



May 31, 2012

Greg Yakaboski, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27626-0530

RE: Comments on Home Health CON Applications for Wake County

Dear Mr. Yakaboski:

Enclosed please find comments prepared by Maxim Healthcare Services, regarding the competing CON applications for one new Medicare-certified Home Health Agency to meet the need identified in the *2012 State Medical Facilities Plan* for Wake 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) 251-8990. I look forward to seeing you at the public hearing.

Sincerely,

Mike Raney

Regional Accounts Manager
Maxim Healthcare Services

**COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS
HOME HEALTH NEED DETERMINATION FOR WAKE COUNTY**

**SUBMITTED BY MAXIM HEALTHCARE SERVICES, INC.
MAY 31, 2012**

Five applicants submitted Certificate of Need (CON) applications in response to the need identified in the 2012 *State Medical Facilities Plan (SMFP)* for one additional Medicare-certified Home Health Agency in Wake County. In accordance with N.C.G.S. §131E-185(a.1)(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 Wake 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 applicants project to maximize the number of patient visits per unduplicated patient, and the reasonableness of the utilization projections developed by the applicants.
- (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 each applicant proposes to offer competitive salaries to ensure the ability to hire and retain excellent direct care providers.
- (4) The extent to which an applicant best understands and matches the community need for the spectrum of home care services, and demonstrates community support for the proposed project.
- (5) The extent to which the proposed project will increase and improve accessibility to home health services for the residents of the service area;
- (6) The extent to which the competing applicants submitted full and complete applications that are conforming to all statutory and regulatory criteria.

Utilization

Maxim projects to serve the second highest number of unduplicated patients in the first project year among all competing applicants. Maxim also projects a reasonable and conservative growth between the first and second project years. This utilization is based on sound assumptions regarding historical experience, an established referral base and projected patient utilization described in Maxim’s application. A competing applicant projects unreasonable patient growth in year 2. Please refer to the following table.

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

	Maxim	Oakland	Assisted Care	Hillcrest	HealthKeeperz
PY1	439	372	464	121	348
PY2	516	573	500	538	492
% Growth	17.5%	54.0%	7.8%	344.6%	41.4%

Source: CON Applications

Additionally, Maxim projects the second highest number of patient visits among all competing applicants in the second project year. Again, one applicant projects unrealistic growth in the number of patient visits between the first two project years. Please refer to the table below.

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

	Maxim	Oakland	Assisted Care	Hillcrest	HealthKeeperz
PY1	8,537	6,712	7,315	1,548	5,672
PY2	11,013	11,331	7,885	9,303	8,028
% Growth	29.0%	68.8%	7.8%	501.0%	41.5%

Source: CON Applications

Maxim’s utilization projections result in 21.3 visits per patient in the second project year. This is the highest among all competing applicants. 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**

	Maxim	Oakland	Assisted Care	Hillcrest	HealthKeeperz
PY1	19.4	18.0	15.8	12.8	16.3
PY2	21.3	19.8	15.8	17.3	16.3

Source: CON Applications

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

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.

Charges and Costs

Cost of care is a major concern with healthcare payors and the public. Therefore, the projected average procedure charge is an important measure of consumer value. Maxim proposes the lowest average charge per visit of all applicants. The following table demonstrates that Maxim’s proposal is the most effective alternative by offering the most competitive charges.

**Average Charge per Visit
Project Year 2**

Agency	Average Charge Per Visit
Maxim	\$141
Oakland	\$145
Assisted Care	\$154
Hillcrest	\$150
HealthKeeperz	\$164

Source: CON applications

Current economic conditions make low average charges especially important to patients, payors, and providers. Maxim’s low average charges make its application the least costly and most effective alternative.

In addition, Maxim proposes the lowest average cost per visit among all competing applicants. The table below summarizes the applicants’ projected cost per visit.

