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Save our Rural Hospitals

Attack on Critical Access Hospitals by the HHS Office of Inspector General Webinar

National Rural Health Association

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- Overview of HHS Office of Inspector General Report threat to majority of Critical Access Hospitals in the country.
  - Unlike previous proposals that called for the elimination of CAH status of a small fraction of CAHs, this proposal would decimate rural health.
  - Unprecedented slashing of the rural health delivery system.
  - Greatest attack to date.
- Why Report Can be so Damaging in this Congress.
  - Unlike previous attacks which provided general reductions of many programs, this is laser targeted specifically on CAHs
  - Could not hit Congress at a worse time.
- Discuss United Strategy.

NRHA RESPONSE

- Swift and immediate to all major health publications and news outlets
- Grassroots coordinated campaign to members and states
  - Resources on website
  - Excellent work of states
- Capitol Hill Advocacy
  - Hill Strategy
  - Immediate efforts by our champions

NRHA Response: The Just Don't Get It

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- **HHS Report Would Create Huge Voids in Access to Health Care in Rural America.**
  - The 34-page report of Critical Access Hospitals would eradicate individual state determinations on which small, rural hospitals are critical "necessary providers" in a state;
  - Would kill rural health care by shutting as many as 70, 80, even over 90% of rural hospitals in a state.

- **Critical Access Hospitals are critical to the rural economy.**
  - Critical Access Hospitals create approximately 138,000 jobs.
  - Critical Access Hospitals are often the largest or second largest employer in a rural community.
  - The average CAH creates 107 jobs and generates $4.8 million in payroll annually and can mean as much as 20% of a rural economy.

- **The HHS report is wrong. Eliminating Critical Access Hospital does not save money. CAHs save tax payer dollars.**
  - Despite Critical Access Hospitals representing over 22% of all community hospitals, Medicare expenditures to CAHs are less than 5% of the Medicare hospital budget.

New Rural Health Works Findings

- Economic impact of closing the 846 CAH would be
  - 209,808 in lost jobs; and
  - over $8.7 Billion in wages, salaries and benefits to the communities that they serve.
- A far cry above the $449 Million in savings that the OIG reported.

Headway made with Press

- **“NRHA, AHA Slam OIG Report Urging Cuts To Critical Access Hospitals”**

  Inside Health Policy

- **“Deep cuts to Medicare funding ‘would effectively kill rural healthcare’.”**

  Modern Healthcare

Headway made with Congress

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- “Congress and the executive branch have to balance saving money with enacting the right policies to help ensure hospital access to rural and under-served areas…From a purely monetary standpoint, forgoing treatment could cause financial costs elsewhere in the health care system, so forcing those hospitals to close could rob Peter to pay Paul.”—Senator Chuck Grassley
- “Eliminating these hospitals is a shortsighted mistake that will have long-term consequences. Access to quality care is vital to the health of rural communities, and critical access hospitals are also an important part of the local economies in our rural areas.”—Representative Ron Kind

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- Sign-on letters in House and Senate
  - House: Reps McKinley (R-WV) and Kind (D-WI)
  - Senate: Sens Baldwin (D-WI) and Crapo (R-ID)
- Letter campaign - - from your hospital/join with hospitals from your state
- Letter to editor
- Go to District/State Offices
- Engage local Chamber of Commerce, Mayor, City Council, County officials

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Unprecedented Rural Challenges from Capitol Hill and White House

- All rural health funding is vulnerable.
- Huge deadlines to slash federal spending.

The climate on Capitol Hill is toxic

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Both Democrats and Republicans want cuts in spending.

Many rural programs will be targeted for cuts/offsets.

Congress is looking for $$$

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- Fiscal cliff - - Oct 1
- Sequestration
- Possible SGR fix

Fights over ACA continue

Rural PPS Hospital Cuts will hit on Oct. 1

CAHs under increased scrutiny

- Administration (2011-2014 budgets)
- Congressional Budget Office
- MedPAC
- Capitol Hill
- OIG

President's Budget – Attack on CAHs since 2011

- Reduction of cost-based reimbursement;
- Elimination of CAH status if within 10 miles of another facility.

