



Public Health and Health Planning Council

Project # 121255-C
Visiting Nurse Association of Western New York, Inc.

County: Erie (Williamsville)
Purpose: Construction

Program: Certified Home Health Agency
Submitted: April 18, 2012

Executive Summary

Description

Visiting Nurse Association of Western New York, Inc. is an existing not-for-profit corporation that operates a certified home health agency (CHHA) with approval to provide services in Allegany, Chautauqua, Erie, Genesee and Niagara counties; a special needs CHHA with approval to provide services in Cattaraugus, Orleans and Wyoming counties; and a Long Term Home Health Care Program (LTHHCP) with approval to provide services in Erie and Niagara counties.

The applicant is requesting approval to expand the service area of their CHHA into additional counties and to convert their special needs CHHA to a general service CHHA. Upon approval of this application, they will have a CHHA with approval to provide services to the residents of Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben and Wyoming counties.

On December 8, 2011, the Public Health and Health Planning Council adopted an amendment to Section 760.5 of Title 10 NYCRR. This emergency regulation authorized the Commissioner of Health to issue a request for applications (RFA) to establish new certified home health agencies, or expand the approved geographic service areas and/or approved population of existing CHHAs. Visiting Nurse Association of Western New York, Inc. submitted an application in response to the competitive RFA, and was awarded RFA approval. This CON application is in response to the RFA approval.

Effective May 1, 2012, a new Episodic Payment System (EPS) reimbursement methodology to reimburse CHHA providers for services provided to Medicaid patients receiving home care services took effect. The EPS is based on a price for 60-day episodes of care which will be adjusted by patient acuity and regional wage differences. The EPS was recommended by the Medicaid Redesign Team (MRT proposal #5) and authorized in the 2011-

2012 enacted budget. The EPS is designed to address the issue of rapid growth in Medicaid costs per patient by better aligning payments with needed services and is part to a broad effort to promote the development of care management arrangements for Medicaid recipients.

DOH Recommendation
Approval.

Need Summary

Visiting Nurse Association of Western New York, Inc. addressed each county specifically by their unique needs and named the initiatives and programs that will address and already do address specific issues in each county they propose to serve. VNA's extensive Kaleida Health infrastructure and resources support the operations and management of the VNA and will assure cost effective implementation of CHHA services in each of the counties requested.

Program Summary

Visiting Nurse Association of Western New York, Inc. is currently in compliance with all applicable codes, rules and regulations.

Financial Summary

There are no project costs associated with this application.

Budget:	<i>Revenues:</i>	\$ 15,003,675
	<i>Expenses:</i>	<u>12,994,666</u>
	<i>Gain/(Loss):</i>	\$ 2,009,009

The applicant has demonstrated the capability to proceed in a financially feasible manner.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this application.

Office of Health Systems Management

Approval conditional upon:

1. Pursuant to 10 NYCRR 762.2(l), the applicant shall implement the project that is the subject of this application within 90 days of receipt of the Commissioner's approval of the application, and be providing services in the entire geographic area approved within one year of the Council's recommendation for approval. Failure to implement an approved application within the prescribed time shall constitute an abandonment of the application by the applicant and an expiration of the Commissioner's approval. [CHA]

Council Action Date

December 6, 2012.

Need Analysis

Background

Visiting Nurse Association of Western New York, Inc. is an existing not-for-profit corporation that operates a certified home health agency (CHHA) with approval to provide services in Allegany, Chautauqua, Erie, Genesee and Niagara counties, a special needs CHHA with approval to provide services in Cattaraugus, Orleans and Wyoming counties and a Long Term Home Health Care Program with approval to provide services in Erie and Niagara counties.

On December 8, 2011 the Public Health and Health Planning Council adopted an amendment to Section 750.5 of Title 10, NYCRR authorizing the Commissioner of Health to issue a request for applications (RFA) to establish new certified home health agencies (CHHAs) or expand existing CHHAs. Public need was based on established criteria in section 709.1(a) of Title 10 and that approval of the application will facilitate implementation of Medicaid Redesign Initiatives to shift Medicaid beneficiaries from traditional fee-for-service programs to managed care, managed long term care systems, integrated health systems or similar care coordination models or that approval will ensure access to CHHA services in counties with less than 2 existing CHHAs.

