BEFORE THE MARYLAND HEALTH CARE COMMISSION

IN THE MATTER OF		*				
THE APPLICATION OF		*				
BAYADA HOSPICE		*	Doc	ket No.	. 16-16-	2383
TO ESTABLISH A GENERAL		*				
HOSPICE PROGRAM IN		*				
PRINCE GEORGE'S COUNTY		*				
IN THE MATTER OF		*				
THE APPLICATION OF		*				
MONTGOMERY HOSPICE		*	Doc	ket No.	16-16-	2384
TO ESTABLISH A GENERAL		*				
HOSPICE PROGRAM IN		*				
PRINCE GEORGE'S COUNTY		*				
IN THE MATTER OF		*				
THE APPLICATION OF		*				
PB-HEALTH		*	Doc	ket No.	16-16-2	2385
TO ESTABLISH A GENERAL		*				
HOSPICE PROGRAM IN		*				
PRINCE GEORGE'S COUNTY		*				
* * * * *	*	*	*	*	*	*

CONSOLIDATED INTERESTED PARTY COMMENTS OF AMEDISYS HOSPICE OF GREATER CHESAPEAKE

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Pursuant to COMAR §10.24.01.08F(1), Amedisys Maryland, LLC, d/b/a Amedisys Hospice of Greater Chesapeake ("Amedisys") seeks interested party status in this matter, and provides these consolidated comments regarding the certificate of need applications to establish a general hospice program in Prince George's County filed by: (1) Bayada Hospice ("Bayada"); (2) Montgomery Hospice ("MH"), and (3) P-B Health.

Amedisys is an applicant to establish a general hospice program in Prince George's County (Docket No. 16-16-2382), so it qualifies as an "interested party" in these reviews under COMAR §10.24.01.01(b)(20)(a).

BACKGROUND

Amedisys has been providing hospice care in Maryland since 2009, operating general hospice programs in Baltimore City, Baltimore County, Harford County and Cecil County. In FY 2015, Amedisys provided hospice care for 922 patients in these jurisdictions, with over 47,000 visits, and has an established track record of providing high quality, deficiency-free hospice services to Marylanders. Amedisys is a subsidiary of Amedisys, Inc., a leading national hospice and home health provider that provides care to patients in 36 states through more than 400 Medicare-certified home health and hospice agencies, including 48 hospice providers and 33 hospice branches/multiple locations. Its care teams deliver personalized hospice and home health care to approximately 380,000 patients each year, and partner with more than 2,000 hospitals and 61,900 physicians across the country.

The Commission has projected a net need for general hospice services in Prince George's County of 662 patients in 2019, and it scheduled this review to consider CON applications to meet the projected need. Amedisys filed a CON application to expand the geographic scope of its hospice services in Maryland to Prince George's County (Docket No. 16-16-2382), a jurisdiction in which its affiliate (Amedisys Home Health) has been providing home health care services since 2008. Amedisys' CON application projects that it would serve 140 patients in 2019, less than ¹/₄ of the Commission's need projection for 2019, and 197 patients in 2020, the first year at full utilization. This level of patients enables the Amedysis hospice program to be financially viable while allowing the Commission to approve additional hospice providers within the total need projection.

Bayada's CON application to establish a general hospice program in Prince George's County projects that it would serve 150 patients in 2019 (increasing to 270 patients in 2021 at full utilization). Bayada App. Table 2B. Bayada operates hospice programs in four states, but its proposed program in Prince George's County would be its first hospice program in Maryland. It operates home health agencies in eight Maryland counties. Bayada App. at 13.

P-B Health likewise filed a CON application to meet a portion of the Commission's 2019 need projection for Prince George's County. It projects that it will serve 69 patients in 2019, increasing to 155 at full utilization in 2021. P-B Health App. Table 2B. P-B Health does not operate any hospice programs in Maryland, but provides home health services in Baltimore City, as well as Anne Arundel, Baltimore and Howard Counties. P-B Health App. at 12.

