CRVNA & CNHVNA AFFILIATION
COMMUNITY IMPACT ASSESSMEMT

June 23, 2020

Overview: Concord Regional VNA (CRVNA) has served the greater Capitol Region for over 120 years providing needed home-based care to patients and residents. Central NH VNA & Hospice (CNHVNA) has provided services to southern Carroll County for over 100 years and to the greater Laconia Region for over 45 years. These organizations have been vital components of the fabric of their communities supporting individual care in the home setting. These organizations have proposed a merger to consolidate the resources and services into one home health and hospice organization.

Simione Healthcare Consultants and Helms & Company, Inc. each were engaged to evaluate the potential impact of the proposed merger from both a financial perspective and a community benefit perspective – with focus on access to quality services to meet physical and mental health needs. The Consultants were provided historic information on both organizations and conducted leadership interviews. Drawing on overall industry knowledge, the Consultants provide this assessment of the potential community benefit of the proposed combination.

Covid-19 Impact: The healthcare shut down resulting from the Covid-19 pandemic clearly impacted patient volume, demand, and financial performance of both organizations. While some areas of health care delivery may see permanent change as our country adjusts to the impact of the Covid virus, the home health industry likely will see a return to "pre-Covid" volumes and demand. If anything, the lasting impact of the pandemic may be to increase public interest and acceptance for care delivery in the home setting. Already as NH begins slow re-opening, the two agencies already have returned to patient service demand levels close to those seen before the shutdown. This analysis assumes that the post-Covid home care environment will mirror the "pre-Covid" environment and the merger benefits anticipated before the pandemic will remain valid into the future. Given the recent rise in home health demand we believe this is the appropriate assumption upon which to base our evaluation

EXECUTIVE SUMMARY: The Concord Regional VNA and Central NH VNA propose merging to improve their overall clinical and financial stability at a time of great uncertainty in the health care industry. A critical consideration in the proposed merger is the ongoing melding of the Lakes Region market with the Concord market. Over the past few years more Lakes Region residents have sought care from providers in the Capitol Region Health Care system- in which CRVNA is an integrated member. CNHVNA has seen a significant market share loss to CRVNA. It is more cost-effective for CRVNA to merge with an existing agency- that has similar culture and approach to service delivery- to meet referral demands than to build new capacity. Under current laws, CRVNA cannot share referrals with CNHVNA without organizational integration.

The proposed merger should have many benefits to the patients and providers currently served by CNHVNA. The combined entity will bring greater clinical specialty resources and depth, enhance community education programs, increase community health and wellness program offerings, and reduce clinician travel time through better overall staff deployment to a larger population. CRVNA has many years of experience supporting a health care system with ACO involvement and Total Cost of Care contract performance. These skills can enhance post-acute care services to Lakes Region and southern Carroll County providers as they become involved in Accountable Care relationships.

The Community should benefit by the combined organization having improved opportunity for workforce acquisition and retention. Labor is a huge percentage of overall cost and together the organization should be able to offer enhanced work opportunities, reduce turnover and position vacancies, and provide for greater ongoing education and training. All of this should enhance the overall timeliness of care requested for patients.

Both organizations have been involved with their respective Integrated Delivery Networks which will continue post-merger. Together, they should be better positioned to develop new programs identified to support IDN mission and needs of federal payment reform. They will expand the delivery of the OASIS assessment to include all patients not just those with Medicare coverage. This may help identify behavioral health needs. An immediate benefit will be the support that CRVNA can offer to the CNHVNA nascent Palliative Care Program.

While the goal of the proposed merger is enhanced stability and not cost reduction per se, the combined entity should realize reduce administrative cost that can lower/hold down its overall average cost per visit or cost per episode. Since most home health and hospice reimbursement is on a fixed basis, being able to lower administrative cost per service is critical in maintaining operating funds to invest in needed community services. To achieve this administrative cost improvement, the parties are committed to identifying and implementing a common Electronic Health Record. This will be a cornerstone of the ability to eliminate unnecessary or duplicative administrative costs.

Nationally, there has been ongoing evolution in the home health and hospice industry toward more For-Profit enterprises providing care. While these organizations can offer high quality services they are ultimately driven by financial goals and not by community goals. Creating a combined organization will strengthen and help preserve a critical non-profit resource governed by community members ensuring that meeting community needs are always the primary consideration.