**Average Cost per Visit
Project Year 2**

Agency	Average Cost Per Visit
Maxim	\$106
Assisted Care	\$137
Hillcrest	\$139
Oakland	\$143
HealthKeeperz	\$161

Source: CON applications

Additionally, Maxim proposes one of the lowest costs per patient throughout the initial two project years. Below is a summary of competing applicants’ proposed costs.

**Average Cost per Patient
Project Year 2**

Agency	Average Cost Per Patient
Assisted Care	\$2,165
Maxim	\$2,272
Hillcrest	\$2,398
HealthKeeperz	\$2,623
Oakland	\$2,821

Source: CON applications

Total administrative cost per visit is another key 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. Maxim’s administrative cost per is the lowest overall in the second project year. The table on the following page 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
Maxim	\$29.90
Assisted Care	\$44.50
Oakland	\$54.69
Hillcrest	\$55.23
HealthKeeperz	\$73.06

Source: CON applications

In summary, Maxim’s application is clearly the most effective alternative based on its demonstration of competitive charges and costs. Maxim’s application is consistent with Policy GEN-3 of the 2012 SMFP, in projecting to maximize healthcare value for resources expended.

Medically Underserved

A key factor in considering the relative accessibility of the alternative proposals is the extent to which each applicant expands access to the medically underserved, particularly Medicaid recipients. As indicated in the following table, in terms of access for the medically underserved Medicaid populations, Maxim’s proposal represents an effective alternative, as four of the five applicants project comparable Medicaid payor mixes. The table below summarizes the projected Medicaid portion of payor mixes for the competing applicants.

**Projected Medicaid Payor Mix
Project Year 2**

Agency	% of Patients
Maxim	13.3%
Oakland	14.2%
Assisted Care	6.9%
Hillcrest	14.3%
HealthKeeperz	14.8%

Source: CON Applications

Maxim projects to serve a higher Medicaid percentage of patients than is currently served by Wake County home health agencies. Maxim has typically served a high Medicaid payor mix, and will actively market Medicaid patients. This is indicative of Maxim'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 2012 State Medical Facilities Plan.

Specialized Services

Maxim was one of only two applicants to propose home health services uniquely targeted to pediatric patients. Maxim is an experienced provider of family-centered and team-based pediatric care, and specifically proposes to address the unique needs of children with medical and behavioral health issues. No other applicant proposes to offer these services, which historically have remained in consistent demand in Wake County.

Specific Comments Regarding Competing Applicants

Assisted Care of the Carolinas

- Assisted Care projects to provide the lowest visits per patient of any applicant, and therefore is the least effective alternative from a patient care perspective. Please see the table below.

Projected Visits Per Patient (Year 2)

Agency	Visits Per Patient (Year 2)
Maxim	21.3
Oakland	19.8
Hillcrest	17.3
HealthKeeperz	16.3
Assisted Care	15.8

Source: CON Applications

- Assisted Care projects to serve the lowest percentage of Medicaid patients of all applicants. Please see the table below. In fact, Assisted Care only proposes 6.9% of its payor mix to be Medicaid patients; approximately half of Maxim's 13.3%. Assisted Care's application is the least effective alternative at expanding access to the medically underserved as identified by the access basic principle in the 2012 SMFP.

Medicaid Access

Agency	% of Patients
HealthKeeperz	14.8%
Hillcrest	14.3%
Oakland	14.2%
Maxim	13.3%
Assisted Care	6.9%

Source: CON Applications

- Assisted Care projects lower salaries than Maxim for CNAs. Therefore, Assisted Care is a less effective alternative in regard to CNA salaries.

**CNA Salaries
Project Year 2**

Agency	CNA
Maxim	\$32,800
HealthKeeperz	\$30,900
Oakland	\$30,090
Assisted Care	\$29,870
Hillcrest	\$24,426

Source: CON Applications

- Assisted Care does not propose a cost-effective alternative. Assisted Care proposes higher average revenues and operating costs per visit than does Maxim. Assisted Care’s proposal does not provide patients or payors with competitive charges, but rather projects the second highest revenues per visit. The table below shows the difference in costs and revenues between the Assisted Care and Maxim proposals.

