



Project # 171041-E
Shining Star Home Health Care

Program: Certified Home Health Agency
Purpose: Establishment

County: Kings
Acknowledged: January 19, 2017

Executive Summary

Description

Shining Star Home Care, LLC (Shining Star), a proprietary, Article 36 certified home health agency (CHHA), requests approval for a three-year extension to its limited life operating certification. The agency was established as a special pilot program CHHA, certified to serve individuals at higher risk for hospitalization due to heart disease, stroke and diabetes. The agency is authorized to serve individuals in Bronx, Kings, New York and Queens Counties. The CHHA was approved through CON 072094 with a conditional five-year limited life and began operations effective January 17, 2012. The applicant notified the Department before their limited life expiration, requesting a three-year extension. The CHHA currently operates from leased office space located at 5922 18th Avenue, Brooklyn (Kings County).

Shining Star's services are limited to the special pilot program population authorized under its initial operating certificate. The CHHA is certified for the following services: home health aides, medical social services, medical supplies equipment and appliances, nursing, nutrition, occupational therapy, physical therapy, and speech language pathology

The membership of Shining Star Home Care, LLC consists of Yechiel Landau (80%) and Yvette Henriquez (20%).

OPCHSM Recommendation

Contingent Approval of a three-year extension of the operating certificate from the date of the Public Health and Health Planning Council recommendation letter

Need Summary

Utilization has been significantly below projected visits. In its original 2007 application, Shining Star projected in excess of 175,000 visits by Year Three. Shining Star reports 2,999 visits in 2016 and 4,313 for 2017 (per Cost Reports). The applicant anticipates increased visits over the next three years. The agency did not meet the 2% charity care requirement in any of its five years of operation but is projecting 2% going forward.

Program Summary

From its initial date of operation of January 17, 2012 through the present time, Shining Star Home Care, LLC d/b/a Shining Star Home Health Care has remained in compliance with all Conditions of Participation, with no enforcement actions taken against them.

Financial Summary

There are no project costs associated with this application. The projected budget is as follows:

Table with 3 columns: Category, Year One, Year Three. Rows: Revenue (\$672,132 vs \$692,296), Expenses (604,084 vs 614,633), Net Income (\$68,048 vs \$77,663)

The projected net income is positive going forward, however it is dependent upon the applicant maintaining utilization levels and cost control efforts. The applicant also requires working capital to fund operations, which is to be provided by majority member Yechiel Landau, or as an interest free personal loan from a friend of Mr. Landau's with repayment when the operation becomes more profitable.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval of a three-year extension of the operating certificate from the date of the Public Health and Health Planning Council recommendation letter, contingent upon:

1. Submission of a signed agreement with an unrelated, independent entity, acceptable to the Department, to provide annual reports to the Department. The reports shall include, but not be limited to:
 - a. Utilization data by payor;
 - b. Data comparing the PQI rates of the communities served by the CHHA from the effective date of the CHHA's operating certificate;
 - c. Data showing Emergency Department visit rates of patients served compared to the general population in the neighborhoods served by the CHHA;
 - d. Data comparing hospital readmission rate of patients served compared to the general population in the neighborhoods served by the CHHA;
 - e. Utilization by the diagnosis of the patients served by the CHHA. [CHA]
2. Submission of a photocopy of the Operating Agreement of Shining Star Home Health Care, LLC, which is acceptable to the Department. [CSL]

Approval conditional upon:

1. Services are limited to the special pilot program population of individuals in Bornx, Kings, New York, and Queens Counties identified as being at high risk for hospitalization due to heart disease, stroke, and diabetes.
2. Continued submission of annual reports, prepared by an unrelated, independent entity, providing at a minimum the data required in the contingency, and reporting the percent of patients in compliance with the condition of approval related to the approved special pilot program population. Annual reports must be submitted no later than March 15th of each year for the proceeding calendar year. [CHA]

Council Action Date

December 13, 2018

Need and Program Analysis

Review Summary

This special pilot program CHHA operates from its sole practice location in leased office space at 5922 18th Avenue, Brooklyn, New York 12204. It was approved to serve individuals identified as being at higher risk for hospitalization due to heart disease, stroke, and diabetes, in the approved geographic service area of Bronx County, Kings County, New York County, and Queens County. Shining Star offers the services of home health aide, medical social services, medical supplies/equipment/appliances, nursing, nutritional services, occupational therapy, physical therapy, and speech language pathology.

