

ALWAYS HOME *Inc.*

A Professional Nursing Service

July 28, 2005

Joe Hafkenschiel
California Association for
Health Services at Home
3780 Rosin Court, Suite 190
Sacramento, CA 95834

Dear Joe:

During the MediCal quarterly meeting last week, you indicated that you would appreciate any information which would support the need to increase the hourly shift rate that is paid through the State, i.e., \$29.41 per hour for LVN's and \$45.43 per hour for RN's.

As you are aware, Always Home Nursing Service specializes in shift nursing and historically has accepted MediCal patients on a regular basis. In the past six years, our ability to staff MediCal patients has been reduced by over 50%, due to our inability to attract nurses. This dramatic decline in our ability to staff cases is a direct reflection of the low salaries we offer due to the low reimbursement rate offered by MediCal.

In contrast to MediCal, our private payer insurance cases offer reimbursement to us at \$46.00 per hour for LVN's and \$59.00 per hour for RN's. At this higher insurance reimbursement rate we are able to offer nurses competitive salaries, and as a result we staff nearly 100% of authorized shifts. For example one of our cases is 24 hours a day, 7 days a week; and is always fully staffed.

The following is staffing history data for 3 of our typical MediCal patients during the month of June 2005:

Authorized Hours	Hours Staffed
480	136
651	212
480	206

Please Note New Address, Phone and Fax Numbers:

8632 Greenback Lane, Suite B ♥ Orangevale, California 95662 ♥ (916) 989-6420 ♥ Fax: (916) 989-8635

8146 Greenback Lane, Suite 104 ♥ Fair Oaks, California 95628 ♥ (916) 726-8146 or (800) 662-8146 ♥ Fax (916) 726-8149
E-mail: ahn@alwayshomenursing.com ♥ www.alwayshomenursing.com

In June, Always Home was authorized by MediCal to staff 8354 hours for all our patients; the actual number we were able to staff during this time frame was 5239 hours resulting in only 63% of authorized shifts being covered.

In addition to our inability to fully staff authorized hours to MediCal recipients presently in our care, we regularly refuse to offer our services to new MediCal recipients because we often do not have adequate staff. On average we turn away approximately 4 MediCal patients each month who require shift nursing on a daily basis.

Hospital discharge planners call us regularly searching for any agency that might have nurses so they can discharge their patients, almost all of which are in the neonatal or pediatric units. At one point this year, there was a patient at Sutter Memorial who had been in the hospital 6 months beyond when he could have been discharged. This particular patient was in the Intensive Care Unit incurring significant costs to the State which far exceeded those paid to similar patients for home care.

We are unable to offer nurses higher pay for many reasons. First and foremost is the escalating cost of insurance coverage. Malpractice has increased every year, and worker's compensation has increased so much that on MediCal cases, after paying the nurses' salaries, insurance, employer's taxes, and overhead costs, there is virtually no profit gained. These cases operate at a "break even" and often at a negative profit.

Worker's compensation rates throughout the state increased 300% or more for classification 8827. In 2001 (after the fallout of many worker's comp. carriers and State Fund took over most coverage), Always Home's rate was \$6.60. In 2004, that rate had increased to \$14.80, and in 2005 with the new "decreased" rates, we pay \$13.79. My experience modifier has consistently been around 85%, so that is not a consideration in these rate increases cited. I also should mention that the state base rate for classification 8827 is \$18.26. It appears that State Fund finds homecare nurses to be at great risk for injury, yet my employees have had very few injuries since we opened in 1992.

In the Sacramento area, the following hourly pay rate ranges are commonly offered to RN's and LVN's:

Acute Care:	RN - \$34.00 - \$47.00
	LVN - \$24.00 - \$30.00
Skilled Nursing Facility:	RN - \$30.00 - \$40.00
	LVN - \$22.00 - \$26.00
Home Care:	RN - \$25.00 - \$36.00
	LVN - \$16.50 - \$20.00

Page Three

It should be noted that these rates are dependent upon assignment, i.e., floor versus ICU. Additionally, supervisory positions receive even higher levels of compensation.

Since hospitals and skilled nursing facilities offer much higher pay rates than skilled shift home nursing services, we are not able to recruit adequate numbers of nurses to meet demand. Ironically, from the standpoint of "cost effectiveness" home care is often the most cost effective means of caring for patients and the one they most prefer.

Additionally, both hospitals and skilled nursing facilities receive yearly cost of living increases, while home health care does not. The failure to adjust home care reimbursement annually based upon cost of living makes home care less and less competitive with each passing year.

Not only is it necessary to raise RN and LVN intermittent visit rates, it is absolutely necessary to increase LVN and RN shift nursing rates if we hope to continue to serve MediCal patients at home. We have talked to many home health agencies who offer shift nursing, and many of them are experiencing the same problems as we have noted in this letter. Most of those agencies are also refusing to accept, or are reducing the number of accepted MediCal patients due to their inability to staff cases. Since these programs are based on Medicare regulations that require MediCal recipients to receive the same opportunities as private sector patients, it is necessary to increase our reimbursement so that we can attract nurses and staff the MediCal patients who are in such need.

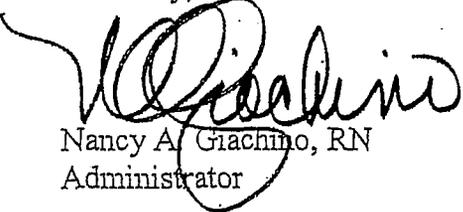
Additional thoughts:

If you get the MediCal/Medicaid reimbursement data on a state by state basis you may find that while California healthcare providers have higher operating costs than most states (i.e., salaries, workers compensation etc.), California ranks lower in terms of reimbursement to providers.

I hope the information contained in this letter will assist you in preparing materials for the attorneys responding to our court case.

If I can be of further assistance, please call.

Sincerely,



Nancy A. Giacchino, RN
Administrator

All the above information is proprietary. You may share the information provided you withhold our company name when doing so.