**Average Revenue and Cost per Visit
Project Year 2**

	Assisted Care	Maxim
Average Revenue	\$154	\$141
Average Cost	\$137	\$106

Source: CON Applications

- Assisted Care proposes a higher administrative cost per visit than does Maxim. Higher administrative costs are indicative of less organizational efficiency and these additional costs are eventually incurred by patients and payors. Assisted Care proposes an average administrative cost per visit of \$44.50 in the second year of the project. Maxim proposes an average administrative cost of only \$29.90 in year two. Therefore Maxim is the more effective alternative in regard to low administrative costs.

Hillcrest Home Health of the Triangle

- Hillcrest projects to serve the lowest percentage of Medicare patients of all applicants. Please see the table below. In fact, Hillcrest only proposes 54% of its payor mix to be Medicare patients; much less than the current Wake County average of 74%. Hillcrest’s application is not an effective alternative at expanding access to the medically underserved as identified by the access basic principle in the 2012 SMFP.

Medicare Access

Agency	% of Patients
Oakland	74.8%
Maxim	74.0%
Assisted Care	73.0%
Healthkeeperz	69.7%
Hillcrest	53.6%

Source: CON Applications

- Hillcrest did not provide any assumptions or explanation for how it projected its Medicaid payor mix. Therefore, Hillcrest’s application is not conforming to Criterion 13, because it did not reasonably project the extent to which it proposes to serve medically underserved groups.
- Hillcrest projects unrealistic growth in unduplicated patients and duplicated visits. Hillcrest projects to increase its unduplicated patients from 121 to 538 between the initial two project years. This is a 345% annual increase, and is unreasonable and unsupported by Hillcrest’s projection methodology. The applicant did not provide any evidence in the application to support its assumption that there will be a 345 percent increase in the number of home health patients it serves, in just one year.

Hillcrest also proposes to increase its duplicated visits from 1,548 to 9,303 in project years one and two respectively. This is a 501% annual increase and is also unreasonable. Because the applicant’s projections of the number of patients to be served are unsupported and unreasonable, the applicant’s projections of the total number of visits to be provided are also unsupported and unreliable.

- Hillcrest’s application projects to serve a low number of patients and visits. Hillcrest only projects to meet the 354 patient performance threshold in the second year of the project.
- Hillcrest projects a Medicare episode to patient rate of 1.44 episodes, which is higher compared to the FY2011 Wake County average of 1.37 episodes. Hillcrest states its projection is based on a discussion with its home health consultant; however, failed to provide any rationale to justify the reasonableness of this assumption. Therefore, Hillcrest’s projected Medicare episode to patient rate of 1.44 episodes is unreliable and results in overstated projections.
- On page 86 of its CON application, Hillcrest assumes that Medicaid clients will have the same number of visits as full-episode Medicare clients. This assumption is unreasonable because Medicaid patients are primarily much younger compared to Medicare patients and will not require as many visits per start of care. Therefore, Hillcrest’s projected visits are based on unreasonable assumptions and are overstated.
- Hillcrest failed to provide a letter of intent/support from a clinical training program.
- Hillcrest provided 17 healthcare provider letters of support; however, the vast majority of these letters were from Durham County-based physicians. Hillcrest provided only five letters of support from Wake County-based providers.
- Hillcrest projects lower salaries than Maxim for CNAs. In fact, Hillcrest projects the lowest CNA salaries of all the applicants. Therefore, Hillcrest is a less effective alternative in regard to CNA salaries. Please see the table below.

**CNA Salaries
Project Year 2**

Agency	CNA
Maxim	\$32,800
Hillcrest	\$24,426

Source: CON Applications

- Hillcrest does not propose a cost-effective alternative. Hillcrest proposes higher average costs than does Maxim in the second project year. The table below

shows a comparison of the average operating costs per patient as proposed in the Hillcrest and Maxim applications.