In contrast to the other three CON applications, MH seeks to be the only <u>new</u> general hospice program approved for Prince George's County. It states that its project "is designed to completely address the unmet need" identified by the Commission (MH App. at 7), and that its "management's analysis makes clear that it is essential that the Maryland Health Care Commission should grant only one new CON during this round of review." MH App. at 25. MH explains (MH App. at 25):

[MH] believes that if it would be required to compete with one or more new hospice providers in addition to the eight approved providers, it would negatively affect the viability of the proposal.

MH App. 25. It is unclear why facing competition from the eight existing hospice programs is not a threat to MH's viability, but approving any additional new program beyond MH has this effect.

MH's CON application projects serving 773 patients in 2019, more than 100 patients in excess of the Commission's need projection for that year, increasing to 866 in 2020 at full utilization.

In response to the Staff's Completeness Question #15(b), MH states that it did not mean to imply that it would not be willing to serve in Prince George's County if more than one program is approved, and states that it is fully committed to serving in Prince George's County regardless of the number of other programs approved. It states that "fewer providers will positively affect the viability of the proposal, while a larger number approved will affect it negatively." February 6, 2017 Completeness Response, at 12-13. In response to the Staff's request to provide an alternative budget in which MH meets less than all of the need, MH provided a budget for 2020 that assumes an average daily census of 105 in which it reduced the amount of non-operating income (subsidy) from its original budget and showed a net loss of approximately \$400,000.¹ Although MH did not provide the number of patients served under this alternative budget, an ADC of 105 equates to 606 patients², virtually all of the need projection for Prince George's County.

Accordingly, MH's alternative projection would foreclose competition from additional new programs almost to the same extent as its original projection. The minimal number of patients that MH would leave for another program to serve is less than the number of patients that Amedisys (or any other applicant in this review) has projected to serve in order to be financially viable.

¹ MH provided this alternative budget in response to the Staff's request to provide a scenario with the "minimum volume [MH] would consider feasible" as requested by Staff. MH's financial projections will be discussed further below.

 $^{^{2}}$ MH projected that it would serve 773 Prince George's County residents resulting in an average daily census of 135 patients in 2019, a conversion factor of 5.73

COMMENTS

1. Approving Only One New Program Is Contrary to the Goal of Increasing Hospice Utilization in Prince George's County

The significant underutilization of hospice services in Prince George's County, particularly among the African American population requires a significant level of public outreach and education to address. Maximizing competition amongst hospice providers will maximize outreach and education efforts, and thereby the potential to achieve the goal of increasing utilization of hospice services within Prince George's County. In competing with one another, these hospice programs will develop and implement different methods and approaches to reaching into communities to educate and increase awareness about hospice care in order to increase utilization. Amedisys has unique and successful programs for this purpose, and its future competitors have their own unique programs and approaches. This is part of how hospices compete with each other to increase utilization of hospice services overall and attract patients consistent with the State Health Plan.

Limiting competition as proposed by MH is contrary to the goal of increasing utilization of hospice services in Prince George's County. A single new program has less incentive to engage in outreach and public education because it does not have to compete with other new programs in getting established, in building referral relationships with local providers, and increasing utilization. The more competition there is, the more incentive there is to engage in robust outreach and public education and to develop new and effective methods to reach the residents of Prince George' County who have historically underutilized existing hospice services.

Competition also has a positive impact on quality of care overall, and demonstrating the quality of hospice programs can help to increase utilization among groups that have been reluctant to use these services in the past.

MH seeks to meet all or virtually all of the 2019 need projection, foreclosing otherwise approvable new programs in this review that would compete with MH. Accordingly, MH's project does not represent the most cost effective alternative to meeting the need for hospice services in Prince George's County. COMAR 10.24.01.08G(3)(c).

