agencies in North Carolina: United Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Brunswick County Healthcare Properties, Inc. / Project ID # O-10113-13, and UniHealth Home Care, Inc. d/b/a UniHealth Home Health, Inc. d/b/a UniHealth Home Health and Forsyth County Healthcare Properties, Inc. / Project ID # G-10161-13. The Brunswick home health agency (d/b/a PruittHealth Home Health – Brunswick) was developed more than three years after the project received CON approval and the Forsyth home health agency (d/b/a PruittHealth Home Health – Forsyth) has yet to be developed, although it was approved nearly four years ago. PruittHealth HH's proposed Mecklenburg project is not unlike the two projects discussed above. PruittHealth HH's development schedule for the proposed Mecklenburg home health agency is not supported given its parent

company’s recent experience delaying the development of need determined home health agencies in North Carolina. WellCare has no history of CON project development to review. Thus, UHS’ history of delayed development for CON-approved home health agencies make its project a less effective alternative with regard to history of project development.

This comparative is relevant to this analysis because the Agency recently completed a batch review and considered similar development information as a comparative factor. See Agency findings dated May 4, 2017 for the 2016 Brunswick County operating room batch review.

- Compared to Well Care, PruittHealth HH proposes higher operating costs per visit and per patient. In fact, PruittHealth HH proposes the highest operating cost of any applicant. The following table shows the difference in operating costs between the PruittHealth HH and Well Care proposals.

**Average Operating Cost per Visit
 Project Year 2**

| | PruittHealth HH | Well Care |
|--------------|-----------------|-----------|
| Average Cost | \$137 | \$111 |

Source: CON Applications

**Average Operating Cost per Patient
 Project Year 2**

| | PruittHealth HH | Well Care |
|--------------|-----------------|-----------|
| Average Cost | \$3,512 | \$2,368 |

Source: CON Applications

- In addition to the highest operating costs, PruittHealth HH proposes the highest net revenue per patient. The following table shows the difference in operating costs between the PruittHealth HH and Well Care proposals.

**Average Net Revenue per Unduplicated Patient
 Project Year 2**

| | PruittHealth HH | Well Care |
|---------------------|-----------------|-----------|
| Average Net Revenue | \$3,563 | \$3,421 |

Source: CON Applications

- PruittHealth HH also proposes higher gross charges per unduplicated patient than Well Care. Please see the following table. Therefore, PruittHealth HH is a less effective alternative than Well Care in regard to patient charges.

Gross Charge per Unduplicated Patient (Year 2)

| | PruittHealth HH | Well Care |
|-----------------------|-----------------|-----------|
| Average Gross Revenue | \$4,956 | \$3,588 |

Source: CON Applications

- PruittHealth HH projects higher costs per visit than Well Care, as shown in the table below, and therefore is a less effective alternative from a cost perspective.

Costs per patient visit (Year 2)

| | Well Care | PruittHealth HH | NC Home Health |
|---------|-----------|-----------------|----------------|
| Nursing | \$70.84 | \$118.29 | \$75.08 |
| PT | \$67.96 | \$92.82 | \$77.47 |
| ST | \$98.76 | \$227.54 | \$92.25 |
| OT | \$71.34 | \$107.73 | \$86.42 |
| MSW | \$77.62 | \$225.87 | \$297.29 |
| HHA | \$35.72 | \$74.51 | \$40.17 |

Source: CON Applications

- PruittHealth HH projects to serve the lowest percentage of Medicaid patients of all applicants. PruittHealth HH's application is not an effective alternative for expanding access to the medically underserved as identified by the access basic principle in the 2017 SMFP.

**Medicare Access
Year Two**

| Agency | % of Patients |
|-----------------|----------------------|
| Well Care | 15.0% |
| NC Home Health | 9.0% |
| PruittHealth HH | 4.8% |