As required in the Public Health Council conditional approval, annual reports by an outside independent agency have been submitted to NYSDOH for years 2012/2013 through 2017.

In its establishment application, Shining Star Home Care, LLC, d/b/a Shining Star Home Health Agency, cited the NYSDOH Prevention Quality Indicators that reports that low income minority neighborhoods located in the four above named counties have up to two to three times more hospital admissions and readmissions due to heart disease, stroke, and diabetes than the statewide average.

Background

Utilization (Visits)	072094 Projected Year One	072094 Projected Year Three	Actual 2013 (1 st Full Year)	Actual 2014	Actual 2015 (3 rd Full Year)	Actual 2016	Actual 2017
Nursing	7,199	21,783	240	1,773	3,176	2,261	2,386
Occupational Therapy	196	320	0	43	16	1	1
Physical Therapy	561	1,336	39	278	522	184	1,774
Speech/Language Pathology	27	57	0	17	37	1	1
Medical Social Services	21	307	2	14	4	12	4
Home Health Aide	26,748	151,465	1,788	3,618	2,924	540	147
Total	34,752	175,268	2,069	5,743	6,679	2,999	4,313

Source: Agency's Cost Reports

Analysis

The original approval of this CHHA was to permit a special pilot program to serve those individuals at risk for hospitalization due to heart disease, stroke and diabetes in communities within Kings, Queens, Bronx and New York Counties. It is not clear that this CHHA has served a distinctly different special population from that of other CHHAs, nor has the program of care been found to be unique.

In its five years of operation, the CHHA reports that it has served predominantly the target population:

- In 2012 (total of three patients served) and 2013 (total of 24 patients served), the applicant reports that one patient visited an Emergency Department, and two patients were readmitted to a hospital. None of those Shining Star patients was readmitted due to diabetes, heart disease, or stroke. The statewide averages for Emergency Department visits, and potentially preventable hospital readmission rates for Bronx, Kings, New York, and Queens Counties, for years 2012 and 2013, were unreported.
- In 2014, the applicant reports that seven of Shining Star's 205 patients (3.4%) visited an Emergency Department, compared to a statewide average that year of 23.13%, and three of those seven visits were due to unrelated occurrences (one injury due to a fall, one urinary tract infection, and one decline in three or more activities of daily living). Seven of Shining Star's 205 patients (3.4%) were readmitted to a hospital, compared to a potentially preventable hospital readmission rate that year for Bronx, Kings, New York, and Queens Counties ranging from 6.1% to 7.54%. None of those Shining Star patients was readmitted due to diabetes, heart disease, or stroke.
- In 2015, the applicant reports that eight of Shining Star's 214 patients (3.7%) visited an Emergency Department, compared to a statewide average that year of 23.53%, and five of those

eight visits were due to unrelated occurrences (four injuries due to a fall, and one urinary tract infection). Eight of Shining Star's 214 patients (3.7%) were readmitted to a hospital, compared to a potentially preventable hospital readmission rate that year for Bronx, Kings, New York, and Queens Counties ranging from 6.1% to 7.54%. One of those Shining Star patients was readmitted due to diabetes, and none were readmitted due to heart disease or stroke.