2. MH's Volume Projections Are Unreasonably High

MH's Application projects that it will serve 773 patients in 2019, its second full year of operation. This projection is significantly in excess of the Commission's need projection of 662 patients for that year, contrary to COMAR 10.24.01.08G(3)(b) under which the Commission must consider the applicable need analysis in the State Health Plan. Further, based on 2015 volumes of the existing hospice programs in Prince George's County shown below, MH projects that its new program's patient census will surpass that of all of the existing programs and become the largest hospice program in Prince George's County by its second full year of operation. This is an unreasonable and unsupported assumption that does not meet MH's burden of proof to show the need for its project under COMAR 10.24.01.08G(3)(b).

2015 Volumes - Total Patients Served

Patients

	Served
Holy Cross Home Care & Hospice	78
Hospice Of Frederick County	21
Joseph Richey Hospice	2
Seasons Hospice & Palliative Care of Maryland, Inc	167
Hospice of the Chesapeake, Inc.	525
Capital Caring	626
Heartland Hospice - Beltsville	233
Community Hospice of Maryland	174
TOTAL	1826

MH's alternative projection of 105 ADC (which equates to 606 patients served (based on MH's projected conversion factor) in 2020 is also unreasonably high. This volume would make it the second largest hospice program in Prince George's County by its second year of operation based on 2015 volumes.

3. MH Has Not Demonstrated that It Would Not Be Financially Viable If It Is Required to Compete With Additional New Programs

MH has projected the financial impact of two expansion scenarios. First, the impact of adding 773 patients served in 2019 from Prince George's County and achieving a patient census of 135 there.³ This results in 3,594 total Montgomery County and Prince George's County patients served for MH as a whole. Without the proposed expansion, MH projects serving 2,821 Montgomery County residents in 2019 (3,594 - 773 = 2,821).

In the following year, MH projects 866 Prince George's County patients served, resulting in an average daily census of 150. The baseline (historical) financials for MH are as follows:

	2014	2015	2016
Net Operating			
Revenue	\$20,898,450.00	\$22,248,199.00	\$24,433,303.00
Operating			
Expenses	\$22,616,228.00	\$22,741,563.00	\$25,010,307.00
Income from			
Operations	-\$1,717,778.00	-\$493,364.00	-\$577,004.00

Source: Responses to Completeness Questions, p. 17

Thus, MH has reported losses on operations for the past three years and offsets these losses with non-operating income or subsidies. These subsidies were estimated to be \$1.9 Million in 2015, based on an average daily census of 357.5, and are projected to increase to \$2.5 Million in 2020. No projection of total average daily census for 2020 was provided by MH for its operations in both Montgomery and Prince George's Counties.

³ As discussed above, this projection and the alternative projection of 606 patients are unreasonably high, and would make MH the largest or nearly the largest hospice program in Prince George's County in its second year of operations. Because this unrealistic and unsupported projection is the basis for MH's claim of financial viability, MH has not met its burden of proof on this issue, as required by COMAR 10.24.01.08G(3)(d).

Under the first scenario, in which MH expands into Prince George's County, the projected financial results are as follows:

	2017	2018	2019	2020
Net Operating Revenue	\$27,477,467.00	\$31,257,361.00	\$35,270,232.00	\$37,283,796.00
Operating Expenses	\$30,472,818.00	\$33,685,891.00	\$37,314,365.00	\$39,354,629.00
Income from Operations	-\$2,995,351.00	-\$2,428,530.00	-\$2,044,133.00	-\$2,070,833.00

Source: Responses to Completeness Questions, p. 17

MH restated non-operating income between the original submission in the CON and in the response to completeness questions. However the net income (loss) for each year beginning in 2014 and projected through 2020 are the same amount in each year.

