Comments in Opposition from HKZ Group, LLC Regarding a Certificate of Need Application Submitted by NHRMC Home Care in Response to a Need Determination for One Home Health Agency in the Brunswick County Service Area Submitted April 15, 2013 for May 1, 2013 Review Cycle

I. Introduction

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

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

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

II. Comparative Analysis

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

III. NHRMC Home Care does not Believe that a Need Exists in Brunswick County for an Additional Medicare-certified Home Health Agency

In an undated letter to Thomas J. Pulliam, MD, Vice Chairman, North Carolina State Health Coordinating Council, NHRMC Home Care (NHRMC) opposed an August 2012 Petition for an Adjusted Need Determination submitted by **HKZ**. In his letter, Mr. Thompson, Executive Director, states without reservation that NHRMC:

> **does not believe there is a need for an additional home health agency in Brunswick County**. [**Emphasis** added.]

Six months later, in response to the adjusted need determination in the *2013 SMFP*, NHRMC proposes to establish a Medicare-certified home health agency in Supply, which will "focus on the needs of Brunswick County residents." NHRMC makes no mention in its CON Application that there is no need for the Medicare-certified agency it proposes.

IV. NHRMC Home Care CON Application

NHRMC is a wholly-owned subsidiary of Pender Memorial Hospital and an affiliate of New Hanover Regional Medical Center. NHRMC owns and operates one Medicare-certified home health agency in North Carolina, an agency in Rocky Point (Pender County). NHRMC was incorporated in 2010. Its predecessor, Pender Home Care, was certified by Medicare in 1974.

NHRMC's existing Pender County agency has a service area that includes New Hanover, Brunswick, Pender, Bladen, Duplin, Columbus, and Pender counties. NHRMC's proposed Brunswick County agency has "an overlapping service area" consisting of Brunswick, Bladen, and Columbus counties with its existing Pender County agency.

V. CON Review Criteria

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

G.S. 131E-183 (1)

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

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

- Policy GEN-3: Basic Principles.

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

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

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

G.S. 131E-183 (3)

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

A. Methodology is Flawed = Overstated and Unreasonable Projections

The following table shows a comparison of the unduplicated patients in PYs 1 and 2 projected by each applicant.

Brunswick County Home Health Agency CON Applications
Unduplicated Patients: PYs 1 & 2

Project ID	Applicant	PY 1	PY 2
O-10113-13	UniHealth	204	508
O-10117-13	**NHRMC**	**995**	**1,328**
O-10118-13	Advanced	316	533
O-10119-13	HKZ	421	582
O-10120-13	Maxim	387	503
O-10121-13	Gentiva	236	391
O-10122-13	Continuum	125	474

The previous table shows that NHRMC's unduplicated patient count is far higher than all other applicants. That disparity is an indication of a flawed methodology and overstated and unreasonable projections.

On pages 64 and 65 of the CON Application, NHRMC presents its methodology for projecting unduplicated patients for its proposed new home health agency in Brunswick County. The starting point for that methodology is the number of home health patients projected in the *2013 SMFP* for Brunswick, Bladen, and Columbus counties, respectively in 2014. Those home health patients are shown in the following table.

NHRMC Home Care
Projected Home Health Patients: 2014

County	2014*
Bladen	1,150
Brunswick	3,930
Columbus	2,682

Source: CON Application O-10117-13, page 64
*The projected home health patients in 2014 are rounded up from the projected home health utilization shown in Table 12C.

The following table is excerpted from Table 12C of the *2013 SMFP*, which shows need projections by county in 2014.

Table 12C: 2014 Need Projections for Medicare-certified Home Health Agencies or Offices

County	Adjusted Potential Total People Served	Projected Utilization in 2014	Surplus or Deficit ("-" = Deficit)
Bladen	1,220.60	1,149.68	70.92
Brunswick	3,601.75	3,929.69	-324.94
Columbus	2,740.11	2,681.55	58.55

Source: *2013 SMFP*, Table 12C

It is apparent that NHRMC misunderstands the home health need methodology. NHRMC focuses on the "Projected Utilization in 2014" in Table 12C. "Projected Utilization in 2014" is calculated in Step 12, before the critical step (Step 13) in the home health need methodology. "Projected Utilization in 2014" is "the potential number of home health patients in 2014."

In Step 13 of the home health need methodology, the "Projected Utilization in 2014" is subtracted from the "Adjusted Potential Total People Served." **The remainder is the projected additional number of home health patients who will need home health services in 2014.**

Unmet need for home health services in 2014 shows as a negative number of patients, referred to as a patient deficit in Table 12C. No need (or met need) for home health services in 2014 shows as a positive number of patients, referred to as a patient surplus in Table 12C.