Source: CON Applications

NC Home Health Project ID # F-011329-17

Comments Specific to Criterion 3

- NC Home Health’s assumptions and methodology for projecting duplicated patients and home health visits utilize several data points derived from 2016 Annual Data Supplements, which at the time the CON application was filed on April 17, 2017, reflect information that is more than one year old. The 2016 Annual Data Supplements provide FY2015 data for the time period beginning on July, August, September, or October 1, 2015 and ending after the twelve-month period, but not later than September 30, 2016. 2017 Annual Data Supplements were publicly available well in advance of the April 17, 2017 filing deadline; therefore, NC Home Health could have reasonably obtained, reviewed, and utilized more recent data for the methodology to project home health patients and visits. The failure to consider recent FY2016 publicly available home health data calls into question the legitimacy of NC Home Health’s patient utilization and whether the projections are based on supported assumptions and rationale.
- NC Home Health’s methodology for projecting duplicated patients contains conflicting assumptions. In Step 4 of NC Home Health’s methodology (page 40 of NC Home Health’s CON application), the applicant states “*NCHH defines “duplicated patients” as those patients who are certified for more than one period of home health during a reporting period.*” Also on page 40, NC Home Health provided a table summarizing data for what it titles “*Total Unduplicated Patients*” and “*Total Clients*”. In the table, NC Home Health utilized FY2015 patient origin data from page 2 of the 2016 Annual Data Supplements to determine total unduplicated patients and data from page 7 of the 2016 Annual Data Supplements to determine clients. NC Home Health used these data points to calculate what it refers to as a “*Ratio Total Clients: Total Unduplicated Patients*”. In NC Home Health’s calculation, the term “*Total Clients*” is synonymous with duplicated patients. However, NC Home Health’s previously stated definition of duplicated patients is not consistent with the definition of “*Total Clients*” in the 2016 Annual Data Supplement. Page 8 of the 2016 Annual Data Supplement provides an explanation of Total Clients which states “*Total Clients: Means the total number of clients seen by each staff discipline during the reporting period.*” As previously stated, NC Home Health stated, “*NCHH defines “duplicated patients” as those patients who are certified for more than one period of home health during a reporting period.*” Therefore, the applicants understanding of duplicated patients appears to be different than the method of reporting total clients in the 2016 Annual Data Supplements. This call into question the legitimacy of NC Home Health’s patient utilization and whether the projections are based on supported assumptions and rationale.
- NC Home Health’s methodology is based on the ratio of duplicated patients to unduplicated for the FY2015 Mecklenburg County home health providers, the distribution of patients throughout home health disciplines for the FY2015 Mecklenburg County home health providers, and the average number of visits per patient per discipline for the FY2015 Mecklenburg County home health providers. Therefore, NC Home

Health's patient and visit projections are inherently based on the experience of the FY2015 Mecklenburg County-based home health agencies. The combined and/or average FY2015 patient and visit data for Mecklenburg County-based home health agencies was the product of the types of patients served by the existing agencies. In other words, the FY2015 patient and visit data were directly impacted by the payor sources for the existing agencies. Thus, if NC Home Health based its projected patients and visits based on the experience of the Mecklenburg County-based home health agencies, the projected payor mix should also be representative of the experience FY2015 Mecklenburg County-based home health agencies. This is not the case, however, in NC Home Health's methodology. NC Home Health contrived a payor mix that is in no way representative of the Mecklenburg County home health market place. For example, NC Home Health projects a Medicare payor mix of 80.9%; however, no existing Mecklenburg home health provider serving the general population has a Medicare mix higher than 70.6% (based on FY2016 data). See discussion in comments specific to Criterion 13(c). Therefore, NC Home Health's patient and visit projections are not supported and the applicant is not conforming to Review Criterion 3.

- NC Home Health has inadequate marketing staff to justify its utilization projections. In fact, NC Home Health includes no dedicated marketing staff in its staffing table. In the assumptions for the financial proformas, NC Home Health states that the Central Office Overhead includes marketing and many other central office services; however, this expense line totals only \$105K in PY2, and therefore would reflect only a miniscule resourcing of marketing for the proposed Mecklenburg County project. Given that NC Home Health included no letters of support or any evidence of local referral contacts, marketing manpower is essential for cultivating referral relationships. Therefore, NC Home Health is not able to justify the reasonableness of its patient utilization projections and is not conforming to Review Criterion 3.

Comments Specific to Criterion 4

- Of the three competing applicants, NC Home Health projects the latest date for offering services in Mecklenburg County. NC Home Health's proposed date of October 1, 2018 is nine months later than Well Care, and three months later than PruittHealth HH. Given the 2017 SMFP's need determination for an additional Medicare-certified home health agency, the NC Home Health application is the least effective alternative in terms of offering timely access to services for Mecklenburg County residents.