- In 2016, the applicant reports two (1.3%) of Shining Star's patients went to the ED, compared with a New York average of 10.7% and a national average of 12.9%. Two (1.3%) of Shining Star's patients were admitted to the hospital, compared to a New York average of 16.4% and a national average of 15.9%.
- Shining Star reports that in 2016 it discontinued its Allscripts clinical software medical record system which had proven to be overly expensive and unreliable for information reporting purposes. Shining Star instead invested in a new clinical software system called Home Care Home Base. The applicant states that implementing this new intake and clinical documentation software system during 2016 affected its ability to accept admissions, process intake data, and properly maintain clinical data during 2016, which was a factor in the decrease in admissions by 74 patients from 2015 to 2016, and the increase in hospital readmissions in 2016. Looking forward, Shining Star had also taken the following initiatives to both increase intake and utilization, and prevent future Emergency Department visits and hospital readmissions:
 - Renegotiating various HMO and MLTCP contracts, resulting in better reimbursement rates for services and improved financial stability
 - Partnering with Relias Learning to customize orientation and inservice education curriculum used to train the CHHA's skilled professionals
 - Creating an advanced wound care program with staff trained as specialists to treat complex wounds, providing an advantage over other CHHAs who typically do not accept such patients
 - Hiring a specialized Case Manager to provide extensive clinical oversight for patients who are at risk for hospital readmission
 - Engaging in weekly conference calls with patients, families, doctors, nurses, and case managers. Patients at higher risk for hospital readmission receive daily telephone calls at home from clinical professionals to ensure proper medications were taken in the proper dosages and at the proper times of day. If additional services or care are required, the clinical professional will immediately contact the patient's nurse to provide timely intervention before an emergency situation arises.
 - Partnering with a particular pharmacy that pre-packages patient medications in small packets, to help ensure the patient is taking the correct dose at the correct time, in order to alleviate medication errors, a leading reason for both Emergency Department visits and hospital readmissions.
- The applicant reports that in 2017 only 12 of Shining Star's 726 patients (1.7%) were discharged to a hospital or Emergency Department. The applicant reports that, per statistics published by the Agency for Healthcare Research and Quality, the average readmission rate for patients seven days after discharge from a hospital was 7.5%, and 30 days after discharge from a hospital was 21.1%.

The applicant reports that three of the three patients served in 2012, 18 of the 24 patients served in 2013, 168 of the 205 patients served in 2014, 161 of the 214 patients served in 2015, 132 of the 152 patients served in 2016, and 672 of the 768 patients served in 2017, had diagnoses that identified the patient as being at higher risk for hospitalization due to heart disease, stroke, or diabetes. Accordingly, 100% in 2012, 75% in 2013, 82% in 2014, 75% in 2015, 87% in 2016, and 87.5% in 2017 of the patients served by Shining Star Home Care, during its first six years of operation, had diagnoses that identified the patient as being at higher risk for hospitalization due to heart disease, stroke, or diabetes.

Shining Star has a 3.5 CMS Quality of Patient Care Star Rating, compared to a NYS average of 3 stars and a national average of 3.5 stars.

The NYSDOH Division of Home and Community Based Services reports that, from its initial date of operation of January 17, 2012, through the present time, Shining Star Home Care, LLC, d/b/a Shining Star Home Health Care, has remained in compliance with all Conditions of Participation, with no history of any enforcement actions taken against this CHHA.

Financial Analysis

The applicant submitted their current year (2017) results, their half-year 2018 results, and their first and third year operating budgets subsequent to approval, in 2018 dollars, as shown below:

	<u>Current Year</u>	<u>2018 (6 mos)</u>	<u>Year One</u>	<u>Year Three</u>
<u>Revenues</u>				
Medicare	\$74,920	\$44,732	\$110,093	\$113,396
Medicaid	22,035	90,132	57,940	59,678
HMO/MLTC*	339,341	201,202	504,099	519,222
All Other	<u>4,407</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	\$440,703	\$336,066	\$672,132	\$692,296
<u>Total Expenses</u>				
Operating	\$569,612	\$229,937	\$577,225	\$582,465
Space Occupancy	<u>22,977</u>	<u>15,000</u>	<u>26,859</u>	<u>32,168</u>
Total Expenses	\$592,589	\$244,937	\$604,084	\$614,633
Net Income/(Loss)	<u>(\$151,886)</u>	<u>\$91,129</u>	<u>\$68,048</u>	<u>\$77,663</u>
Utilization (visits)	4,119**	2875	5,154	5,309
Cost per Visit	\$143.87	\$85.20	\$117.21	\$115.77

* Represents Dually-Eligible Manage Medicaid/Medicare

** Net Income/Loss differences for 2017 (as submitted by the applicant) would be immaterially different if actual utilization of 4,313 was used as the basis.