Table 12C shows that only Brunswick County is projected to have a negative number of patients, which is an unmet need for home health services in 2014 in the three county service area proposed by NHRMC. Bladen and Columbus counties show positive numbers of patients, which means no need (or met need) for home health services in 2014.

NHRMC does not base its methodology on the unmet need for home health services in 2014; instead, it bases its methodology on "Projected Utilization in 2014." **Brunswick County's unmet need for home health services in 2014 is 3.5 times lower than "Projected Utilization in 2014" (1,149.68/-324.94).**

Due to its reliance on "Projected Utilization in 2014," NHRMC overstates significantly the number of home health patients in 2014, and the number of home health patients in 2015 through 2017.

Importantly, NHRMC does not justify that the "Projected Utilization in 2014" is the unmet need for home health services in 2014. Also important, NHRMC does not justify that there is an unmet need for home health services in Bladen and/or Columbus county(ies).

Using a significantly overstated number of home health patients in 2014, NHRMC calculates significantly overstated home health patients in 2015 and 2016 from each of the three counties. NHRMC then multiplies each county's overstated home health patients in 2015 and 2016 by projected market share for each county to determine the number of patients to be "treated by the NHRMC Home Care Brunswick County agency."

Overstatement is not limited to its unduplicated patients. NHRMC overstates duplicated patients because unduplicated patients are used as a basis for calculating duplicated patients, and as a result patient visits are overstated.

NHRMC's use of unreasonable PY 2 projections infects each of the following metrics of comparison in PY 2:

- Duplicated patient volume
- Duplicated patient visits
- Duplicated patient visit: unduplicated patient ratio
- Duplicated patient visit: duplicated patient ratio
- Projected access by Medicare recipients
- Projected access of Medicaid recipients
- Staffing
- Financial Projections.

The entirety of NHRMC's staffing and financial projections are rendered unreliable by the unreasonableness of its PY 2 projections.

B. Ratio of Duplicated to Unduplicated Patients is Unsupported and Unreasonable

The following table shows a range of duplicated: unduplicated patient ratios used by the seven applicants.

Brunswick County Home Health Agency CON Applications
Ratio of Duplicated to Unduplicated Patients: PYs 1 & 2

Project ID	Applicant	PY 1	PY 2
O-10113-13	UniHealth	1.2	1.3
O-10117-13	**NHRMC**	**4.2**	**4.5**
O-10118-13	Advanced	1.0	1.0
O-10119-13	HKZ	2.7	2.7
O-10120-13	Maxim	4.8	5.2
O-10121-13	Gentiva	2.2	2.7
O-10122-13	Continuum	3.1	2.7

As shown in the previous table, NHRMC ratio of duplicated to unduplicated patients is the second highest among the seven applicants.

That ratio far exceeds the duplicated to unduplicated patient ratio of NHRMC's existing Medicare-certified home health agency in FY 2012, as shown in the following table.

NHRMC Home Care
Ratio of Duplicated to Unduplicated Patients: FY 2012

Unduplicated Patients*	Total Clients**	Duplicated: Unduplicated
2,960	5,170	**1.7**

Source: 2013 Home Health Agency Annual Data Supplement to License Application
*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement
**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

NHRMC does not explain why it chose to use a ratio that far exceeds its existing home health agency, particularly when NHRMC plans to shift patients from its existing home health agency to its proposed Brunswick County agency.

NHRMC's ratio also exceeds the duplicated to unduplicated patient ratio of existing Brunswick County Medicare-certified home health agencies in FY 2012, as shown in the following table.

Brunswick County Existing Home Health Agencies
Ratio of Duplicated to Unduplicated Patients: FY 2012

Brunswick Average	Brunswick High	Brunswick Low
2.7	3.7	1.8

Source: 2013 Home Health Agency Annual Data Supplement to License Application
*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement
**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

NHRMC does not explain why it chose to use a ratio that exceeds even the highest ratio of an existing home health agency in Brunswick County when it plans to shift patients from its existing home health agency to its proposed Brunswick County agency.

Lastly, NHRMC's ratio far exceeds the duplicated to unduplicated patient ratio of existing Pender County Medicare-certified home health agencies in FY 2012, as shown in the following table.

Pender County Existing Home Health Agencies
Ratio of Duplicated to Unduplicated Patients: FY 2012

Pender Average	Pender High	Pender Low
2.1	3.4	1.7

Source: 2013 Home Health Agency Annual Data Supplement to License Application
*Unduplicated patients as per Home Health Services Reporting Instructions on page 2 of the Annual Data Supplement
**Total Clients as per Home Health Staffing Table (Table E, page 7 of Annual Data Supplement)

In the absence of an explanation offered in support of its ratio assumption, it is reasonable to assume that NHRMC's duplicated: unduplicated patient ratio is unreasonable.