Solicitation

The RFA for the establishment of new or expansion of existing CHHAs was released on January 25, 2012 with RFA applications due on March 9, 2012 and CON applications due on April 20, 2012. Applicants were permitted to submit questions to the Department to seek additional clarification regarding this process. The Department's answers were provided to all applicants prior to the submission deadline, to ensure consistent information was shared regarding the process.

Applications that were not presented to the Public Health and Health Planning Council with a recommendation for approval at either the August 2012 or October 2012 meetings were considered deferred. The department notified RFA applicants that we are exercising our authority under the RFA Section VII.D.5 to seek clarifications and revisions of applications from those applicants whose applications have been deferred. Letters dated September 17th and 27th were sent to these applicants through NYSECON and included information related to the review and evaluation criteria and characteristics of approved applicants.

Additionally, the opportunity to arrange a meeting or phone conference with the Division of Home and Community Based Services to discuss the RFA criteria that was used to evaluate each application was made available to each applicant

Competitive Review

The CON determination of need was based on the applicant's response to the RFA which includes any additional information submitted by the applicant in response to the aforementioned September 17th and 27th letters. The applications were reviewed on criteria that included, but were not limited to:

- Organizational capacity to successfully implement the MRT initiatives and potential of the proposal to support the goals of the Department in advancing MRT initiatives;
- Knowledge and experience in the provision of home health services;
- Demonstration of public need based on 709.1(a) as well as a description of community need and the health needs of the community supported by data;
- Potential of the approved application to produce efficiencies in the delivery of home care services to the home care population;
- Description of a comprehensive and effective quality assurance plan which described how the agency will use data to implement an ongoing quality assessment and performance improvement program that leads to measurable and sustained improvement in performance.

The Visiting Nurse Association of Western New York, Inc. (VNA) is affiliated with Kaleida Health and will utilize the resources of the Kaleida Integrated Health System to assure care coordination and continuity of care with Kaleida Health Hospitals through relationships with their discharge planners, in addition to the systems' clinics, long term care facilities, labs and providers, etc. Kaleida Health is also a resource to the VNA in the development of new partnerships with external providers, including other hospital discharge planners. The VNAs' electronic medical record system is also interoperable with Kaleida Health as well as with many external providers.

VNA has signed participating provider agreements for the MLTCPs with Elder Plan, Centers Plan for Healthy Living, Fidelis and VNS NY CHOICE. They have also signed a Letter of Intent with VNS NY CHOICE to enter into a partnership agreement that enables VNA to provide case management and utilization review activities in VNA's current service area. Expansion of VNA's service area into the requested counties will expand the scope of the partnership with VNS NY CHOICE and all VNA MLTCP agreements to enhance implementation of MRT #90 MLTC enrollment.

VNA provided a detailed county specific description which addresses how approval of their application will address the factors listed in section 709.1(a) of Title 10. The VNA will facilitate enrollment in public health insurance programs including Medicaid Managed Care for each of their eligible patients. They provide home based care, disease management and patient education programs that will help meet the growing needs of the high risk populations.

VNA addressed each county specifically by their unique needs and named the initiatives and programs that will address and already do address specific issues in each county they propose to serve. They provided a detailed gap analysis in each county and specified how their programs will meet the needs of the underserved in each community through their delivery of innovative, technology based and cost effective home care programs. They provided normative criteria or age and sex specific utilization rates; in and out migration issues; long range planning needs; and their VNA education, training and community outreach initiatives and programs.

VNA's extensive Kaleida Health infrastructure and resources support the operations and management of the VNA and will assure cost effective implementation of CHHA services in each of the counties requested. They emphasized care coordination for their patients that begin with communication and follow-up with all care entities. The use of electronic medical records and their Telehealth Program support their efforts, in addition to their participation in a Care Transitions Program with local hospitals to promote patient self-management and reduction of emergency room and inpatient utilization.

Recommendation

From a need perspective, approval is recommended.

Programmatic Analysis

Background

Visiting Nurse Association of Western New York, Inc. is an existing not-for-profit corporation that operates a certified home health agency (CHHA) with approval to provide services in Allegany, Chautauqua, Erie, Genesee and Niagara counties, a special needs CHHA with approval to provide services in Cattaraugus, Orleans and Wyoming counties and a long term home health care program with approval to provide services in Erie and Niagara counties.

The applicant is requesting approval to expand the service area of their Article 36 certified home health agency into additional counties and to convert their Article 36 special needs CHHA to a general service CHHA. Upon approval of this application, they will have a CHHA with approval to provide services to the residents of Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben and Wyoming counties.