Critical Access Hospitals

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CAH REIMBURSEMENT CUTS – (President's budget)

ELIMATION OF CAH STATUS FOR NEARLY 50 HOSPITALS (President's budget)

SEQUESTRATION - 2% CUT TO ALL RURAL HOSPITALS

PROPOSED CUTS IN FLEX AND OUTREACH GRANTS

PROPOSAL TO ELIMINATE ALL CAHs (CBO budget proposal)

35% CUT UNCOMPENSATED CARE

PROVIDER TAX CUTS

41% of CAHs operate at a financial loss. Medicare cuts will mean reductions in services, job loss, or worse, hospital closures - - jeopardizing rural seniors' access to care

More Harm for Critical Access Hospitals

- Sequestration - - all Medicare providers will receive a 2% across the board cut in reimbursement.
- Last years' fiscal bill reduces the Medicare bad debt percentage for CAHs from 100% to 65% over three years.

Why is there an assault on Critical Access Hospitals?

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- Loss of champions;
- New members who don't know why certain rural payments exist;
- Strong fiscal conservative movement;
- CMS negative attitude toward CAHs
- Confusing rural payment system - - many see payments as "bonuses"

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HHS Office of Inspector General

"Most Critical Access Hospitals Would Not Meet the Location Requirements if Required to re-Enroll in Medicare

The OIG Report

- Untrained Eye: Easy way to cut federal spending.

- Trained eye: Demonstrates that OIG does not understand rural health delivery.

Where did this report come from?

- Was it a request from Congress or the Administration?

- Double punch? OIG is conduction a nationwide review of swing-bed services at CAHs and comparing payments for the same level of care obtained at SNFs .

OIG Overall Finding

- “Because the CAH certification results in increased spending for both Medicare and beneficiaries, CMS should ensure that the only CAHs to remain certified would be those that serve beneficiaries who would otherwise be unable to reasonably access hospital services.”

Recommendations to CMS

1. Seek legislative authority to remove Necessary Provider CAHs permanent exemption from the distance requirement;
2. Seek legislative authority to include alternative location requirements;
3. Ensure that CMS periodically reassess CAHs for compliance with all of the location requirements;
4. Ensure that CMS applies a uniform definition of “mountainous terrain” to all CAHs (April 2013 reg)

*** CMS concurred with the 1st, 3rd, and 4th recommendation, but not the 2nd.

Background

- 1,329 CAHs providing care for 2.3 million Medicare beneficiaries.
- Established in BBA 1997. Created by Congress after hundreds of rural hospital closures due to change to PPS payment system.
- CAH = small (25 beds or fewer) and rural (35 miles from another hospital or 15 miles in mountainous terrain or where only secondary roads are available.) Also, 24-hr emergency, average patient stay cannot exceed 96 hours.

- Necessary Provider CAHs: Prior to 2006, states had discretion to designate NP:
- Had to comply with all other COPs, including rural requirement
- At least 40 state developed distinct criteria for a NP CAH
- 75 percent of CAHs are NP CAHs

Specific OIG Findings

- 846 CAHs would not meet the distance requirement if required to re-enroll
  - 306 were located 15 miles or fewer to a nearest hospital.
  - 235 were between 10-14 miles from nearest hospital.
  - 71 were less than a 10-mile drive.
- 3 would not meet the rural requirement.

More…

- 50% of hospitals that don't meet distant require were located nearest to another CAH.
- 7% were located nearest to hospitals that did not provide emergency services.

(Flaws: state-line issues, VA issues, IHS)

What does this mean?

- If fully implemented; complete crippling of the rural health system.
- 70, 80, even 90% of rural hospitals in certain states impacted.
- Wisconsin: 53 of the state's 58 CAHs would lose their CAH status.

Even if not fully implemented

- 10-15 mile CAHs in great jeopardy

Is there a list of all NP CAHs?

- Requesting Congressional intervention to CMS.
- Sheps Center
- RUPRI – hope to replicate mapping system.

- Contact State Office of Rural Health for immediate response.

STRATEGY
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Get involved

Get community/county involved

Our unified message to Congress…

CRITICAL ACCESS HOSPITALS:

1. Protects patients;
2. Protects the rural economy; and
3. Protects taxpayers

Tell your story

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CAH status elimination will?

- Cause staff layoffs?
- Reductions in services?
- Closure?
- Impact on community

Key: quick, unified response to Congress

- If we don't act quickly and loudly, this could come to fruition.
- Budget battle - - late night deals will be made. We must get our message out.
- Then, must keep message going…

NRHA/Capitol Hill

- Capitol Hill alert
- Letter to Leadership
- Responses from Grassley, McKinley, Kind, Harkin, Baldwin

- House and Senate Campaign.
  - McKinley–Kind
  - Baldwin-Crapo

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- Sign-on letters in House and Senate
  - House: McKinley (R-WV)/Kind (D-WI)
  - Senate: Baldwin-Crapo (Thursday deadline!)
- Write letter from your hospital/join with hospitals from your state
- Letter to editor
- Engage local Chamber of Commerce, Mayor, City Council, County officials

NRHA Resources

- Talking Points
- Letter to Capitol Hill Leadership
- Blog
- Congressional Alert system.

