

October 1, 2013

Jane Rhoe-Jones, 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 Hospice Home Care Office CON Applications for Granville County

Dear Ms. Jones:

Enclosed please find comments prepared by Wiregrass Hospice of South Carolina, LLC d/b/a Gentiva Hospice, regarding the competing CON applications for one new Hospice home care office to meet the need identified in the *2013 State Medical Facilities Plan* for Granville 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 (770) 951-6426. We look forward to seeing you at the public hearing.

Sincerely,

Shannon Drake

Shannon Drake
VP, Associate General Counsel
Gentiva Health Services

**COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS
HOSPICE HOME CARE OFFICE NEED DETERMINATION FOR GRANVILLE
COUNTY**

**SUBMITTED BY GENTIVA HEALTH SERVICES
OCTOBER 1, 2013**

Three applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2013 State Medical Facilities Plan (SMFP)* for one additional hospice home care office in Granville 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 hospice home care office in Granville 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 each applicant reasonably projects to increase and improve accessibility to hospice services, especially for the medically underserved residents of the service area,
- (2) The extent to which the applicants project to increase competition and consumer choice for Granville County residents
- (3) The extent to which each applicant projects a reasonable number of patients and patient visits, documented by credible assumptions and evidence of referral sources and relationships.
- (4) The extent to which the proposed project represents a cost-effective alternative for developing a new Medicare-certified hospice program;
- (5) The extent to which the competing applicants submitted accurate and reasonable applications that are conforming to all statutory and regulatory criteria.

Access to the 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 Medicare, Medicaid and charity care patients. As indicated in the following table, in terms of access for the medically underserved populations, Gentiva's proposal represents the most effective alternative. The table below summarizes the combined projected Medicare, Medicaid and charity care portion of payor mixes for the competing applicants.

**Medically Underserved Projected Payor Mix
Project Year 2**

	Gentiva	Continuum	GVDHD
Medicare	92.7%	91.8%	84.0%
Medicaid	3.9%	4.3%	7.0%
Charity	1.0%	1.0%	4.0%
Total	97.6%	97.1%	95.0%

Source: CON Applications, Section VI

Gentiva proposes the greatest payor mix for the medically underserved. This is indicative of Gentiva'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 2013 State Medical Facilities Plan.

Medicare Access

According to FY2011 Hospice Data & Trends from the Carolinas Center for Hospice and End of Life Care, Medicare comprises, by far, the largest payor category as a percent of total patients (91.6%). Consistent with statewide utilization, Gentiva projects to serve a high number of Medicare hospice patients in Granville County.

To remain consistent with the need identified in the 2013 SMFP, it is relevant to consider the level of medically underserved access for Granville County hospice patients. The competing proposals each propose varying service areas, thus, comparing medically underserved access for Granville County residents also creates a level playing field and more effective analysis. Therefore, the following table summarizes the projected unduplicated hospice patients, Granville County projected patient origin (Year 2), Medicare payor mix, and the resulting projected number of Medicare patients to be served among the competing applications during the second project year.

**Projected Medicaid Patients
Granville County
Project Year 2**

	Gentiva	Continuum	GVDHD
Unduplicated Hospice Patients	163	169	219
Granville Co. Patient Origin	77.6%	76.3%	54.3%
Granville Co. Unduplicated Hospice Patients	126	129	119
Medicare Access	92.7%	91.8%	84.0%
Granville Co. Unduplicated Medicare Hospice Patients	117	118	100

Source: CON Applications, Sections III.4 & VI.9.

Gentiva’s Medicare payor mix is reasonable and based on a review of the historical payor mix of the existing hospice home care agencies serving Granville County, and adjusted to reflect Gentiva’s experience operating other licensed hospice home care agencies and its commitment to serving all residents, regardless of age, payor source, or ability to pay. GVDHD’s projected Medicare payor mix of 84% is far below the FY2011 average Medicare payor mix for hospice services throughout North Carolina (91.6%). Therefore, based on 1) the projected unduplicated Medicare hospice patients for Granville County and 2) the projected Medicare payor mix as a percent of total patients, Gentiva is the most effective alternative with regard to expanding access to Medicare patients. Conversely, GVDHD is the least effective alternative with regard to expanding access to Medicare patients, a historically medically underserved population group

Salaries

In recruitment and retention of personnel, salaries are a significant factor. The competing applicants provided the following information in Section VII. Gentiva compared the proposed salaries for these key direct-care staff as shown in the table below.