Current Industry Environment: The healthcare environment has become increasingly challenging for smaller non-profit service organizations. Each agency receives over 75% of its revenue from Federal programs (primarily Medicare) and major federal payment reform was instituted at the start of 2020. This has increased the financial uncertainty of both organizations. The New Hampshire market has seen an aging nurse workforce – a critical component of home-based services. Recruitment and retention of quality staff has become a greater challenge for VNAs. The non-profit home care industry has also seen increased competition from For-Profit organizations that enjoy greater access to capital. This environment has created a need for non-profit consolidation to achieve greater economies of scale and resource depth to compete with the burgeoning of profit entities.

A major consideration in home health affiliations is the ongoing provider consolidation that is occurring in health care – especially among hospital providers. Federal payment policy is pushing for total cost of care (TCOC) accountability and Accountable Care Organization (ACO) development. This has pushed hospitals to create both vertical and horizontal integration arrangements to broaden patient population and better manage the entire continuum of care. In the Capitol region, Concord Hospital (CH) is part of NH Cares ACO that includes CRVNA. Commercial insurance products also have introduced elements of total cost of care responsibility and Concord Hospital is one of a few hospital owners in the Tufts Freedom Health Plan. Such arrangements incent hospitals to seek post-acute care relationships that can cover both the full clinical spectrum of post-acute care patients and a bigger geography typically covered under TCOC arrangements. This creates issues for smaller more locally focused home health agencies to remain viable partners for the expanding health care systems.

Merger Rationale: The respective Boards of Trustees have stated the main goal for the proposed merger is the preservation of valued non-profit community resources to continue supporting community and home-based care delivery. An expected outcome of the merger is greater organization stability – both financial and clinical – to meet the shifting needs of referral sources and the communities served. Both organizations currently provide high quality services as evidenced by quality metrics tracked by Medicare Star Ratings, Home Health Compare, and Strategic Health Programs (SHP). By combining, the enhanced stability created should enable the organizations to continue offering good access to their quality services and maintain their high quality outcomes. The organizations should be better positioned together to meet future needs and weather health care changes like Medicare payment reform.

Changing Local Hospital Landscape: A major factor in the decision to seek this affiliation is the change that has been occurring in the Lakes Region. Lakes Region General Healthcare (LRGH) has been undergoing significant financial problems for the past few years. Despite efforts to identify a financial/clinical partner, no organization has emerged. The hospital closed its maternity service and many patients now go to CH for their deliveries. Because of the ongoing financial uncertainty, other elective services have been migrating from the Lakes Region to CH. The Belknap County home health and hospice out migration to the Concord area is shown in ***Table 1***. Over the five-year period from 2013 through 2018, CNHVNA has lost 19% share in home care and 24% share in hospice. Most of this share reduction has gone to CRVNA due to the ongoing exodus of Lakes Region patients to the Concord health care delivery system.

Table 1- Belknap County Market Share Change

Service	Home Health Organization	2013 Share	2018 Share	Share Change
HOME CARE				
	CNHVNA	59%	40%	-19%
	CRVNA	4%	15%	11%
	Franklin VNA	8%	11%	3%
	Lakes Region VNA	13%	17%	4%
	Newfound (Nana)	2%	2%	0%
	All Other	17%	15%	-2%
HOSPICE				
	CNHVNA	67%	43%	-24%
	CRVNA	<5%	17%	>=12%
	Franklin VNA	<5%	7%	>=2%
	Lakes Region VNA	<5%	5%	>=1%
	Compassus	<5%	5%	>=1%
	All Other	<27%	23%	N/A

Source: Home Care Market Atlas

Concord Hospital is highly integrated with its Medical Staff. The CRVNA is a member of Capital Region Health Care and has several programs that are integrated with CH service lines. These include:

- Joint Replacement "Pre-hab" Program;
- Palliative Care Services;
- Baby's First Homecoming;

- NH Cares ACO;
- COPD Collaborative;
- Transitional Care Nursing;
- IDN-2 Capital Region Healthcare.

The migration of patients from Lakes Region to Concord creates issues for both agencies. For CNHVNA, the loss of volume threatens its ability to continue to offer a full array of services cost effectively since the fixed cost administration is spread over a smaller volume thereby raising the average cost of services that are rendered. This reduces the overall resources that CNHVNA can make available to support services that do not cover their cost. Over time as this trend continues, CNHVNA would be forced to reduce or eliminate certain services.