NHRMC's use of unreasonable PY 2 projections infects each of the following metrics of comparison in PY 2:

- Duplicated patient volume
- Duplicated patient visits
- Duplicated patient visit: unduplicated patient ratio
- Duplicated patient visit: duplicated patient ratio
- Projected access by Medicare recipients
- Projected access of Medicaid recipients
- Staffing
- Financial Projections.

The entirety of NHRMC's staffing and financial projections are rendered unreliable by the unreasonableness of its PY 2 projections.

C. Bladen County has a Home Health Patient Surplus = No Unmet Need for Additional Medicare Home Health Services

NHRMC includes Bladen and Columbus counties in its proposed three-county service area. In FY 2016 (PY 2), NHRMC proposes to provide Medicare-certified home health services to **45** residents of Bladen County.

According to Table 12C of the *2013 SMFP*, Bladen County is projected to have home health **patient surplus in 2014 of 70.92**. According to Draft Table 12C dated May 10, 2013, Bladen County's home health patient **surplus is projected to increase to 81.51 in 2015**. It is reasonable to assume that there will not be a patient deficit in 2016 (an unmet need for additional home health services in Bladen County). Consequently, NHRMC fails to justify inclusion of Bladen County patients in its projections.

D. Columbus County has a Home Health Patient Surplus = No Unmet Need for Additional Medicare Home Health Services

In FY 2016 (PY 2), NHRMC proposes to provide Medicare-certified home health services to **175** residents of Columbus County.

According to Table 12C of the *2013 SMFP*, Columbus County is projected to have home health **patient surplus in 2014 of 58.55**. According to Draft Table 12C dated May 10, 2013, Columbus County's home health patient **surplus is projected to increase to 70.72 in 2015**. It is reasonable to assume that there will not be a patient deficit in 2016 (an unmet need for additional home health services in Columbus County). Consequently, NHRMC fails to justify inclusion of Columbus County in its projections.

For the reasons set forth above, the NHRMC CON Application does not conform to CON Review Criterion (3).

G.S. 131E-183 (4)

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

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

G.S. 131E-183 (5)

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

As discussed in the context of CON Review Criterion (3), NHRMC's PY 2 projections are overstated. **HKZ** does not reasonably believe any of the NHRMC's financial metrics can be used as a basis for comparison with the six other applicants.

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

A. Assumptions are Unsupported and Unrelated to Operations at Existing Pender County Medicare-certified Agency

NHRMC has included Assumption Worksheets in its Proformas (stamped pages 000122 – 000126), but does not source those Assumptions and does not show the method of arriving at the numbers in the Proformas (i.e., volume x cost/visit). As will be documented in Sections B., C., and D., it is clear that the Assumptions are not related to NHRMC's existing agency operations in Pender County. Without a documented rational for NHRMC's Assumptions, NHRMC's Proformas should be rejected as inaccurate and misleading.

B. Direct Care Costs are Understated when Compared to FY 2012 Pender County Agency

The following table shows an analysis and comparison of the PY 1 direct care cost and the FY 2012 of NHRMC's existing Pender County agency, as reported on its 2013 LRA.

NHRMC Home Care
Direct Care Cost: PY 1 v. FY 2012

	YR. 1 Visits	Yr. 1 Personnel Cost	Yr.1 Cost Per Visit	Personnel Cost 2012	FY 2012 Visits	2012 Cost Per Visit	Yr. 1 under 2012 Cost Per Visit	Under Annual
RN/LPN	7,824	$515,220	**$65.85**	$2,131,630	25,078	**$85.00**	$19.15	$149,820
HHA	1,218	$34,786	**$28.56**	$84,266	3,241	**$26.00**	$(2.56)	$(3,118)
PT	5,165	$373,024	**$72.22**	$1,072,396	13,078	**$82.00**	$9.78	$50,506
OT	1,429	$91,876	**$64.29**	$311,952	3,216	**$97.00**	$32.71	$46,737
ST	282	$19,863	**$70.44**	$36,096	141	**$256.00**	$185.56	$52,329
MSW	197	$20,149	**$102.28**	$56,260	485	**$116.00**	$13.72	$2,703
Admin	16,115	$106,859	**$6.63**	$1,461,975	45,239	**$32.32**	$25.69	$413,925
Total	16,115	$1,161,777	**$72.09**	$5,154,575	45,239	**$113.94**	$41.85	$674,382