**Average Cost per Patient
Project Year 2**

	Hillcrest	Maxim	Difference
Average Cost	\$2,398	\$2,272	5.5%

Source: CON Applications

- Additionally, Hillcrest proposes a higher average cost per visit than does Maxim. Hillcrest proposes an average cost per visit of \$139, while Maxim proposes to provide home health visits for only \$106. Hillcrest’s average costs per patient are over 30 percent higher compared to Maxim.
- Hillcrest did not accurately project its expenses in the income statement. Specifically, the proposed facility lease agreement indicates a 3% annual rent adjustment, which is not reflected in the Hillcrest income statement.
- Hillcrest proposes a higher administrative cost per visit than does Maxim. Higher administrative costs are indicative of less organizational efficiency and these additional costs are eventually incurred by patients and payors. Hillcrest proposes an average administrative cost per visit of \$55.23 in the second year of the project. Maxim proposes an average administrative cost of only \$29.90 in year two. Therefore Maxim is the more effective alternative in regard to low administrative costs.

Administrative Cost Per Patient, Year 2

Agency	Total Visits for all Disciplines	Total Administrative Costs	Total Administrative Cost/Visit YR. 2
Maxim	11,013	\$329,334	\$29.90
Hillcrest	9,303	\$513,851	\$55.23

Source: CON Applications

Healthkeeperz of Wake

- Healthkeeperz proposes the highest average operating cost per visit of any applicant. Please see the following table.

Average Operating Cost Per Visit (Year 2)

Agency	Average Cost Per Visit
HealthKeeperz	\$161
Oakland	\$143
Hillcrest	\$139
Assisted Care	\$137
Maxim	\$106

Source: CON Applications

- Healthkeeperz is not a cost effective alternative. Healthkeeperz proposes the highest average revenue per visit. Please see the table below.

Average Revenue Per Visit (Year 2)

Agency	Total Visits (Year 2)	Net Revenue (Year 2)	Net Revenue Per Visit (Year 2)
HealthKeeperz	8,028	\$1,399,374	\$163.9
Assisted Care	7,885	\$1,216,030	\$154.2
Hillcrest	9,303	\$1,399,374	\$150.4
Oakland	11,331	\$1,639,140	\$144.7
Maxim	11,013	\$1,553,615	\$141.1

Source: CON Applications

- Healthkeeperz projects lower salaries than Maxim for nurses. In fact, Healthkeeperz projects the lowest RN salaries of all the applicants. Therefore, Healthkeeperz is a less effective alternative in regard to nurse salaries.

Nurse Salary

Agency	RN Salary
Maxim	\$67,650
HealthKeeperz	\$66,950

Source: CON Applications

- Healthkeeperz proposes to serve fewer unduplicated patients and duplicated visits in both project years than does Maxim. Please see the table below. In a county with as great a need as Wake, this is a serious detriment to the Healthkeeperz application.

Projected Patients & Visits, Year 2

	Maxim	HealthKeeperz
Patients (PY2)	516	492
Visits (PY2)	11,013	8,028

Source: CON Applications

- Healthkeeperz projects lower salaries than Maxim for CNAs. Therefore, Healthkeeperz is a less effective alternative in regard to CNA salaries.

CNA Salary

Agency	CNA Salary
Maxim	\$32,800
HealthKeeperz	\$30,900

Source: CON Applications

- Healthkeeperz projects the highest total administrative cost per visit of all the applicants. Higher administrative costs are indicative of less organizational efficiency and these additional costs are eventually incurred by patients and payors. The total administrative cost per visit proposed in Healthkeeperz' application is more than double the total administrative cost per visit proposed by Maxim. Please see the table below.

Administrative Cost Per Visit, Year 2

Agency	Total Visits for all Disciplines	Total Administrative Costs	Total Administrative Cost/Visit YR. 2
HealthKeeperz	8,028	\$586,535	\$73.06
Hillcrest	9,303	\$513,851	\$55.23
Oakland	11,331	\$619,658	\$54.69
Assisted Care	7,885	\$350,858	\$44.50
Maxim	11,013	\$329,334	\$29.90

Source: CON applications

Oakland Home Care of NC

- Oakland did not receive adequate physician or community support. Specifically, Oakland's application included no letters of support from referring physicians, and none from any community members. Further, Oakland's lack of physician support does not support their high patient and visit volume projections. This lack of support indicates Oakland may not be able to attract adequate Wake County referral volume; the source of patients for home health services.