The CH health care system looks to its integrated home care partner – CRVNA – to deliver needed post-acute care to all patients including those coming from the Lakes Region. Current Federal regulations prohibit CRVNA from 'sharing' referrals with CNHVNA. Thus, CRVNA would need to extend its services and hire more staff to cover a greater geography to meet the ongoing referral needs of the CH Medical Staff. This would be much less efficient than bringing the CNHVNA resources under the same organization so that these resources can be legally shared to maximize the effectiveness of providing post-acute care to patients receiving clinical care from Concord Hospital & Concord Medical Staff regardless of their residence. On average, the total cost to recruit, hire, on-board, and provide supplemental training to one new employee is $4,000-$5,000. It also takes an average of 40-60 days from time of position identification to fill the needed position ready to render patient service. Once hired, it takes an average of 3 months for the new hire to attain full productivity because of ramp up learning curve. This is a cost equivalent of nearly $15,000 per position.

Over time, CRVNA might need to hire an additional 5-10 FTEs to meet a continuing demand increase to serve Lakes Region patients seeking clinical care from the Concord Hospital healthcare system. The cost and time delay of building additional capacity can be avoided by combining with an organization already established to provide most of the needed services. But, an integrated organizational relationship – like the proposed merger – is required to legally allow for this coordinated work. Without the proposed merger, it would be difficult for either organization to most cost effectively meet the referral needs of the Concord Hospital Medical Group as more Lakes area patients seek services in Concord.

Both respective Boards of Trustees have considered other affiliation options over the past few years. However, given the ongoing blending of the Lakes Region market with the Concord market, both Boards independently concluded that a merger of these two organizations has greatest potential for overall community benefit. No other affiliation affords the same opportunity to plan for the most effective delivery of home-based services to patients receiving elements of health care from both the CH and LRGH delivery systems. Through numerous discussions, the Boards determined that the organizations have comparable cultures and the proximity of the respective service areas and the comparable approaches to care delivery should allow the organizations to readily integrate without significant disruption.

Clinical Service Stability and Improvement

Specialty Clinical Services Provision: The demands on the home care industry for increasingly complex care delivery has stressed staffing for specialty clinical services such as wound care, home infusion care, special pediatric care, etc. Currently CRVNA has greater resource depth in these specialty areas than CNHVNA. Often CNHVNA has only one clinical specialist available and if that person is away on vacation, out sick, or engaged in a lengthy case, CNHVNA is unable to provide timely care to a referral needing specialty services. By combining with CRVNA, greater clinical specialty resource depth can be shared and deployed to maximize ability to meet patient need. The overall timeliness of care should be enhanced which is highly valued by referring providers.

Table 2 contains a comparison of the Clinical Specialist FTEs for each organization. This shows that together a greater complement of specialty services can be more broadly available. In some cases, CRVNA has certain clinical specialists that CNHVNA lacks. By combining, these specialty services could now be made available to CNHVNA patients, thereby improving overall access to services- especially for patients in the Lakes Region.

Table 2- VNA Clinical Specialty Resources Summary

As of June 2020

Clinical Specialty	CRVNA FTEs	CNHVNA FTEs	Combined FTEs
Wound Care Certified RN	3.00	1.00	4.00
IV Certified RN	2.00	0.00	2.00
Lymphedema – PT	2.00	1.50	3.50

Lymphedema – OT	1.00	2.00	3.00
Vestibular PT	1.00	0.00	1.00
Behavioral Health Coordinators	1.00	0.00	1.00
Community Health Educators	2.00	0.00	2.00
Advanced Illness Management Nurse	1.00	0.00	1.00
Transitional Care Nurse Coordinator	0.25	0.00	0.25
Total Specialty Services	13.25	4.50	17.75
Source: Home Care Market Atlas			

Palliative Care Development: CRVNA has a robust Palliative Care service in collaboration with CH that complements its home hospice and hospice house services as well as its home care services. CNHVNA has recently launched a Palliative Care service to support Belknap and Carroll County patients as part of end of life care continuum. The proposed merger would support this new initiative – currently in its infancy – and CNHVNA can draw on the experience and expertise of CRVNA in developing comparable Palliative Care services. Because many patients receive care from both the Lakes Region and Concord medical communities, having a consistent Palliative Care service across both communities should benefit providers, patients, and families.

Behavioral Health Care Delivery: CRVNA has behavioral health resources that CNHVNA currently lacks. With the support of a Community Services grant, CRVNA was able to expand its behavioral health service to two individuals (1 FTE) who have served a census of 80 clients. These resources helped identify over 240 patients with behavioral health needs leading to 144 referrals to social work services. By combining, the agencies should be better able to continue funding these services that do not always cover their full cost. Additionally, a larger organization should be more attractive to granting agencies looking to provide funds where a larger impact can be made. The organizations have stated their intent to extend behavioral health support services to the Lakes Region after affiliation.