Source: CON Application O-10117-13, stamped page 000120 (Form B Personnel Cost); pages 62-63 (Table IV.2 Visits); NHRMC 2013 LRA (stamped page 000468 – FY 2012 Visits); NHRMC 2013 LRA (stamped page 000502 – FY 2012 Cost per Visit)

The previous table shows that each staffing discipline, except for home health aides, have a total direct care cost per visit in PY 1 below the total direct care cost per visit of the existing Pender County agency in FY 2012. For example, nursing (RN/LPN) services in FY 2012, as reported in NHRMC's 2013 LRA for its Pender County agency, is $85.00 per visit while in its CON Application, PY 1 cost is projected at $65.85, which is $19.15 lower per visit than FY 2012. NHRMC's assumptions do not state the reason it projected a decrease in total direct care cost for visit for the proposed Brunswick County agency.

When NHRMC's PY 1 total direct care cost per visit of $72.09 is compared to its FY 2012 total direct care cost per visit of $113.94, the proposed visit cost in FY 2016 is $41.85 lower than FY 2012. Additionally, NHRMC understated its PY 1 total direct care cost by 58% when compared to its Pender County agency's total direct care cost in FY 2012. When the understated total direct care cost is annualized for PY 1, NHRMC's total direct care cost is understated by $674,382.

The following table shows an analysis and comparison of the PY 2 total direct care cost and the FY 2012 of NHRMC's existing Pender County agency, as reported on its 2013 LRA.

NHRMC Home Care
Direct Care Cost: PY 2 v. FY 2012

	YR. 2 Visits	Yr. 2 Personnel Cost	Yr.2 Cost Per Visit	Personnel Cost 2012	FY 2012 Visits	2012 Cost Per Visit	Under 2012 Per Visit	Under Annual
RN/LPN	11,182	$659,220	**$58.95**	$2,131,630	25,078	**$85.00**	$26.05	$291,250
HHA	1,740	$47,536	**$27.32**	$84,266	3,241	**$26.00**	$(1.32)	$(2,296)
PT	7,382	$522,260	**$70.75**	$1,072,396	13,078	**$82.00**	$11.25	$83,064
OT	2,042	$131,338	**$64.32**	$ 311,952	3,216	**$97.00**	$32.68	$66,736
ST	403	$30,283	**$75.14**	$36,096	141	**$256.00**	$180.86	$72,885
MSW	273	$27,532	**$100.85**	$56,260	485	**$116.00**	$15.15	$ 4,136
Admin	23,022	$109,530	**$4.76**	$1,461,975	45,239	**$32.32**	$27.56	$634,465
Total	23,022	$1,527,699	**$66.36**	$5,154,575	45,239	**$113.94**	$47.58	$1,095,450

Source: CON Application O-10117-13, stamped page 000120 (Form B Personnel Cost); pages 62-63 (Table IV.2 Visits); NHRMC 2013 LRA (stamped page 000468 – FY 2012 Visits); NHRMC 2013 LRA (stamped page 000502 – FY 2012 Cost per Visit)

The previous table shows that each staffing discipline, except for home health aides, have a total direct care cost per visit in PY 2 below the total direct care cost per visit of NHRMC's existing Pender County agency in FY 2012. For example, PT services in FY 2012, as reported in NHRMC's 2013 LRA for its Pender County agency, is $82.00 per visit while in its CON Application, PY 2 cost is projected at $70.75, which is $11.25 lower per visit than FY 2012.

When NHRMC's PY 2 total direct care cost per visit of $66.36 is compared to FY 2012 total direct care cost per visit of $113.94, the proposed visit total direct care cost in FY 2016 is $47.58 lower than FY 2012. Additionally, NHRMC understated its PY 2 total direct care cost by 71% when compared to its Pender County agency's total direct care cost in FY 2012. When the understated total direct care cost is annualized for PY 2, NHRMC's total direct care cost is understated by $1,095,450.

C. Indirect Costs are Understated when Compared to FY 2012 Pender County Agency

The following table shows an analysis and comparison of the PY 1 indirect cost and the FY 2012 of NHRMC's existing Pender County agency, as reported on its 2013 LRA.