Remind Congress of the History of Rural

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- With Shift to Prospective Payment System, rural hospitals suffered greatly.
- During the 80's nearly 10% of all U.S. rural hospitals closed [Hart et. al, 1991] (315 hospitals);
- 1992-1999 -- 122 Rural Hospitals Closed
- Nearly 60% of rural hospitals gross revenue come from Medicare and Medicaid

Approximately 439 Rural Hospitals in 20 years!

Rural Health Clinics Were Needed More Than Ever.

Moscovice, I.: Rural hospitals: a literature synthesis and health services research agenda. Dec. 13-15, 1987 (a) p. 4
OIG Report "Trends in Rural Hospital Closure 1987-1991," July 1993

Rural Hospital Closures: 1980-90

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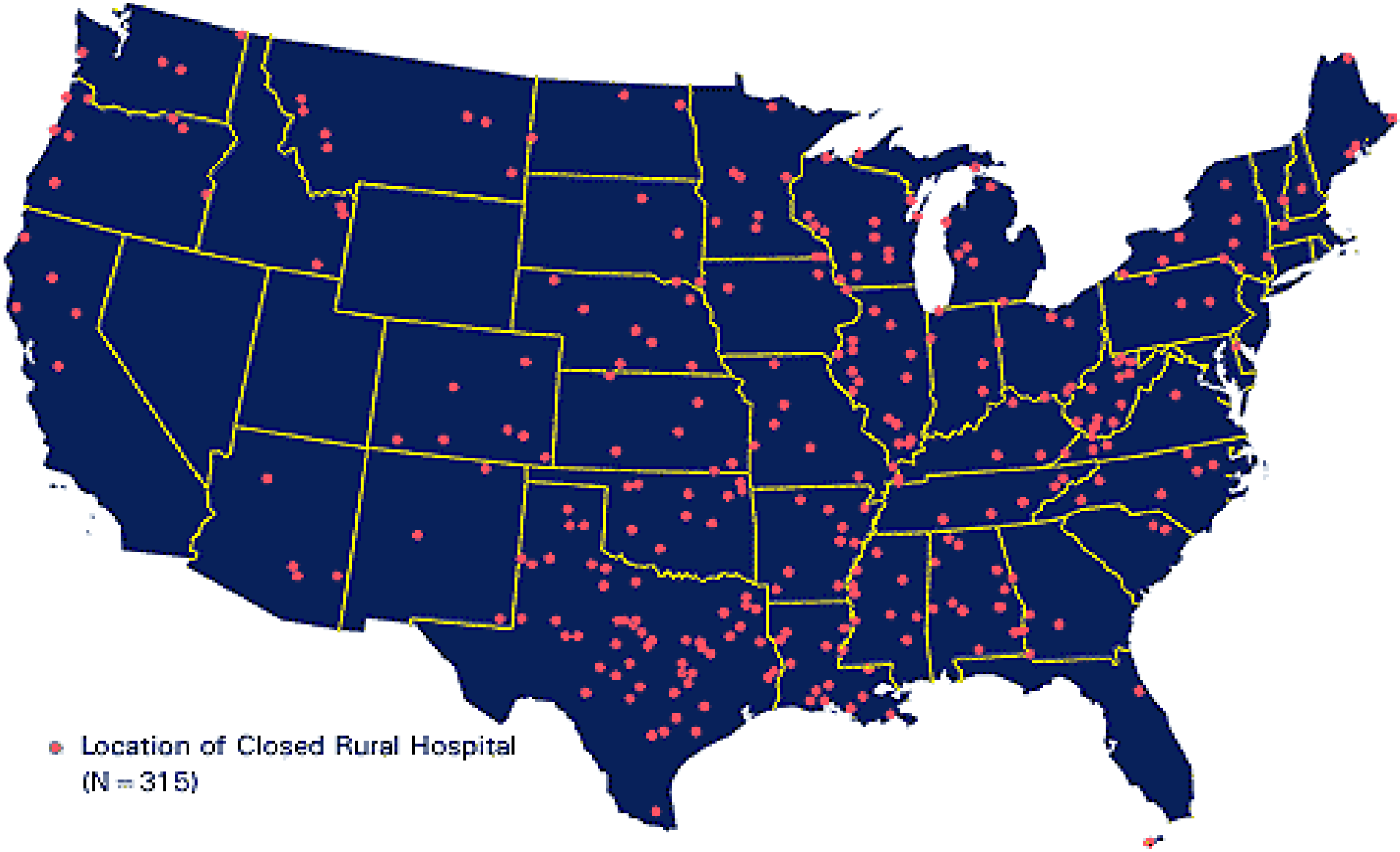