The following is noted with respect to the submitted budgets:

- Medicare and Medicaid services are reimbursed on an episodic basis. The applicant projected revenues for Year One based on Shining Star's annualized revenues from January 1, 2018 through June 30, 2018 (certified reports). This amount was then increased by 3% for Year Three to account for inflation.
- HMO/MLTC category represents patients who are dually-eligible for both Medicare and Medicaid. These Medicare and Medicaid plans are managed by HMO/MLTC/FIDA plans pursuant to the New York Managed Long-Term Care mandatory enrollment policy. All other revenues are based on existing rates.
- The first and third year utilization projections are based on averages experienced during the same January through June 2018 period plus charity care.
- Internal reports submitted by the applicant indicate that the number of visits through December 31, 2017 grew to 4,119, representing a 37.3% increase over 2016. During the first six months of 2018, visits totaled 2,875 (1,607 visit during the 1st quarter and 1,268 visits in the 2nd quarter). On an annualized basis, this shows continued growth over 2017. The budget projects the number of visits to be about 5,154 (around 1,289 visits per quarter).
- The cost per visit declined from \$232 in 2016 to \$144 in 2017. The results stem mostly from the increase in utilization and efficiencies through better management of staff time/productivity. The applicant has also improved information technology through the implementation of a new clinical software system (Home Care Home Base) and has partnered with QIRT (Quality In Real Time) to conduct audits on clinical documentation that is expected to ensure access to data for decisions that support preventing re-hospitalizations. During the first half of 2018, the applicant continued to reduce overall costs through efficiencies.

- Utilization by payor source for the submitted current and projected operating budgets is as follows:

Payor	Current Year		2018 (6 Mos.)		Year One		Year Three	
	Visits	%	Visits	%	Visits	%	Visits	%
Medicare	796	19.3%	411	14.3%	762	14.8%	786	14.8%
Medicaid	311	7.6%	485	16.9%	422	8.2%	435	8.2%
All Other*	3012	73.1%	1,979	68.8%	3,866	75.0%	3,982	75.0%
Charity Care	0	0%	0	0%	104	2.0%	106	2.0%
Total	4,119	100%	2,875	100%	5,154	100%	5,309	100%

*Includes Dually-Eligible Managed Medicaid/Medicare

- The applicant plans on reaching 2% Charity Care utilization in Year One and Year Three because of its relationships with Ahavas Chesed, NYC Health + Hospitals' Woodhull Hospital and Coney Island Hospital and the United Jewish Organizations of Williamsburg and North Brooklyn.

In their establishment application, the applicant committed to 2% Charity Care and 67% Medicaid utilization in Year One, and 2% Charity Care and 54% Medicaid utilization in Year Three. The applicant acknowledges that they have not fulfilled that commitment. The decline in Medicaid utilization is attributed to an increase in the number Medicare post-discharge hospital patients served by the agency. Also contributing are the patients classified as "Dually-Eligible Managed Medicaid/Medicare."

To address the utilization issues and the financial results shown above, the applicant has identified Mr. Ari Goldberger as an individual who possesses home care experience and has been informally advising the operator regarding day-to-day operations and developing relationships with local hospitals and several Managed Care Organizations. The applicant indicated that they are realizing the benefit of Mr. Goldberger's experience and resources and have already begun to receive patient referrals. The applicant anticipates entering into a Consulting Agreement.

The applicant cites the following recent activities as beneficial to the long-term performance of the facility: recently renegotiated various Managed Care contracts; increasing reimbursement; implementation of a new clinical software system; a partnership with Quality In Real Time; a partnership with Relias Learning for customized orientation and education curriculum; the creation of an advanced wound care program; hiring of a specialized case manager; and a partnership with a pharmacy to provide pre-packaged patient medication. Paul Rosenstock, M.D. and Robert Goodman, M.D. provide letters of support for the CHHA's mission.