NHRMC Home Care
Indirect Cost: PY 1 v. FY 2012

	Yr. 1 Visits	Yr. 1 Total Service	Yr. 1 Cost Per Visit	Yr.1 Cost	2012 Visits	2012 Cost Per Visit	Under 2012 Per Visit	Under Annual
Utilities	16,115	$4,800	$0.30	$110,501	45,239	$2.44	$2.14	$34,563
Supplies	16,115	$6,000	$0.37	$52,071	45,239	$1.15	$0.78	$12,549
Medical Supplies	9,042	$39,110	$4.33	$164,175	28,319	$ 5.80	$1.47	$13,310
Other cost data not available								
Total Indirect Cost	16,155	$419,688	$26.04	$1,363,139	45,239	$30.13	$4.09	$65,888

Source: CON Application O-10117-13, stamped page 000121 (Form B Indirect Cost); pages 62-63 (Table IV.2 Visits); NHRMC 2013 LRA (stamped page 000468 – FY 2012 Visits); NHRMC 2013 LRA (stamped page 000502 – FY 2012 Cost per Visit)

*Please note that total indirect cost does <u>not</u> equal the sum of the above utilities, supplies, and medical supplies

Please note that many line items of indirect cost are not available for comparison. There are three items that can be compared, as shown in the previous table. Total indirect cost ($26.04) for PY 1 is calculated to be less than NHRMC indirect cost for FY 2012 ($30.13). That is a 15.7% understatement. PY 1 has an annualized understatement of $65,888.

The following table shows an analysis and comparison of the PY 2 indirect cost and the FY 2012 of NHRMC's existing Pender County agency, as reported on its 2013 LRA.

NHRMC Home Care
Indirect Cost: PY 2 v. FY 2012

	Yr. 2 Visits	Yr. 2 Total Service	Yr. 2 Cost Per Visit	Yr.1 Cost	2012 Visits	2012 Cost Per Visit	Under 2012 Per Visit	Under Annual
Utilities	23,022	$4,944	$0.21	$110,501	45,239	$2.44	$2.23	$51,290
Supplies	23,022	$6,180	$0.27	$52,071	45,239	$1.15	$0.88	$20,319
Medical Supplies	12,922	$55,053	$4.26	$164,175	28,319	$5.80	$1.54	$19,860
Other cost data not available								
Total Indirect Cost	23,022	$513,951	$22.32	$1,363,139	45,239	$30.13	$7.81	$179,747

Source: CON Application O-10117-13, stamped page 000121 (Form B Indirect Cost); pages 62-63 (Table IV.2 Visits); NHRMC 2013 LRA (stamped page 000468 – FY 2012 Visits); NHRMC 2013 LRA (stamped page 000502 – FY 2012 Cost per Visit)

*Please note that total indirect cost does not equal the sum of utilities, supplies, and medical supplies

Please note that many line items of indirect cost are not available for comparison. There are three items that can be compared, shown in the previous table. Total indirect cost ($23.32) for PY 2 is calculated to be lower than NHRMC's indirect cost for FY 2012 ($30.13). That is a 35% understatement. PY 1 has an annualized understatement of $179,747.

D. Total Costs are Understated when Compared to FY 2012 of the Pender County Agency

The total projected operating expense for PY 2 (FY 2016) is $2,041,650 (stamped page 000121), divided by visits 23,022 (page 62) results in a cost per visit of $88.68.

For comparison purposes, the cost per visit of the existing Pender County agency in FY 2012 was $144.07 (stamped pages 000465, which is a page from the 2013 LRA for NHRMC's Pender County agency, and stamped pages 000502 – 000503 FY 2012 Balance Sheet and Income Statement of NHRMC's Pender County agency). Cost per visit in FY 2012 is calculated as follows: $6,522,078 - $4,364 (bad debt) = $6,517,714 / 45,239 visits in FY 2012.

Therefore, in PY 2 (FY 2016), the cost per visit is understated by $55.39 ($144.07 - $88.68), which is an understatement of $1,275,196 annualized ($23,022 x $55.39).

E. Proposed Staffing does not Support Volume

The following table shows that NHRMC has not projected sufficient staff to perform all of the visits projected in PY 1.

NHRMC Home Care
Proposed Staffing for Projected Visits: PY 1

	Visits Per Day	Visits Per FTE	Yr 1 FTEs (Visits per day x Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
HHA	5.5	1,320	0.9	1,188	1,218	-30	-2.5%	$38	$1,140
PT	5.5	1,320	3.8	5,016	5,165	-149	-2.9%	$75	$11,175
OT	5.5	1,320	1	1,320	1,429	-109	-7.6%	$75	$8,175
ST	5.5	1,320	0.2	264	282	-18	-6.4%	$75	$1,350
Total						-306			$21,840

Source: CON Application O-10117-13, pages 62-63, 89-90, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days. Total visits by staff should be greater than projected visits. As shown it the previous table, NHRMC's total visits by staff are lower than projected visits for home health aides, PT, OT, and ST in PY 1. When there is a staff shortfall for projected visits, contract staff can provide needed coverage. NHRMC states clearly on page 94 that it "does not propose to utilize contract[ed] service for its personnel."