Comments Specific to Criterion 5

- As shown in Section XII, NC Home Health projects Medicare certification just three months after the agency becomes operational. This is an unreasonably short timeframe, and is unlikely to occur. NC Home Health cannot collect reimbursement from the government for Medicare patients until it receives certification. Therefore, the revenue

projections for NC Home Health in Project Year 1 are not reasonable, with flawed projections about revenue collected from Medicare and Medicaid. This is particularly true given NC Home Health's overly aggressive, and unrealistic, projected Medicare payor mix. Thus, NC Home Health has under-projected its total working capital which makes the proformas financial statements unreliable. Thus, the NC Home Health application does not reasonably project the costs for providing health services, and is non-conforming to Criterion 5.

- NC Home Health's funding letter in Exhibit 12 indicates a willingness to fund the \$69,000 CON project capital cost, but also specifically indicates funding of only \$69,000 for the project working capital cost. This \$69,000 in funding is much less than the projected \$185,506 working capital cost NC Home Health describes in Section IX. As explained in the previous bullet point, this working capital cost projection is already unrealistically low, due to the overly optimistic Medicare certification lead time of only three months. Therefore, NC Home Health did not demonstrate the availability of funds for the capital and operating needs of the project, and should be found non-conforming to Criterion 5.
- NC Home Health does not project a decline in Medicare reimbursement per episode for Project Year 2, which is unreasonable given the recent history of Medicare home health reimbursement, and the anticipated on-going downward political pressure on federal government reimbursement rates. Therefore, the projection of Medicare charges for NC Home Health is unreasonable, and the NC Home Health application is non-conforming to Criterion 5 because it is not based on reasonable projections of charges for providing health services.
- In its financial proforma Form B, NC Home Health's expense allocation for rent and utilities appears inadequate at just \$18,000 per year for each of the two initial project years. Specifically:
 - the location documentation in Exhibit 13 for the primary site does not specify any price per square foot.
 - none of the three site documentation letters specifies a space requirement for the proposed agency office. Thus, the NC Home Health expense projection should have used the lowest total square footage and the highest estimated cost/SF from all three letters to calculate the projected office rent expense. That would be $3,755 \text{ SF} \times \$16/\text{SF} = \$60,080$ in annual office rent.
 - although the three letters specify utilities are included, the letters are all written by an NC Home Health Group employee, and thus offer no independent verification that utility costs are truly included in the lease rate.
 - NC Home Health projects no inflation adjustment for PY2 on the office rent, which is an unrealistic assumption.

The combination of over-projected revenues, plus under-estimated expenses, results in a net loss for Project Year 2. For all these described reasons, the NC Home Health application did not demonstrate financial feasibility based upon reasonable projections of

the cost for providing the healthcare service, and should be found non-conforming to Criterion 5.

Comments Specific to Criterion 6

- NC Home Health did not adequately demonstrate that projected utilization is reasonable, credible or supported. Therefore, NC Home Health did not adequately demonstrate in its application that the Medicare-certified home health agency it proposes to develop in Mecklenburg County is needed in addition to the existing agencies. See Criterion 3 for additional discussion. Consequently, the NC Home Health application is not conforming to Criterion 6.

Comments Specific to Criterion 7

- NC Home Health's administrative staffing is insufficient for the proposed development of a new Medicare-certified home health agency. NC Home Health shows a 1.0 FTE Director of Nursing/Administrator in its staffing table. However, a financial proforma assumption notes that this 1.0 FTE position will make patient visits during the initial two project years, and therefore NC Home Health is allocating only .5 FTE to address the administrative responsibilities. It is unrealistic to assume that a Director of Nursing who devotes 50% of his/her time to direct patient care will be able to satisfy all the administrative responsibilities associated with this proposed new agency.
- Another deficiency of the NC Home Health application with regard to Criterion 7 is that the application includes no funding for on-call nurses. In Table VII.2 on page 65 of its application, NC Home Health portrays 3.0 FTE RN staffing at \$54,546 annual salary. This totals exactly \$163,637 for nurse salaries in PY2, which NC Home Health shows on Form B in the financial proformas. However, this total includes no allowance for overtime or on-call pay, which contradicts NC Home Health's statement on page 62 that "*staffing in Table VII.2 includes necessary allocation for on-call personnel*". The same is true for PY1, with 2.2 FTE RN staffing at \$52,957 annual salary, which totals \$116,505 as shown on Form B. This PY1 total also includes no overtime or on-call funding. The NC Home Health Policy in Exhibit 2 states "*the agency ensures that patients, caregivers, and/or their physicians, as well as referral sources and other health care providers, have access to a staff clinician 24-hours a day by means of providing an on-call nurse during and after office hours.*" NC Home Health will not be able to satisfy its own nurse on-call policy with the staffing and expense model portrayed in the CON application.
- NC Home Health has inadequate marketing staff to justify its utilization projections. In fact, NC Home Health includes no dedicated marketing staff in its Section VII staffing table. In the assumptions for its financial proformas, NC Home Health states that the