The applicant proposes to provide the following home health services:

Nursing	Home Health Aide	Medical Supplies, Equipment, and Appliances
Physical Therapy	Occupational Therapy	Respiratory Therapy
Nutrition	Speech Language Pathology	Medical Social Services

Visiting Nurse Association of Western New York, Inc. is currently in compliance with all applicable codes, rules and regulations.

Recommendation

From a programmatic perspective, approval is recommended.

Financial Analysis

Operating Budget

The applicant has submitted an incremental operating budget, in 2012 dollars, for the first and third years, summarized below:

	<u>Year One</u>	<u>Year Three</u>
Revenues:		
Medicaid Fee-For-Service	\$1,924,658	\$2,292,903
Medicare Fee-For-Service	8,344,114	10,180,771
Commercial Fee-For-Service	1,984,753	2,530,001
Total Revenues	\$12,253,525	\$15,003,675
 Expenses	 <u>10,974,743</u>	 <u>12,994,666</u>
 Excess of Revenues over Expenses	 <u>\$1,278,782</u>	 <u>\$ 2,009,009</u>

Utilization by payor source for the first and third years is as follows:

	<u>Year One</u>	<u>Year Three</u>
Medicaid Fee-For-Service	18%	19%
Medicare Fee-For-Service	59%	59%
Commercial Fee-For-Service	19%	19%
Charity Care	4%	3%

Expense and utilization assumptions are based on the existing CHHA Program’s historical experience. Revenues are reflective of current payment rates as well as the recent implementation of the Medicaid Episodic Payment System.

Capability and Feasibility

There are no project costs associated with this application.

Working capital requirements, estimated at \$2,165,778, appear reasonable based on two months of third year expenses and will be provided through the existing operation. Presented as BFA Attachment A are the 2011 certified financial statement of the Kaleida Health Home Care Affiliates, Inc. which indicates the availability of sufficient funds to meet the working capital contribution.

The submitted budget indicates an excess of revenues over expenses of \$1,278,782 and \$2,009,009 during the first and third years, respectively. Revenues are reflective of current payment rates as well as the recent implementation of the Medicaid Episodic Payment System. The submitted budget appears reasonable.

As shown on Attachment A, the entity had a positive working capital position and a positive net asset position in 2010 and 2011. The entity achieved an average operating income of \$6,022,759 during 2010 and 2011.

Presented as BFA Attachment B is the 2012 internal financial statements of Kaleida Health/HomeCare Affiliates. As shown on Attachment B, the facility had a positive working capital position and a positive net asset position in 2012. The facility achieved an operating excess of revenues over expenses of \$3,037,241 in 2012.

The applicant has demonstrated the capability to proceed in a financially feasible manner; and approval is recommended.

Recommendation

From a financial perspective, approval is recommended.

Attachments

BFA Attachment A	2010-2011 Certified financial statements of Kaleida Health Home Care Affiliates
BFA Attachment B	2012 internal financial statements of Kaleida Health Home Care Affiliates
BFA Attachment C	Kaleida Health Organizational Chart

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BFA Attachment A

KALEIDA HEALTH HOME CARE AFFILIATES

Consolidated Balance Sheets

December 31, 2011 and 2010

Assets	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 16,890,446	17,250,656
Investments	32,245,109	27,416,077
Accounts receivable, less estimated allowance for uncollectible amounts of approximately \$2,106,000 in 2011 and \$2,324,000 in 2010	13,858,630	12,665,225
Other receivables, net	836,486	407,133
Estimated third-party payor settlements	520,000	335,000
Inventories	620,750	820,809
Prepaid expenses and other current assets	620,222	487,677
Assets held for sale	1,207,956	—
Total current assets	<u>66,799,599</u>	<u>59,382,577</u>
Assets limited as to use:		
Designated under self-insurance programs :	4,552,140	4,560,793
Property and equipment:		
Moveable equipment	5,652,083	11,686,416
Leasehold improvements	512,603	499,772
Computer software	3,037,775	5,204,512
Total property and equipment	<u>9,202,461</u>	<u>17,390,700</u>
Less accumulated depreciation and amortization	<u>7,367,951</u>	<u>14,486,501</u>
Property and equipment, net	<u>1,834,510</u>	<u>2,904,199</u>
Total assets	<u>\$ 73,186,249</u>	<u>66,847,569</u>
Liabilities and Net Assets		
Current liabilities:		
Accrued compensation and payroll taxes	\$ 4,776,526	4,265,680
Accounts payable and accrued expenses	1,389,053	1,813,647
Estimated third-party payor settlements	1,202,000	1,425,000
Amounts due to affiliate	119,504	367,446
Total current liabilities	<u>7,487,083</u>	<u>7,871,773</u>
Estimated self-insurance reserves :	4,440,016	3,947,742
Unrestricted net assets	<u>61,259,150</u>	<u>55,028,054</u>
Total liabilities and net assets	<u>\$ 73,186,249</u>	<u>66,847,569</u>