The previous table also shows that the staffing shortfall for projected visits results in an understatement of direct care costs of $21,840 in PY 1.

The following table shows that NHRMC has not projected sufficient staff to perform all of the visits projected in PY 2.

NHRMC Home Care
Proposed Staffing for Projected Visits: PY 2

	Visits Per Day	Visits Per FTE	Yr 2 FTEs (Visits per day x Visits per FTE)	Total Possible Visits by Staff	Projected Visits	Projected Visits for which Staff is Insufficient	Percent Difference	Contract Staff per Visit	Understated Cost
HHA	5.5	1,320	1.2	1,584	1,740	-156	-9.0%	$38	$5,928
PT	5.5	1,320	5.2	6,864	7,382	-518	-7.0%	$75	$38,850
OT	5.5	1,320	1.4	1,848	2,042	-194	-9.5%	$75	$14,550
ST	5.5	1,320	0.3	396	403	-7	-1.7%	$75	$525
Total				10,692	11,567	-875			$59,853

Source: CON Application O-10117-13, pages 62-63, 89-90, Tables IV.2, VII.2
Average Annual Days Worked per Year = (48 weeks x 5 days = 240 days) - 10 vacations, 5 holidays, 5 sick days

Total visits by staff are calculated when visits per day are multiplied by FTEs and that product is multiplied by 240 days. Total visits by staff should be greater than projected visits. As shown it the previous table, NHRMC's total visits by staff are lower than projected visits for home health aides, PT, OT, and ST in PY 2. When there is a staffing shortfall for projected visits, contract staff can provide needed coverage. NHRMC states clearly on page 94 that it "does not propose to utilize contract[ed] service for its personnel."

For comparison purposes, NHRMC's existing Pender County agency spent $424,518 on contract staff in FY 2012 (stamped pages 000502 – 000503 FY 2012 Balance Sheet and Income Statement of NHRMC's Pender County agency).

The previous table also shows that the staffing shortfall for projected visits results in an understatement of direct care costs of $59,853 in PY 2.

F. Inflation Factor Applied to Understated Costs

NHRMC projects a 2.5% inflation factor per year. If an inflation factor were added to the understated costs, then magnitude of NHRMC's understated costs would be greater.

G. Average Projected Cost per Visit are Understated when Compared to Other Applicants

The following three tables show that NHRMC's average projected costs per visit are low when compared to other applicants.

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

		PY 2		
Rank	Applicant	Total Duplicated Patient Visits	Total Operating Cost	Average Total Operating Cost per Visit
1	**NHRMC**	**23,022***	**$2,041,650**	**$89**
2	Advanced	11,123	$1,306,201	$117
3	UniHealth	11,756	$1,410,200	$120
4	Continuum	11,162	$1,455,998	$130
5	HKZ	10,935	$1,445,606	$132
6	Gentiva	7,706	$1,057,821	$137
7	Maxim	9,405	$1,305,747	$139
			Average of Applicants Ranked 2-6	$127

*As documented in the context of CON Review Criterion (3), NHRMC significantly overstates its duplicated patients and visits.

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

PY 2				
Rank	Applicant	Total Duplicated Patient Visits	Total Direct Care Cost	Average Direct Care Cost per Visit
1	**NHRMC***	**23,022**	**$1,473,222**	**$64**
2	Tar Heel	7,706	$594,516	$77
3	Advanced	11,123	$883,641	$79
4	Maxim	9,405	$811,259	$86
5	UniHealth	11,756	$1,015,671	$86
6	HKZ	10,935	$975,508.07	$89
7	Continuum	11,162	$1,095,989	$98
			Average of Applicants Ranked 2-6	$84

*As documented in the context of CON Review Criterion (3), NHRMC significantly overstates its duplicated patients and visits.

Brunswick County Home Health Agency CON Applications
Average Administrative Cost per Visit: PY 2

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

*As documented in the context of CON Review Criterion (3), NHRMC significantly overstates its duplicated patients and visits.