Finally, Congress intervened

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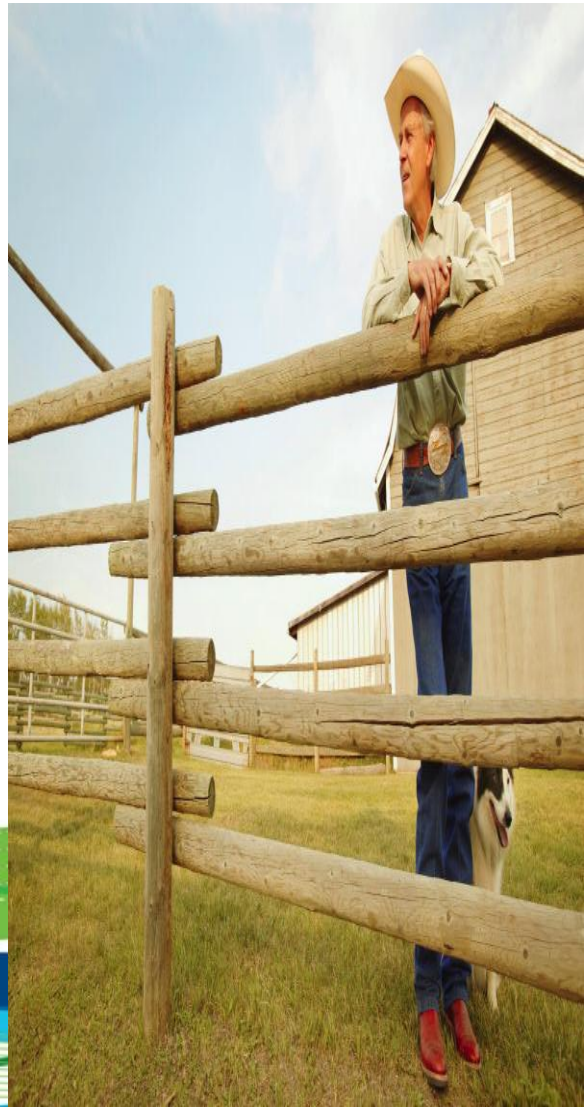
- Created Sole Community Hospital, Medicare Dependent Hospital, Low-volume Hospital Adjustment, Hold Harmless Payment, Critical Access Hospital.
- Congress intervened to keep hospital doors open.

Why were Critical Access Hospitals Created?

- Was not designed to save money. Was designed to keep hospital doors open.
- Interesting thing about it - - quality primary care at a CAH does save money.