Both organizations have supported the statewide Clear Path initiative launched by the NH Home Care Alliance to provide training on behavioral health for home based services. Both organizations have had staff trained to support behavioral health needs identification in patients. Currently CRVNA conducts an OASIS assessment on all home care patients encountered (not just Medicare). Post-affiliation, the combined organization will conduct this assessment on all patients

including those historically served by CNHVNA. The OASIS assessment can help identify behavioral health issues that may have been missed by hospital health care providers. The merger should strengthen the resources of the combined organization allowing for more ongoing community support of mental health needs detection and social services referrals.

Staff Turnover: An element that impacts both cost of care and access to care is staff turnover. Pre-Covid, both organizations – and the home care industry overall – were facing increased staff turnover and vacancies. Greater turnover increases cost as organizations must recruit, train, and on-board new employees and endure a ramp up period before the new employee can achieve the same productivity as an outgoing employee. In 2019, CRVNA had a turnover rate of 16.5% and CNHVNA had a rate of 10%. Having unfilled positions can reduce patient access as agencies must restrict the number of patients taken under care to ensure that existing staff can provide needed services. Pre-Covid CRVNA had eight unfilled positions while CNHVNA had two. A combined entity is expected to see reductions in both turnover and vacancies.

While staff can leave for a variety of reasons, some can involve a relocation within the state or can result from an employee seeking more overall responsibility where no opportunity exists within the agency. A combined entity should be more flexible to potentially provide ongoing employment after a relocation. More importantly, the larger combined organization could provide more career advancement opportunities because of greater organization scale and breadth. This may help retain some employees seeking more responsibility. Over time, a larger organization may be able to provide more creative options for flexible employment, benefit provision, and continuing education – all of which can positively impact staff acquisition and retention.

Community Education: CRVNA has a robust community education program with commitment of two full time Community Health Educators. These individuals conduct home visits to support education goals as well as supporting wellness and a speakers bureau that has reached over 500 participants. With the merger, the community education program will be expanded to augment the current work of CNHVNA. This will enhance community benefit by sharing and expanding these resources. By combining, the joint financial strength should allow the combined organization to invest in more community education services. The organizations intend to bring the full panoply of community education services to the Lakes Region and southern Carroll County. Education programs anticipated to be extended to more of Belknap and southern Carroll County include:

- "A Matter of Balance"
- “Better Choices, Better Health"
- Powerful Tools for Caregivers
- Aging Mastery Program
- Aging Mastery Program for Caregivers@

Community Program Expansion: CRVNA currently offers many programs that support community health. Post-merger these can be expanded to the Lakes Region and southern Carroll County broadening the array available. Programs targeted for this expansion include:

- -Flu Clinics – both public and private locations;
- -Health Clinics – Foot clinics and Blood Pressure Management clinics;
- -Memory Café;
- -Caregiver Café;
- -Walk-in-Wednesday;
- -Dying to Talk;
- -Community Health Educator – Home Visits;
- -PATHS (Positive Aging Through Home Supports).

New Program Development: Combining the resources of the two organizations could support future new community-based program creation congruent with overall healthcare reform. Already both organizations are part of their respective Integrated Delivery Networks (CRVNA in IDN2 and CNHVNA in IDN5) with representatives serving on the Governance level. If/when the Lakes Region becomes part of an Accountable Care Organization initiative, the experience of CRVNA would be immediately made available to support development efforts and share lessons learned. This should be beneficial since organizations participating in ACOs have found that there is a learning curve to evolve to meet ACO needs. Since many of the new payment and delivery models contain elements of shared economic risk, a larger organization will be better positioned to spread risk over a greater patient base. It should have more patients with common clinical needs to lower the risk associated with new care approaches and programs designed to improve outcomes and reduce hospitalizations.

Financial Stability and Cost Structure Improvement

The proposed merger should enhance the financial strength of the combined organization allowing it to better withstand future reimbursement cuts by federally funded programs and more cost effectively deploy staff in the face of labor shortages and rising employee costs. Labor expense represents 75%-80% of VNA operating revenue. A larger organization can create efficiencies to offset the escalating cost per FTE. Much of the payment for VNA services is fixed – either per visit or per episode of care. Thus, finding ways to manage cost structure – particularly administrative overhead costs – is critical to ongoing viability. Because of current and anticipated future clinical service demand, the purpose of the proposed merger is NOT to reduce clinical FTEs. However, management leadership is confident the merger will allow for reduction of administrative overhead that can be spread over a greater patient base. This is reflected in Years 2 & 3 of the financial pro forma prepared by Simione. Administrative Expense represents 30%-35% of total expenses and a 5% improvement would represent more than a 1% enhancement of overall operating performance.