Central Office Overhead includes marketing and many other central office services; however, this expense line totals only \$105K in Project Year 2, and therefore would reflect only a miniscule resourcing of marketing for the proposed Mecklenburg County home health agency project. Given that NC Home Health also included no letters of support or any evidence of local referral contacts, marketing manpower is essential for cultivating referral relationships.

For these reasons, the NC Home Health application should be found non-conforming with Review Criterion 7 because NC Home Health did not show evidence of adequate availability of health manpower and management personnel.

Comments Specific to Criterion 8

- NC Home Health does not project to offer dietician services. In both Table VII.2 and the financial proformas, NC Home Health shows no dietician staffed or budgeted. It is likely that at some point during the initial two project years a home health patient will need dietician services. Therefore, NC Home Health is not conforming to Criterion 8 because it does not demonstrate that it will make available necessary ancillary and support services.
- The NC Home Health application included no letters of support, including none from existing local healthcare providers. In fact, apparently (as per the dates of the solicitation letters in Exhibits 5-8, NC Home Health didn't request letters of support until April 17, 2017, which was the day the CON application was submitted). Therefore, NC Home Health didn't demonstrate that the proposed service will be coordinated with the existing health care system, and the NC Home Health application should be found non-conforming to Criterion 8.

Comments Specific to Criterion 13c

- Without providing reasonable justification, NC Home Health projects its Medicare payor mix unreasonably higher than the current Mecklenburg County average. NC Home Health's projection of 80.9% is 43% higher than the average of 57% for the existing Mecklenburg County providers during FY2016. More specifically, no existing Mecklenburg County home health provider serving the general population has a Medicare mix higher than 70.6%. Brookdale has a licensed agency in Mecklenburg County, but serves only residents of its own senior living communities, and therefore its Medicare payor mix is not comparable. On pages 45-46 of its application, NC Home Health describe the rationale for its Medicare projection, stating it is based entirely on the payor mix for NC Home Health Group at its Cumberland and Wake County agencies. Unfortunately for NC Home Health, its application provides an insufficient rationale for explaining how services to residents of Cumberland and Wake counties is a proxy for the

needs and characteristics of Mecklenburg County. Further, according to the 2017 SMFP, NC Home Health’s Wake County agency only served 65 patients during FY2016, which is too small a sample to serve as the basis for projecting utilization of several hundred patients in Mecklenburg County. In summary, NC Home Health’s Medicare payor mix is completely unreasonable, and therefore NC Home Health’s application should be found non-conforming to Criterion 13 because it does not reasonably project the extent to which elderly and underserved groups are expected to utilize the proposed services.

- Compared to Well Care, NC Home Health projects a lower Medicaid payor mix. The table below shows the Medicaid payor mix comparison between the NC Home Health and Well Care proposals, reflecting that NC Home Health represents a less effective alternative than Well Care for Medicaid access.

**Projected Medicaid Payor Mix, by Patients
 Project Year 2**

| | NC Home Health | Well Care |
|----------|----------------|-----------|
| Medicaid | 9% | 15% |

Source: CON Applications

Comments Related to Comparative Review

- NC Home Health’s application is the least competitive of the three competing applications, based on the comparative analysis shown at the beginning of these written comments.
- NC Home Health’s application projects to serve the lowest number of patients and visits of the competing applicants. See the table below.

Projected Patient Visits (Year 2)

| Agency | Visits Per Patient | Home Health Patients |
|-----------------|--------------------|----------------------|
| Well Care | 21.3 | 898 |
| PruittHealth HH | 25.7 | 598 |
| NC Home Health | 20.8 | 381 |

Source: CON Applications

- NC Home Health projects a 9.0% Medicaid payor mix, which is the second lowest of all applicants. NC Home Health’s application is not an effective alternative for expanding access to the medically underserved as identified by the access basic principle in the 2017 SMFP.