Direct Care Staff Salaries, Year 2

	Gentiva	Continuum	GVDHD
RN	\$64,056	\$63,038	\$60,752
CNA	\$25,500	\$26,791	\$27,422
Social Worker	\$61,812	\$47,278	\$56,599

Source: CON Applications, Section VII

Gentiva projects the highest salary for both nurses and social workers. Therefore, Gentiva is the most effective alternative with regard to direct care staff salaries.

The competing applicants provided the following information regarding management staff salaries in Section VII.

Management Staff Salaries, Year 2

	Gentiva	Continuum	GVDHD
Executive Director/ Administrator	\$86,802	\$75,120	\$75,458

Source: CON Applications, Section VII

Gentiva proposes one FTE Executive Director with a salary of \$86,802. Of the competing proposals, Gentiva is the most effective applicant with regard to proposed management personnel.

Geographic Access

Because hospice services are primarily provided in the patient’s home (or place of residence), the proposed location of the hospice home care office within the county is not a relevant consideration. Nonetheless, Gentiva’s proposed location on Linden Avenue in Oxford is close in proximity to major interstates and US highways such as I-85 and NC HWY 96. Staff can easily travel to patients located throughout the county from the proposed location.

Competition

The proposed project will improve competition in Granville County via the development of a new hospice home care agency based in Granville County. According to 2013 Hospice Data Supplements, there is only one licensed hospice home care office located in Granville County (Hospice of Wake County, HOS3133), and that agency only served one hospice patient during FY2012. Granville County residents are primarily served by hospice home care offices in adjacent counties (i.e. Franklin, Vance and Durham). Therefore, Gentiva’s proposed project will benefit residents of Granville County via the development of a new hospice home care agency focused on serving the needs local residents.

Gentiva has extensive experience providing hospice services via its 158 hospice offices throughout the country. Additionally, Gentiva has experience serving Granville County residents via its Medicare-certified home health agencies in Franklin County (Gentiva Health Services, HC0215) and Durham County (Gentiva Health Services, HC2111). During FY2012,

Gentiva served 87 home health patients in Granville County and 641 home health patients in the secondary service area. Therefore, Gentiva currently has strong, established relationships with local physicians and other providers in the proposed service area. The proposed hospice agency will leverage these existing relationships upon completion of the proposed project with the intent of serving hospice patients.

Specific Comments Regarding Competing Applicants

The following pages provide critiques specific to each of the competing applicants and discussion regarding their nonconformity to statutory and regulatory criteria.

Granville-Vance District Health Department K-10173-13

Comments Specific to Criterion 3

- GVDHD failed to complete all applicable sections of the hospice home care agency CON application form. Specifically, GVDHD failed to respond to Section IV.3 which states,

IV.3 Applicants or parent companies that either own or operate an existing licensed health service facility and currently offer health services in the proposed service area, report the unduplicated number of patients currently served and the number served by the entity during the prior year by county and age.

While GVDHD does not currently operate a hospice home care office, GVDHD does currently operate a licensed health service facility (i.e. Medicare-certified home health agency, HC0501) in Vance County that serves patients from throughout the proposed service area. GVDHD failed to provide historical patient information for its Medicare-certified home health agency. Therefore, the GVDHD application is incomplete and the applicant cannot be found conforming to Criterion 3.

- GVDHD provides inconsistent hospice patient projections. Specifically, on page 85 Table IV.1a – “Projected Number of Patients Admitted by Month for the First Two Operating Years” projects 392 hospice patients in year 2; however, on page 86 Table IV.1b – “Projected Number of Patients Admitted by Month for the First Two Operating Years” projects 219 hospice patients in year 2. GVDHD does not provide any explanation to describe why the two tables provide differing patient projections.
- In Table III.22 on page 78 of its CON application, GVDHD projects to serve 0% market share of the unmet hospice home care deaths in Person County during the first two project years. However, in Table III.23 on the same page, GVDHD projects to serve 5 and 6 hospice deaths during the first two project years, respectively. These projected hospice deaths equate to approximately 31.3% (16 unserved Person Co. hospice deaths ÷ 5 GVDHD projected hospice deaths) and 23.1% (26 unserved Person Co. hospice deaths ÷ 6 GVDHD projected hospice deaths) during the first two project years, respectively. There is a dramatic difference between the description of GVDHD’s methodology and the projected number of patients by county. Therefore, the patient projections are not supported and the applicant cannot be found conforming to Criterion 3.