Original Budget							
	2014	2015	2016	2017	2018	2019	2020
Net Operating Revenue	\$23,564,040.00	\$24,782,782.00	\$26,040,238.00	\$29,614,243.00	\$33,663,440.00	\$37,967,033.00	\$40,102,133.00
Operating Expenses	\$22,673,886.00	\$22,888,490.00	\$25,105,022.00	\$30,596,468.00	\$33,810,159.00	\$37,439,254.00	\$39,480,142.00
Income from Operation	\$890,154.00	\$1,894,292.00	\$935,216.00	-\$982,225.00	-\$146,719.00	\$527,779.00	\$621,991.00
Non-Operating Income	-\$6,510.00	-\$493,963.00	\$365,883.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Income(loss)	\$883,644.00	\$1,400,329.00	\$1,301,099.00	-\$982,225.00	-\$146,719.00	\$527,779.00	\$621,991.00
Restated Original Budget		······		- .	···· · · · · · · · · · · · · · · · · ·		
Restated Original Budget	2014	2015	2016	2017	2018	2019	2020
Restated Original Budget Net Operating Revenue	2014 \$20,898,450.00	\$22,248,199.00	\$24,433,303.00	\$27,477,467.00	\$31,257,361.00	\$35,270,232.00	\$37,283,796.00
Net Operating Revenue Operating Expenses		\$22,248,199.00	\$24,433,303.00	\$27,477,467.00		\$35,270,232.00	\$37,283,796.00
Net Operating Revenue Operating Expenses Income from Operation	\$20,898,450.00 \$22,616,228.00 -\$1,717,778.00	\$22,248,199.00 \$22,741,563.00 -\$493,364.00	\$24,433,303.00 \$25,010,307.00 -\$577,004.00	\$27,477,467.00 \$30,472,818.00	\$31,257,361.00 \$33,685,891.00	\$35,270,232.00	\$37,283,796.00
Net Operating Revenue Operating Expenses	\$20,898,450.00 \$22,616,228.00	\$22,248,199.00 \$22,741,563.00	\$24,433,303.00 \$25,010,307.00	\$27,477,467.00 \$30,472,818.00	\$31,257,361.00 \$33,685,891.00	\$35,270,232.00 \$37,314,365.00	\$37,283,796.00 \$39,354,629.00

MH's alternative scenario in response to Completeness Question reduced the average

daily census in Prince George's County to 105 in Year 2020 as follows:

Alternate Budget with 105 Prince George's County Census in 2020							
	2014	2015	2016	2017	2018	2019	2020
Net Operating Revenue	\$20,898,450.00	\$22,248,199.00	\$24,433,303.00	\$27,074,463.00	\$29,751,369.00	\$31,788,899.00	\$34,177,478.00
Operating Expenses	\$22,616,228.00	\$22,741,563.00	\$25,010,307.00	\$29,759,458.00	\$32,183,051.00	\$34,168,066.00	\$36,484,275.00
Income from Operation	-\$1,717,778.00	-\$493,364.00	-\$577,004.00	-\$2,684,995.00	-\$2,431,682.00	-\$2,379,167.00	-\$2,306,797.00
Non-Operating Income	\$2,601,422.00	\$1,893,693.00	\$1,878,103.00	\$1,983,126.00	\$2,171,811.00	\$2,301,912.00	\$2,452,824.00
Net Income(loss)	\$883,644.00	\$1,400,329.00	\$1,301,099.00	-\$701,869.00	-\$259,871.00	-\$77,255.00	\$146,027.00