Medicaid Access

| Agency | % of Patients |
|-----------------|---------------|
| Well Care | 15.0% |
| NC Home Health | 9.0% |
| PruittHealth HH | 4.8% |

Source: CON Applications

- Compared to Well Care, NC Home Health proposes higher operating costs per visit and per patient. The following table shows the difference in operating costs between the NC Home Health and Well Care proposals.

**Average Operating Cost per Visit
 Project Year 2**

| | NC Home Health | Well Care |
|--------------|----------------|-----------|
| Average Cost | \$131 | \$111 |

Source: CON Applications

**Average Operating Cost per Patient
 Project Year 2**

| | NC Home Health | Well Care |
|--------------|----------------|-----------|
| Average Cost | \$2,739 | \$2,368 |

Source: CON Applications

- NC Home Health proposes by far the highest average administrative cost per visit of any applicant. Please see the following table. Higher administrative costs are indicative of less organizational efficiency and these additional costs are eventually incurred by patients and payors. Therefore, NC Home Health is the least effective alternative in regard to low administrative costs.

Average Administrative Cost per Visit (Year 2)

| Agency | Average Administrative Cost Per Visit |
|-----------------|---------------------------------------|
| NC Home Health | \$50 |
| Well Care | \$38 |
| PruittHealth HH | \$28 |

Source: CON Applications

- NC Home Health proposes the highest gross charge per unduplicated patient of any applicant. Please see the following table. Therefore, NC Home Health is the least effective alternative of the applicants in regard to patient charges.

Gross Charge per Unduplicated Patient (Year 2)

| Agency | Gross Per Patient |
|-----------------|-------------------|
| NC Home Health | \$5,172 |
| PruittHealth HH | \$4,956 |
| Well Care | \$3,588 |

Source: CON Applications

- NC Home Health projects higher costs per visit than Well Care, as shown in the table below, and therefore is a less effective alternative from a cost perspective.

Costs per patient visit (Year 2)

| | Well Care | PruittHealth HH | NC Home Health |
|---------|------------------|------------------------|-----------------------|
| Nursing | \$70.84 | \$118.29 | \$75.08 |
| PT | \$67.96 | \$92.82 | \$77.47 |
| ST | \$98.76 | \$227.54 | \$92.25 |
| OT | \$71.34 | \$107.73 | \$86.42 |
| MSW | \$77.62 | \$225.87 | \$297.29 |
| HHA | \$35.72 | \$74.51 | \$40.17 |

Source: CON Applications

- NC Home Health projects lower salaries than Well Care for nurses and CNAs. Therefore, NC Home Health is a less effective alternative in regard to RN and CNA salaries. In fact, NC Home Health’s projected RN salary is so low it should be considered non-competitive, in that NC Home Health is unlikely to be able to hire any RNs at its projected annual salary.

RN and CNA Salaries, Project Year 2

| Agency | RN | CNA |
|----------------|-----------|------------|
| Well Care | \$83,602 | \$34,456 |
| NC Home Health | \$54,546 | \$30,272 |

Source: CON Applications

- NC Home Health projects lower salaries than Well Care for therapists. Therefore, NC Home Health is a less effective alternative in regard to therapist salaries.

Therapist Salaries, Project Year 2

| Agency | PT | OT | ST |
|----------------|-----------|-----------|-----------|
| Well Care | \$87,020 | \$87,020 | \$83,399 |
| NC Home Health | \$76,719 | \$85,503 | \$77,625 |

Source: CON Applications

- NC Home Health projects lower salaries than Well Care for social workers. Therefore, NC Home Health is a less effective alternative in regard to social worker salaries.

Social Worker Salaries, Project Year 2

| Agency | Social Worker |
|----------------|---------------|
| Well Care | \$59,277 |
| NC Home Health | \$48,891 |

Source: CON Applications

- The table below portrays the average direct care operating cost per visit as a percentage of the total operating cost per visit. NC Home Health proposes the lowest percentage of any applicant. A lower percentage is indicative of relatively less of the total operating costs focused on providing direct care to the patient. Therefore, NC Home Health is the least effective alternative in regard to costs focused on direct care.

**Direct Care Cost per Visit as a Percentage of
 Total Operating Cost per Visit (Year 2)**

| Agency | % |
|-----------------|-----|
| NC Home Health | 62% |
| Well Care | 66% |
| PruittHealth HH | 80% |

Source: CON Applications