Comments Specific to Criterion 4

- GVDHD projects serving over 45% non-Granville County patients patient origin in Project Year 2. With such a focus on other counties, GVDHD is a less effective alternative with respect to meeting the hospice needs of Granville County residents.

- GVDHD projects to provide fewer hospice visits per patient than Gentiva, and therefore is a less effective alternative from a patient care perspective. Please see the table below.

Projected Visits per Patient (Year 2)

Agency	Visits Per Patient (Year 2)
Gentiva	53.1
GVDHD	50.3

Source: CON Applications

- GVDHD did not adequately demonstrate its projected utilization is based on reasonable, credible, and supported assumptions (see discussion regarding Criterion 3). The application is not conforming to all applicable statutory and regulatory review criteria, and thus, the application is not approvable. An application that cannot be approved is not an effective alternative.

Comments Specific to Criterion 5

- GVDHD’s cash flow for Project Year 1 includes zero expense for facilities, which is unreasonable considering its projection of \$185,054 in facility expenses for Project Year 2.
- GVDHD’s projected expenses during Project Year 1 are unreasonably low considering the projection of no administrative staffing.
- GVDHD did not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable patient projections (see discussion of Criterion 3). Therefore, the application is not conforming to Criterion 5.

Comments Specific to Criterion 6

- GVDHD did not adequately demonstrate that projected utilization is reasonable or supported. Therefore, GVDHD did not adequately demonstrate in its application that the hospice home care office it proposes to develop in Granville County is needed in addition to the existing agencies. See Criterion (3) for additional discussion.

Comments Specific to Criterion 7

- GVDHD projects no administrative staffing during Project Year 1, which is not adequate to operate a hospice home care agency.

- GVDHD projects the lowest hourly fee for therapists of any applicant, and may have difficulty obtaining necessary ancillary services for that rate.

Comments Related to Comparative Review

- GVDHD projects the lowest combined Medicare, Medicaid, and Charity care payor mix (95%). The remaining 5% of GVDHD’s payor mix are commercial payors who typically do not provide services to traditional medically underserved populations. Therefore, GVDHD is the least effective alternative with regard to access to the medically underserved.
- As discussed previously, GVDHD is the least effective alternative with regard to expanding access to Medicare patients.
- The following table illustrates the projected charges provided by each applicant in Section X.

	Routine	Inpatient	Respite	Cont. Care (hourly)
Gentiva	\$159	\$708	\$165	\$39
Continuum	\$140	\$626	\$148	\$34
GVDHD	\$165	\$695	\$165	\$41

Source: CON applications, Section X

GVDHD projects the highest charges for routine and continuous care; therefore, GVDHD is the least effective alternative with regard to charges for these levels of hospice care.

- GVDHD projects the lowest salary for nurses and social workers. Therefore, GVDHD is the least effective alternative with regard to direct care staff salaries. Additionally, as county employee’s, some costs attributable to these employees will be borne by tax payers (e.g. healthcare costs, etc.), whereas a private company, Gentiva’s employees will be covered under a private health plan. Therefore, GVDHD’s proposal will result in more costs to Granville County, and therefore potentially more costs to the state of NC.
- Despite the numerous references to a cost effective proposal, GVDHD will incur the greatest capital cost of the competing proposals. Thus, GVDHD is the least effective alternative with regard to development of a new hospice home care program in Granville County.

Continuum II Home Care and Hospice K-10174-13**Comments Specific to Criterion 3**

- Continuum projects an unreasonably high average number of visits per hospice admission for the proposed project. During project year 2, Continuum projects that each hospice admission will receive an average of 88.95 visits (page 104). This is approximately 70 percent higher compared to the FY2011 statewide average number of visits per hospice admission (52.4). Continuum based its projected visits per patient on the ratio of visits per day of care for its four existing hospice home care offices in eastern North Carolina. However, upon review of their data, 1) it is clear that the data contains an outlier and 2) overall the data is not a reasonable proxy for projecting utilization in Granville County. On page 103 of Continuum's CON application the following table is provided.