Letters of support are indicative of a provider's ability to offer attract patients and control adequate market share to remain viable. This is especially critical in a highly competitive environment like the Wake County home health services market. Oakland's lack of support from area physicians and community representatives suggests they are not the most effective alternative for meeting the established need.

- While all the other applicants propose to serve 100% Wake County residents, Oakland projects to serve a secondary service area that includes Chatham, Durham and Johnston counties. Approximately 10 percent of Oakland's patients will originate from the counties in its secondary services area during project year two.

Further, Oakland's projections from its secondary service area are overstated. Specifically, Oakland projects to serve 15, 19 and 19 patients during its first three project years, respectively. Oakland attempts to justify its Chatham County patient projections by stating on page 91 of its application, "According to the 2012 SMFP, six Wake County based Home Health agencies served Chatham County residents in 2010." However, the greatest number of Chatham County patients any one Wake County-based agency served was 12 patients. Oakland projects to serve 15, 19 and 19 patients during its first three project years, respectively. This is ambitious for a new agency with no established services or referral base. Furthermore, as described previously, Oakland failed to provide any letters of support from physicians located in the proposed service area. Therefore, OHC's projected patients from its secondary service area, specifically Chatham County, are unrealistic. This results in overstated patient and visit projections.

- Oakland failed to provide a reasonable methodology for its projected Medicaid payor mix. Oakland states on page 126 of its application that its projected Medicaid payor mix of 14.2% is "based on a comparison of the payor mix for existing and approved home health providers in Wake County and OHC's proposed service area." However, Oakland failed to state how it would achieve

payor mix that is comparatively higher compared to Wake County payor mix average. Oakland has no experience providing healthcare services in the service area, unlike Maxim which currently has a large Medicaid patient base upon which to draw future home health patients. Therefore, Oakland’s payor mix projections are not supported.

- On page 103 of its application, Oakland assumes that Medicaid clients will have the same number of visits as full-episode Medicare clients. This assumption is unreasonable because Medicaid patients are primarily much younger compared to Medicare patients and will likely not require as many visits per start of care. Therefore, OHC’s projected visits are based on unreasonable assumptions and are overstated.
- Oakland failed to provide a letter of intent/support from a clinical training program.
- Oakland does not propose a cost-effective alternative. Oakland proposes the highest average cost per patient. Please see the table below. Alternatively, Maxim proposes the second lowest project operating cost per patient of all applicants.

Average Cost Per Patient, Year 2

Agency	Average Cost Per Patient
Oakland	\$2,821
HealthKeeperz	\$2,623
Hillcrest	\$2,398
Maxim	\$2,272
Assisted Care	\$2,165

Source: CON applications

- Oakland projects lower salaries than Maxim for CNAs. Please see the table on the following page. Therefore, Oakland is a less effective alternative in regard to CNA salaries.

**CNA Salaries
Project Year 2**

Agency	CNA
Maxim	\$32,800
Oakland	\$30,090

Source: CON Applications

- Oakland proposes a higher administrative cost per visit than does Maxim. Higher administrative costs are indicative of less organizational efficiency and these additional costs are eventually incurred by patients and payors. Oakland proposes an average administrative cost per visit of \$54.69 in the second year of the project. Maxim proposes an average administrative cost of only \$29.90 in year two. Therefore Maxim is the more effective alternative in regard to low administrative costs.
- Oakland proposes the highest project capital costs among all competing applicants, as shown in the table below. Alternatively, Maxim proposes the second lowest project capital cost of all applicants.

Project Capital Costs

Agency	Capital Cost
Oakland	\$143,819
Hillcrest	\$98,900
HealthKeeperz	\$62,400
Maxim	\$50,000
Assisted Care	\$31,874

Source: CON Applications