KALEIDA HEALTH HOME CARE AFFILIATES

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue:		
Net patient service revenue	\$ 76,769,442	72,006,851
Other operating revenue	106,130	117,222
Total operating revenue	<u>76,875,572</u>	<u>72,124,073</u>
Operating expenses:		
Salaries	38,725,734	36,413,615
Purchased services, supplies, and other	17,553,388	16,859,954
Employee benefits	11,395,287	10,026,814
Depreciation and amortization	1,253,799	1,421,781
Provision for uncollectible accounts	1,494,412	1,809,343
Total operating expenses	<u>70,422,620</u>	<u>66,531,507</u>
Income from operations	<u>6,452,952</u>	<u>5,592,566</u>
Other income (losses)		
Investment income	145,126	1,032,086
Net realized gains on sales of investments	1,994,134	100,726
Net change in unrealized gains and losses on investments	(2,361,116)	2,043,655
Total other (losses) income, net	<u>(221,856)</u>	<u>3,176,467</u>
Excess of revenue over expenses	6,231,096	8,769,033
Net assets, beginning of year	<u>55,028,054</u>	<u>46,259,021</u>
Net assets, end of year	<u>\$ 61,259,150</u>	<u>55,028,054</u>

See accompanying notes to consolidated financial statements.

BFA Attachment A Cont.

KALEIDA HEALTH HOME CARE AFFILIATES

Consolidated Statements of Cash Flows

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating activities:		
Excess of revenue over expenses	\$ 6,231,096	8,769,033
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	1,253,799	1,421,781
Provision for uncollectible accounts	1,494,412	1,809,343
Change in interests in limited partnerships	324,235	(575,390)
Net change in unrealized gains and losses on investments	2,361,116	(2,043,655)
Changes in operating assets and liabilities:		
Accounts receivable	(3,149,065)	(1,838,002)
Other receivables, net	(429,353)	16,661
Inventories	32,906	18,115
Prepaid expenses and other current assets	(132,545)	(38,120)
Accrued compensation and payroll taxes	510,846	421,130
Accounts payable and accrued expenses	(424,594)	419,821
Estimated self-insurance reserves	492,274	(119,495)
Estimated third-party payor settlements	(408,000)	(795,000)
Amounts due to affiliate	(247,942)	(226,680)
Net cash provided by operating activities	<u>7,909,185</u>	<u>7,239,542</u>
Investing activities:		
Acquisition of property and equipment	(763,665)	(1,003,372)
Net purchases of investments	(7,505,730)	(2,634,084)
Net cash used in investing activities	<u>(8,269,395)</u>	<u>(3,637,456)</u>
Net (decrease) increase in cash and cash equivalents	(360,210)	3,602,086
Cash and cash equivalents, beginning of year	<u>17,250,656</u>	<u>13,648,570</u>
Cash and cash equivalents, end of year	<u>\$ 16,890,446</u>	<u>17,250,656</u>
Supplemental disclosures on cash flow activities:		
Assets held for sale:		
Accounts receivable, net	\$ 461,248	
Inventories	167,153	
Moveable equipment, net	579,555	

See accompanying notes to consolidated financial statements.