Analysis of Visits per Patient Served Continuum & North Carolina							
Lic #	Agency	Agency County	Total Patients Served	Total Visits	Visits per Patient Served	Total Days of Care	Total Visits per Days of Care
HC1209	Continuum	Onslow	178	16,660	93.60	14,553	1.14
HOS3238	Continuum	Craven	53	4,183	78.92	3,964	1.06
HOS3261	Continuum	Lenoir	66	7,765	117.65	5,143	1.51
HOS3256	Continuum	Halifax	30	2,594	86.47	2,507	1.03
	Continuum	Total	327	31,202	95.42	26,167	1.19
	Statewide	Total	46,893	2,330,331	49.69	2,972,373	0.78

Source: Continuum CON application, page 103

Continuum's utilization in Lenoir County is dramatically inconsistent with statewide hospice utilization. Continuum's average number of visits per patient served is more than double the average number of statewide hospice visits per patient served. Similarly, Continuum's historical data from Onslow, Craven and Halifax counties is also inconsistent with statewide utilization. Continuum attempts to link higher visits with higher quality; however, Continuum's high average number of visits per patient served is more likely due to differences in local demographics and health status than it is providing a higher quality of care. Continuum failed to discuss why its hospice utilization patterns for patients in Onslow, Craven, Lenoir and Halifax County would be similar to hospice patients in Granville County. Nevertheless, Continuum purposefully utilized a higher average number of visits per patient to inflate its overall visit projections, with a goal of a favorable comparative analysis. This is a flawed motive because it results in visit projections that are unreasonable and inconsistent with statewide hospice utilization patterns. For these reasons, Continuum is non-conforming to Criterion 3.

Comments Specific to Criterion 4

- Continuum did not adequately demonstrate its projected utilization is based on reasonable, credible, and supported assumptions (see discussion regarding Criterion 3). The application is not conforming to all applicable statutory and regulatory review criteria, and thus, the application is not approvable. An application that cannot be approved is not an effective alternative.

Comments Specific to Criterion 5

- Continuum did not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable patient projections (see discussion of Criterion 3). Therefore, the application is not conforming to Criterion 5.

Comments Specific to Criterion 6

- Continuum did not adequately demonstrate that projected utilization is reasonable or supported. Therefore, Continuum did not adequately demonstrate in its application that the hospice home care office it proposes to develop in Granville County is needed in addition to the existing agencies. See Criterion (3) for additional discussion.

Comments Specific to Criterion 7

- Continuum projects inadequate administrative staffing to operate a hospice home care agency. Specifically, Continuum does not have or utilize any Medical Records or Marketing staffing.
- Continuum does not adequately document availability of on-call staffing, as the staffing table does not reflect any nurse on-call staffing positions, and the nursing staff shown is not adequate to perform the patient visits and on-call staffing. Continuum's unreasonably high nursing visits (see discussion re: Criterion 3) is even further unreasonable given the lack of on-call staff. In other words, it is highly unlikely that Continuum can support their already high projected nursing visits if there are insufficient on-call personnel.

Comments Related to Comparative Review

- Continuum projects the highest net revenue per patient of the competing proposals. Thus, Continuum is the least effective alternative with regard to net revenue per patient.

	Net Revenue (Year Two)	Projected Patients (Year Two)	Net Revenue per Patient
Continuum	\$1,830,445	169	\$10,831

Source: CON Project ID#K10174-13

- Continuum projects the highest operating cost per patient of the competing proposals. Thus, Continuum is the least effective alternative with regard to operating costs.

	Operating Expenses (Year Two)	Projected Patients (Year Two)	Operating Costs per Patient
Continuum	\$1,636,446	169	\$9,683

Source: CON Project ID#K10174-13

This data further illustrates that Continuum is least effective alternative of the competing applications because their proposal will have both the highest net revenue per patient AND highest operating cost per patient. After consideration of our previous analysis regarding insufficient on-call staff, Continuum's operating costs per patient would be even higher after sufficient staffing is included. Either way, Continuum is the least effective alternative from both a charge and cost perspective.

- Continuum provided only the most minimal indication of physician support. Specifically, Continuum's application included just one letter of support from a referring physician. This lack of support indicates Continuum may not be able to attract adequate Granville County referral volume, the source of patients for home health services.

Letters of support are indicative of a provider's ability to attract patients and generate adequate market share to remain viable. Continuum's lack of support from area physicians suggests Continuum is not the most effective alternative for meeting the established need.