When the applicants ranked 1 (NHRMC) and 7 (Gentiva) in each of the previous tables are eliminated from consideration:

- NHRMC's average total operating cost per visit is 30.4% lower than the average of the applicants ranked 2-6 ($127).
- NHRMC's average direct care cost per visit is 23.5% lower than the average of the applicants ranked 2-6 ($84)
- NHRMC's average administrative cost per visit is 38.1% lower than the average of the applicants ranked 2-6 ($40)

G. Highest Ratio of Average Net Revenue per Visit to Average Total Operating Cost per Visit

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

PY 2				
Rank	Applicant	Average Net Revenue per Visit	Average Total Operating Cost per Visit	Ratio of Average Net Revenue to Average Total Operating Cost per Visit
1	UniHealth	$122	$120	1.01
2	Gentiva	$143	$137	1.04
3	HKZ	$146	$132	1.10
4	Continuum	$147	$130	1.12
5	Maxim	$161	$139	1.16
6	Advanced	$139	$117	1.18
7	**NHRMC**	**$155**	**$89**	**1.75**
		Average of Applicants Ranked 2-6	$131	1.12

As shown in the previous table, NHRMC projects the highest ratio of all seven applicants. Its ratio of 1.75 is disproportionately higher than the average ratio of the applicants ranked 2 – 6 (1.12). The previous table shows that NHRMC's total operating cost per visit is vastly understated when compared to applicants ranked 2 - 6, which average $131/visit.

For the reasons set forth above, NHRMC's financial and operational projections for the project do not demonstrate the immediate and long term financial feasibility of the proposal because they are not based upon reasonable projections of the costs of providing health services by NHRMC, and is non-conforming to CON Review Criterion (5).

G.S. 131E-183 (6)

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

A. Bladen County has a Home Health Patient Surplus

As discussed in the context of CON Review Criterion (3), NHRMC includes Bladen and Columbus counties in its proposed three-county service area. In FY 2016 (PY 2), NHRMC proposes to provide Medicare-certified home health services to **45** residents of Bladen County.

According to Table 12C of the *2013 SMFP*, Bladen County is projected to have home health **patient surplus in 2014 of 70.92**. According to Draft Table 12C dated May 10, 2013, Bladen County's home health patient **surplus is projected to increase to 81.51 in 2015**. It is reasonable to assume that Bladen County will not have a home health patient deficit in 2016 (an unmet need

for additional home health services). The proposed project will result in unnecessary duplication of existing Medicare-certified home health agency capabilities in Bladen County.

B. Columbus County has a Home Health Patient Surplus

As discussed in the context of CON Review Criterion (3), NHRMC includes Columbus County in its proposed three-county service area. In FY 2016 (PY 2), NHRMC proposes to provide Medicare-certified home health services to **175** residents of Columbus County.

According to Table 12C of the *2013 SMFP*, Columbus County is projected to have home health **patient surplus in 2014 of 58.55**. According to Draft Table 12C dated May 10, 2013, Columbus County's home health patient **surplus is projected to increase to 70.72 in 2015**. It is reasonable to assume that Columbus County will not have a patient deficit in 2016 (an unmet need for additional home health services). The proposed project will result in unnecessary duplication of existing Medicare-certified home health agency capabilities in Columbus County.

For the reasons set forth above, NHRMC does not demonstrate that the proposed project will not result in unnecessary duplication of existing health service capabilities required by CON Review Criterion (6).

G.S. 131E-183 (7)

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

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

A. Second Lowest Salary for Home Health Aide

The following table compares the projected annual salary for a home health aide in PY 2 of all seven applicants.

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

CON Application	Applicant	Home Health Aide Annual Salary
O-10113-13	UniHealth	$35,037
O-10122-13	Continuum	$31,552
O-10119-13	HKZ	$30,810
O-10120-13	Maxim	$30,320
O-10118-13	Advanced	$30,160
O-10117-13	**NHRMC**	**$26,237**
O-10121-13	Gentiva	$22,168

As shown in the previous table, NHRMC's projected home health aide salary is substantially lower than the other applicants.

B. Lowest Salary for an Occupational Therapist

The following table compares the projected annual salary for an occupational therapist in PY 2 of the applicants that include an OT in its staffing plan.

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

CON Application	Applicant	OT Annual Salary
O-10122-13	Continuum	$78,901
O-10121-13	Gentiva	$75,370
O-10118-13	Advanced	$75,000
O-10120-13	Maxim	$72,054
O-10117-13	**NHRMC**	**$69,951**

As shown in the previous table, NHRMC's projected OT salary is substantially lower than the other applicants.

C. Third Lowest Salary for a Physical Therapist

The following table compares the projected annual salary for a physical therapist in PY 2 of the applicants that include a PT in its staffing plan.

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

CON Application	Applicant	PT Annual Salary
O-10122-13	Continuum	$81,600
O-10120-13	Maxim	$78,279
O-10117-13	**NHRMC**	**$75,447**
O-10121-13	Gentiva	$75,370
O-10118-13	Advanced	$75,000

As shown in the previous table, NHRMC's projected PT salary is substantially lower than the salary proposed by Continuum.