Integrated Electronic Medical Record (EMR): A cornerstone of the ability to reduce the average cost per visit resulting from the proposed merger is to establish a single common information technology platform for all. Immediately after merger approval, the organization will embark on a comprehensive needs analysis and a thoughtful process for EMR technology evaluation. This will result in identifying the best EMR system to support workflow efficiencies and overall organization needs. As demonstrated in the three-year pro forma financial statements, the parties anticipate creating common policies and procedures in Year 1 while going through the EMR evaluation. An EMR system will be selected and implemented throughout the organization in Year 2. A degradation in financial performance is anticipated in this year while the organization incurs one-time expense and loss of productivity to train users and install the system. However, this will set the stage for realization of improved efficiencies and cost savings that will reduce the overall average cost. This improvement is reflected in Year 3 of the pro forma. This is an ideal time to select a new EMR because Medicare instituted a new prospective payment system – the Patient Driven Groupings Model (PDGM) in January. As the needs for success under this new payment system – which impacts over 70% of the combined revenue – an appropriate EMR can be selected.

Anticipated Administrative Cost Efficiencies: Because so much of the home health and hospice revenue is derived from Federal programs, there is significant administrative burden placed on these agencies. This has made it increasingly difficult for small agencies to survive because the high administrative cost burden cannot be recovered under the fixed payment contracts that exist. Combining these two organizations under one license and Medicare provider number will allow for some administrative economies of scale. This should occur in areas such as;

- Medicare survey readiness;
- Medicare cost reporting;
- Development and maintenance of policy and procedure manuals;
- Preparation and delivery of statistical reporting;
- Participation in Professional Advisory Committees;
- After hours call coverage;
- Accreditation fees;
- Professional and Trade Organization Membership fees;
- Computer Hardware and Software Licensure fees.

There also should be savings from coordination of office space utilization and associated utility costs; office equipment costs; and supply inventory management. CRVNA long term planning has identified the need for more space to support planned program growth and anticipates it will grow beyond its current facility capacity. CNHVNA currently has a surplus of space and by combining the aggregate facility use can be optimized allowing CRVNA to delay, or avoid altogether, the expense of acquiring more facility capacity.

Both CRVNA and CNHVNA have participated in performance benchmarking through the VNA Health System of Northern New England. One measure calculated is average cost per visit associated with overhead as opposed to direct clinical service related costs. For the past few years, CRVNA and CNHVNA have had similar direct costs per visit for both skilled nursing and physical therapy services (the two highest volume services in home care). However, CRVNA has an average overhead cost per visit that is less than half the amount of CNHVNA. This shows the impact that greater scale can have on overall cost per visit. The merger should allow the overhead cost per visit associated with CNHVNA historic volumes to reduce closer to the CRVNA level.

Staff Deployment: Creating a larger combined organization with a common EMR supporting a common service area should support enhanced geographic assignment of clinical resources. This can reduce the travel time between patients which

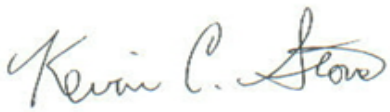
reduces mileage costs and the down time of a clinician engaged in non-patient care activity. Currently the travel time component of a home care visit represents 17%-24% of total visit time. Historically CNHVNA has had greater travel time than has CRVNA in part because of fewer patients and less resource depth. The goal post-merger would be to bring the CNHVNA portion of visit time associated with travel closer to the CRVNA level. More efficient scheduling of staff to cover a larger patient base within the geographic coverage area can reduce this cost and enhance the number of patients per day that can be served.

In aggregate, these various cost improvements should result in a lower overall average cost per visit or cost per episode and improved net margins. This will lead to an increase in the number of patients the combined organization can serve resulting in better patient access and outcomes.

Preservation of Non-Profit Mission Driven Community Organization

The proposed merger is important to ensuring a vibrant non-profit home health service can continue to serve the community. Nationally, for-profit organizations have increased their presence as health care delivery shifts to more of a home and community-based focus. NH has seen growth of organizations such as Compassus, Interim, Bayada, LHC Group, Amedisys, etc. While these organizations can offer quality services, they are driven by the profit motive and not by community service. They do not feature community voices in their governance structure. The VNAs have a long history of providing valuable services driven by community needs – some of which may conflict with maximization of profit. It is critical to preserve and strengthen the non-profit voice during this period of health care stress and consolidation. This merger will ensure ongoing governance input from Merrimack, Belknap, and Carroll County members in guiding the home care and hospice delivery to the communities served.

Respectfully Submitted,



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