Capability and Feasibility

There are no project costs associated with this application. The budget demonstrates net income in Year One and Year Three of \$68,048 and \$77,663, respectively. Year One projects a 25.1% increase in utilization over the Current Year 2017. However, using recently provided 2018 half-year utilization data, the Year One projection represents a 10% reduction over 2018 annualized visits. Concurrent with the projected utilization, the applicant projects revenue per visit to increase by 11.1%, going from \$117 in 2018 (annualized) to a budgeted per visit rate of \$130. As noted above, budgeted revenue and utilization projections were based upon actual results obtained during January through June 2018. Per the recently provided certified 2017 data, the cost per visit has declined 38% between the Current Year (2016) and 2017 (going from \$232 in 2016 to \$144 in 2017). Using recently provided 2018 half-year cost data, the Year One projection represents a 38% cost increase (going from \$85 per visit in 2018 to \$117); however, compared to 2017 the Year One projection represents a cost per visit decrease of 18.5% (going from \$144 per visit in 2017 to \$117) supporting the applicant's ongoing efforts to efficiently operate the CHHA.

Working capital is estimated at \$100,681 based on two months of Year One expenses. However, as shown on BFA Attachments A, B and C (Shining Star's certified 2015, 2016 and 2017 financial statements, respectively), the CHHA has been sustaining operating losses. Each year, member contributions and/or member loans were made, and in 2017 Yechiel Landau (80% member) made an equity contribution of \$263,295 and converted a \$733,466 loan to equity, bringing the net assets to a negative \$393,531. BFA Attachment D is the certified financial statement for the first-half of 2018, which shows net income of \$91,129. The applicant further states that a large portion of the \$368,657 in accounts payable are for invoices that the vendors couldn't provide documentation to support their

validity. They are dated three years or older and per the applicant the vendors have not requested payment in the past two years.

The applicant provided a letter of interest from New Capital Ventures, LLC expressing willingness to provide a personal loan to Mr. Yechiel Landau, a majority member of the applicant, in the amount of \$1,410,000 to be used to fund the agency's working capital needs. The letter states that this would be a personal loan between friends, with no interest charged and repayment of the principal amount to be provided whenever funds become available. Capital One bank statements for New Capital Ventures, LLC for the period ending September 30, 2017, indicates sufficient resources are available to fund this transaction. Going forward, Shining Star intends to cover any operating losses with the proceeds of this personal loan, as well as with the personal liquid assets of Mr. Yechiel Landau. The applicant indicated that during its limited life, Mr. Landau has funded operating losses with his personal liquid assets, as well as from the proceeds of other personal loans provided to him from Hiram Capital, LLC (an entity related to New Capital Ventures, LLC).

BFA Attachment A is the 2015 certified financial statements of Shining Star Home Care, LLC. As shown, the entity had a negative working capital position and a negative net asset position in 2015. Also, the entity demonstrated a net loss of \$666,069. BFA Attachments B and C are the certified 2016 and 2017 audited financial statements of Shining Star Home Care, LLC. As shown, the entity had ongoing negative working capital and negative net asset positions and achieved an operating loss off \$493,675 in 2016 and \$151,886 in 2017 (accrual basis). BFA Attachment D is the entity's 2018 certified financials (first six months) which shows negative working capital, negative net assets, and positive net income of \$91,151. The applicant attributes the 2016 loss to low utilization, while 2018 results through June show positive net income based on improved efficiency and increased utilization.

Attachments

BFA Attachment A	2015 Certified financial statement of Shining Star Home Care, LLC
BFA Attachment B	2016 Certified financial statement of Shining Star Home Care, LLC
BFA Attachment C	2017 Certified financial statements of Shining Star Home Care, LLC
BFA Attachment D	January-June 2018 Certified financial statements of Shining Star Home Care, LLC