This alternative scenario for MH as a whole continues to show a positive net income in 2020 with the reduction in the projected Prince George's County patient census from 150 to 105, but it also reduced its non-operating income projection (which is used to subsidize operating losses, from \$2,692,864 to \$2,452.824, with no explanation. If MH maintains the same level of contribution, the projected net income increases for 2020, as shown below: Alternate Budget with Original Non-Operating Income with 105 PG County Census in 2020 (and original contribution from non-operating income) 2014 2015 2016 2017 2018 2019 2020 Net Operating Revenue \$20,898,450.00 \$22,248,199.00 \$24,433,303.00 \$27,074,463.00 \$29,751,369.00 \$31,788,899.00 \$34,177,478.00 \$22,616,228.00 \$22,741,563.00 \$25,010,307.00 \$29,759,458.00 \$32,183,051.00 \$34,168,066.00 \$36,484,275.00 Operating Expenses Income from Operation -\$1,717,778.00 -\$493,364.00 -\$577,004.00 -\$2,684,995.00 -\$2,431,682.00 -\$2,379,167.00 -\$2,306,797.00 Non-Operating Income \$2,601,422.00 \$1,893,693.00 \$1,878,103.00 \$2,013,126.00 \$2,281,811.00 \$2,571,912.00 \$2,692,824.00 Net Income(loss) \$883,644.00 \$1,400,329.00 \$1,301,099.00 -\$671,869.00 -\$149,871.00 \$192,745.00 \$386,027.00

In either case, despite the consistent projection of negative operating income for MH as a whole, the availability of non-operating income assures the financial viability of MH in 2020 as a whole, even with this lower projected census.

Just the Prince George's County portion of the budget at a 150 census is as follows:

Original - 150 Patient Census

	2017	2018	2019	2020
Net Operating Revenue	\$2,098,354.00	\$5,094,721.00	\$8,463,745.00	\$9,582,137.00
Operating Expenses	\$3,454,669.00	\$5,742,293.00	\$8,439,249.00	\$9,510,628.00
Income from Operation	-\$1,356,315.00	-\$647,572.00	\$24,496.00	\$71,509.00

The Prince George's County portion of the budget is shown below with the census

projection reduced to 105:

Alternate -105 Patient Censu	S			· · · · · · ·
Net Operating Rev	\$1,535,350.00	\$3,218,729.00	\$4,362,412.00	\$5,775,815.00
Operating Expenses	\$2,741,309.00	\$4,239,453.00	\$5,292,950.00	\$6,640,274.00
Income from Operation	-\$1,205,959.00	-\$1,020,724.00	-\$930,538.00	-\$864,459.00
Non-Operating Income	\$130,000.00	\$260,000.00	\$350,000.00	\$460,000.00
Net Income(loss)	-\$1,075,959.00	-\$760,724.00	-\$580,538.00	-\$404,459.00

MH is willing to contribute between \$2.4. and \$2.7M of non-operating income to its total operations, which in both cases produces net income sufficient to offset all operating losses under either scenario (for both jurisdictions). When it allocates only \$460,000 to the Prince George's County operations at the 105 census projection, then it projects losses of over \$400,000.⁴

Accordingly, MH has not shown that it is not financially viable if it is required to compete with additional new programs. While its alternative budget shows a loss at a 105 census (based on an estimated total of 606 patients served from Prince George's County) in 2020, that is largely due to the reduction (without explanation) in the amount of the non-operating income subsidy to be contributed. Further, while the alternative budget was presented in response to the request for "the minimum volume [MH] would consider feasible," MH did not provide any analysis to show why 105 is the minimum average daily census needed among Prince George's County residents to demonstrate financial viability. By its own projections, MH can subsidize operating losses in excess of \$2.7 million per year.

Indeed, at a more reasonable target of patients to be served, MH's program would be financially viable if all four applications were approved. The following shows the projections of patients served by the four applicants, and the reduction in MH's projection in order to maximize competition with the approval of all four applicants (and within the Commission's need projection for 2019:

⁴ At the higher projection of 150 census, the Prince George's County operation actually produces income in 2020 <u>without a non-operating contribution</u>, something that MH has not been able to do in the past as shown in the restated original budget.