For the reasons set forth above, NHRMC does not demonstrate conformity with CON Review Criterion (7).

G.S. 131E-183 (13)

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

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

On page 87 of its CON Application, NHRMC provides the following table in response to Section VI., Question 12., which asks each applicant to provide duplicated patient and visit payor mix for the second year of operation of the proposed new home health agency.

NHRMC Brunswick County Home Health Agency
Projected Duplicated Patient and Visit Payor Mix: PY 2

Provider	Projected Duplicated Patients as % of Total Duplicated Patients	Projected Visits as % of Total Visits
Medicare	100.0%	11.3%
Medicaid		
Commercial		
Indigent		
Other		
TOTAL	100.0%	11.3%

The payor mix projection in the previous table does not include Medicaid, commercial, indigent, or other patients of the proposed Brunswick County agency. Further, if NHRMC projects 100% of its duplicated patients will be Medicare recipients, it follows logically that its projected visits to Medicare recipients as a percent of total duplicated visits should be 100% -- not 11.3% as shown in the previous table. NHRMC does not provide any assumptions on which its payor mix is based.

For comparison purposes to NHRMC's response to Section VI, Question 12., NHRMC's Pender County agency's FY 2012 payor mix is shown in the following table.

NHRMC Pender County Home Health Agency
Duplicated Patient and Visit Payor Mix: FY 2012

Provider	Projected Duplicated Patients as % of Total Duplicated Patients	Projected Visits as % of Total Visits
Medicare/HMO	69.8%	76.9%
Medicaid	11.4%	14.1%
Private Insurance	14.8%	7.4%
Indigent Non-Pay	1.8%	0.6%
Contract	1.9%	0.8%
Workers Comp	0.3%	0.2%
Total	100.0%	100.0%

Source: 2013 Home Health License Renewal Application Annual Data Supplement

There is no independent means by which to reconcile NHRMC's projected payor mix on page 87 of its CON Application and its Pender County FY 2012 payor mix, shown in the previous table.

Adding to the confusion, NHRMC's Proforma Assumption Worksheet at stamped page 000124 assumes a total of 161 non-Medicare patients in PY 1 and 215 non-Medicare patients in PY 2, as shown in the following table:

NHRMC Brunswick County Home Health Agency
Patient Payor Mix: PYs 1 & 2

Provider	PY 1	PY 2
Medicare/HMO	?	?
Medicaid	150	200
Commercial	6	8
Indigent	5	7
Other		
Total	161	215

Source: CON Application O-10117, stamped page 000124

To further complicate matters, there is no designation on stamped page 000124 of whether the patients projected on that page are unduplicated or duplicated.

Section VI., Question 12. asks each applicant to provide duplicated patient and visit payor mix, respectively, for the second year of operation of the proposed new home health agency. NHRMC failed to provide information responsive to Section VI., Question 12.

Without duplicated patient and visit payor mix information, NHRMC failed to identify the extent to which the elderly and the medically underserved are expected to utilize the proposed services.

Further, without information responsive to Section VI., Question 12., it is not possible to rank NHRMC among the seven applicants regarding projected access to services by Medicare and Medicaid recipients, respectively. Applicants proposing the higher number of Medicare and Medicaid recipients, respectively, submitted the more effective alternative with regard to those comparative factors.

For those reasons, NHRMC fails to document that it will provide adequate access to the medically underserved populations, which demonstrates non-conformity to CON Review Criterion (13c).

V. North Carolina Criteria and Standards for Home Health Services

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

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

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

10A NCAC 14C .2003

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

NHRMC does not project an annual unduplicated patient caseload for PY 3, as required by 10A NCAC 14C .2003.

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

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

VI. Conclusion

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

May 2013 Brunswick County Home Health Comparative Review

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

Projected Access by Medicare Recipients

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

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

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

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

May 2013 Brunswick County Home Health Comparative Review

Projected Access by Medicaid Recipients

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

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

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

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

Average Number of Visits per Unduplicated Patient

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

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

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

Average Net Patient Revenue per Visit

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

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

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

Average Net Patient Revenue per Unduplicated Patient

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

Average Total Operating Cost per Visit

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

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

Average Direct Care Operating Cost per Visit

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

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

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

Average Administrative Operating Cost per Visit

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

May 2013 Brunswick County Home Health Comparative Review

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

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

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

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

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

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

May 2013 Brunswick County Home Health Comparative Review

Nursing and Home Health Aide Salaries in Project Year 2

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

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

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

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

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

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

May 2013 Brunswick County Home Health Comparative Review

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

May 2013 Brunswick County Home Health Comparative Review

Summary

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

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