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 BFA Attachment B
 Kaleida Health/HomeCare Affiliates
 Consolidated Balance Sheet
 Year to Date May 31, 2012

	5/31/2012		4/30/2012		DIFFERENCE		12/31/2011		DIFFERENCE		12/31/2010	
Current Assets												
Cash	\$ 21,289,313	\$ 17,929,693	\$ 3,359,620	\$ 16,630,446	\$ 4,378,606	\$ 17,250,656	\$ 27,416,077	\$ 12,665,225	\$ 406,721	\$ 876,809	\$ 335,402	\$ 487,677
Receivables	36,111,128	36,112,933	(1,605)	32,245,109	3,866,019	27,416,077	12,665,225	406,721	876,809	335,402	487,677	487,677
Accounts Receivable - Not Patient	14,600,048	16,598,290	(1,998,242)	14,315,876	2,801,770	12,665,225	406,721	876,809	335,402	487,677	487,677	487,677
Other Receivables	605,943	627,896	(21,953)	836,621	(208,678)	406,721	876,809	335,402	487,677	487,677	487,677	487,677
Investments	321,607	515,575	(194,068)	787,903	(466,296)	876,809	335,402	487,677	487,677	487,677	487,677	487,677
Current portion of Self Insurance												
Due from third party payors	736,054	980,941	(244,877)	519,665	216,198	335,402	487,677	487,677	487,677	487,677	487,677	487,677
Prepaid Expenses-Other	395,604	426,231	(30,627)	520,222	(124,618)	487,677	487,677	487,677	487,677	487,677	487,677	487,677
Total Current Assets	\$ 74,039,707	\$ 73,191,659	\$ 848,048	\$ 66,120,044	\$ 7,819,663	\$ 59,362,577	\$ 73,186,246	\$ 6,486,428	\$ 66,947,569	\$ 6,486,428	\$ 66,947,569	\$ 66,947,569
Assets Limited as to Use												
Depreciation Reserve Fund	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Designated Other Collections Programs	4,783,970	4,721,361	2,549	4,552,140	231,770	4,569,763	4,569,763	4,569,763	4,569,763	4,569,763	4,569,763	4,569,763
Other												
Fixed Property & Equipment Net	2,225,050	1,967,858	237,202	2,414,066	(188,006)	2,904,199	2,904,199	2,904,199	2,904,199	2,904,199	2,904,199	2,904,199
Other	604,000	604,000		100,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000	504,000
TOTAL ASSETS	\$ 81,652,677	\$ 80,564,676	\$ 1,087,999	\$ 73,186,246	\$ 6,486,428	\$ 66,947,569	\$ 73,186,246	\$ 6,486,428	\$ 66,947,569	\$ 6,486,428	\$ 66,947,569	\$ 66,947,569
LIABILITIES & NET ASSETS												
Current Liabilities												
Notes Payable	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Current Portion of LT Debt & Leases												
Accounts Payable	1,362,132	1,401,191	(39,059)	1,308,053	126,921	1,312,647	1,312,647	1,312,647	1,312,647	1,312,647	1,312,647	1,312,647
Accrued Payroll & Other Accrued Exp	5,900,850	5,269,973	630,679	4,776,526	1,124,126	4,265,665	4,265,665	4,265,665	4,265,665	4,265,665	4,265,665	4,265,665
Current Portion of Self Insurance												
Due to third party payors	971,637	1,121,070	(149,533)	1,202,538	(230,721)	1,425,115	1,425,115	1,425,115	1,425,115	1,425,115	1,425,115	1,425,115
Other	65,394	59,464	5,930	119,246	(53,852)	367,446	367,446	367,446	367,446	367,446	367,446	367,446
Total Current Liabilities	\$ 8,299,715	\$ 7,851,698	\$ 448,017	\$ 7,487,089	\$ 812,632	\$ 7,671,773	\$ 7,487,089	\$ 812,632	\$ 7,671,773	\$ 812,632	\$ 7,671,773	\$ 7,671,773
Long Term Debt												
Mortgages, less current portion	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other, less current portion												
Estimated Self-Insured Reserves	4,960,065	4,854,002	106,063	4,440,016	520,045	3,947,742	3,947,742	3,947,742	3,947,742	3,947,742	3,947,742	3,947,742
Deferred Credit												
Other Long Term Liabilities												
Net Assets												
Unrestricted Net Assets	68,392,897	67,659,178	533,719	61,259,150	7,133,747	55,028,054	55,028,054	55,028,054	55,028,054	55,028,054	55,028,054	55,028,054
TOTAL LIABILITIES & NET ASSETS	\$ 81,652,677	\$ 80,564,676	\$ 1,087,999	\$ 73,186,246	\$ 6,486,428	\$ 66,947,569	\$ 73,186,246	\$ 6,486,428	\$ 66,947,569	\$ 6,486,428	\$ 66,947,569	\$ 66,947,569