	Patients to be Served 2019	ADC 2019	Conversion Factor	Patients to be Served 2019	Revised ADC 2019
Bayada	150	23		150	23
РВ	69	12		69	12
Amedysis	140	35		140	35
Montgomery Hospice	773	135	5.725925926	303	53
TOTAL	1132			662	
Net Need in SHP	662			662	
Excess	470			0	

Under this scenario, MH would serve 303 patients from Prince George's County rather than 773 patients in 2019, resulting in an ADC of 53 patients. It would still be one of the largest programs in Prince George's County at this level, would produce net income and would be financially viable based on the estimated revenues/expenses/pt. day provided by MH and with a level of subsidy MH has represented is available for this program:

Alternate -53 Patient Census

Net Operating Rev	\$2,915,411.38
Operating Expenses	\$3,351,757.35
Income from Operation	-\$436,345.97
Non-Operating Income	\$460,000.00*
Net Income(loss)	\$23,654.03

Expenses/Day	\$173.26
Revenue/Day	\$150.71

*represented as an available subsidy by MH.

MH is a high cost hospice program, at \$173/patients day, 62% higher than Amedisys with \$108/patient day. Its practice is to subsidize operating losses with non-operating income (contributions, grants and gifts as shown on its Audited Financial Statements). As shown above, at an ADC of 53, MH can cover its losses from this higher expense level in Prince George's County with non-operating income that MH has represented to be available.

Accordingly, MH has not met its burden of proof to demonstrate financial viability under COMAR 10.24.01.08G(3)(d). MH's own financial data shows that it can be financially viable in both of its jurisdictions at a lower, reasonable level of patient volume, allowing other programs to be approved and thereby giving rise to a more cost effective alternative to meeting the need for hospice services and reaching historically underserved populations that are currently underutilizing hospice services under COMAR 10.24.01.08G(3)(c).

CONCLUSION

The goal of addressing the underutilization of hospice services in Prince George's County is not well served by approving just one new program that seeks to meet all, or nearly all, of the Commission's 2019 need projection and to protect itself from competition from any other new program. To the contrary, that goal is best served by generating more competition amongst programs so that they are incentivized to undertake the robust public outreach and education about hospice services that is necessary to in order to reach the historically underserved populations that are currently underutilizing these services. Accordingly, the Commission should not approve MH's application in its current form because it is based on an unreasonable volume projection that would make it one of the largest (if not the largest) hospice programs in Prince George's County by its second year, and would effectively preclude the approval of any other new program to address the unmet need as set forth in the State Health Plan.

Amedisys submits that its Application meets all State Health Plan requirements and, as an existing, high quality hospice provider in other Maryland jurisdictions and home health agency in Prince George's County, it is well positioned to serve Prince George's County and to undertake public education and outreach in order to increase hospice utilization among underserved populations. Amedisys does not seek to meet all or even most of the 2019 need projection, however, so approval of its Application does not foreclose the approval of the other hospice care programs in this review, including the MH program if it is based on the reasonable level of projected volume and subsidy as explained above.

Pursuant to COMAR 10.24.09.01A(3), Amedisys requests oral argument before a recommended decision is prepared.

pectfully submitted.

Marta D. Harting Venable LLP 750 E. Pratt Street, Suite 900 / Baltimore Maryland 21202

Counsel for Amedisys Hospice of Greater Chesapeake

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of May, 2017, a copy of the Consolidated Interested Party Comments of Amedisys Hospice of Greater Chesapeake was sent via First Class Mail and Electronic Mail to the following:

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Marta D. Harting

AFFIRMATION

I solemnly affirm under penalties of perjury that the facts stated in the Consolidated Interested Party Comments of Amedisys Hospice of Greater Chesapeake are true and correct to the best of my knowledge, information and belief.

Date: May 30, 2017

Name: DAVID RUDROLUKI

Title:

AFFIRMATION

I solemnly affirm under penalties of perjury that the facts stated in the Consolidated Interested Party Comments of Amedisys Hospice of Greater Chesapeake are true and correct to the best of my knowledge, information and belief.

Date: May 30, 2017

Name: EICHARD J. COUGHUAN Title: CONSULAANT to Amedian