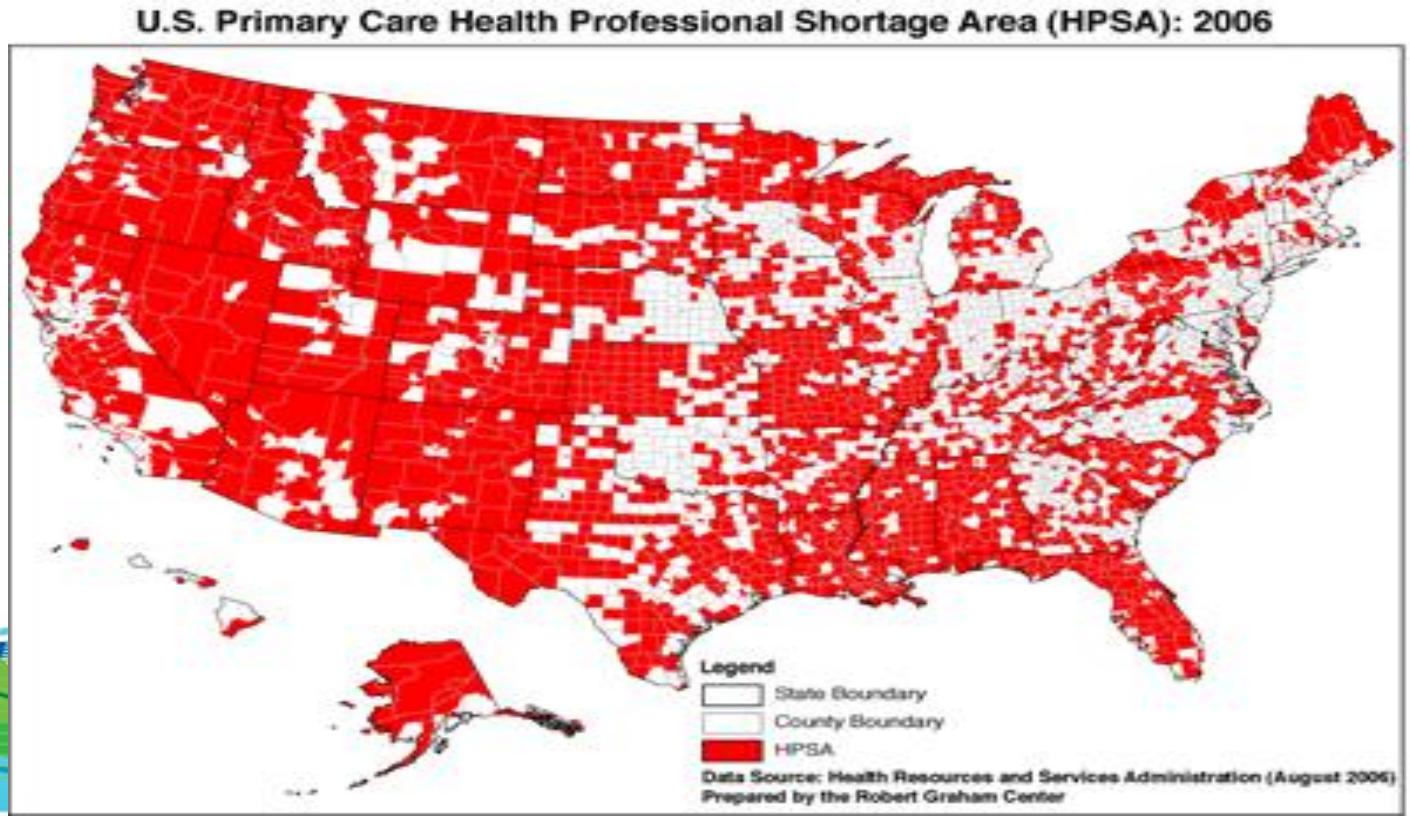
1. Rural Patients

- 62 million rural Americans rely on rural health providers.
- 20 percent of the population lives in rural America, yet they are scattered over 90% of the landmass.
- Extreme distances, challenging geography and weather complicate health care delivery.
- "Rural Americans are ***older, poorer and sicker*** than their urban counterparts… Rural areas have higher rates of poverty, chronic disease, and uninsured and underinsured, and millions of rural Americans have limited access to a primary care provider." (HHS, 2011)
- Disparities are compounded if you are a senior or minority in rural America.



Workforce Shortages

- "Access to Quality Health Care" is the number one health challenge in rural America. Rural Healthy People 2020
- Only 9% of physicians practice in rural America.
- 77% of the 2,050 rural counties are primary care HPSAs.
- More than 50% of rural patients have to drive 60+ miles to receive specialty care.



2. Rural Economy

- Health care is the fastest growing segment of the rural economy.
- On average, 14% of total employment in *rural areas is attributed to the health sector. Natl. Center for Rural Health* Works. (RHW)
- Each rural physician can more than 20 jobs in the local rural economy. (RHW)
- The average CAH creates 107 jobs and generates $4.8 million in payroll annually. (RHW)
- In most rural communities hospitals are the largest or second largest employer
- Health care often represent up to 20 percent of a rural community's employment and income. (RHW)

If a rural provider is forced to close their door…

- Local economy experiences a severe decline.
- Physicians, pharmacies and other health providers will also leave the community.
- Quality health care is needed to retain/attract businesses, families, and retirees.

The cost of care in Rural America

- Investing in rural care is cost-effective:
  - The Federal investment in rural hospitals benefits both the rural patient and the tax payer. In fact, rural hospitals provide care for 18 percent of all inpatient, outpatient and long-term Medicare patients, yet receive only 15 percent of Medicare expenditures.
  - Further, small, rural hospitals nationally have equal or better quality outcomes, and cost 3.7 percent less per Medicare beneficiary than their urban counterparts.

Rural is Different

Emergency Department

- The mean **Total Wait Time** in a rural Emergency Department is approximately **half as long** as the wait in an urban Emergency Department (29 vs. 56 minutes),
- The mean **Wait Time to see a Physician** in a rural Emergency Department is **nearly 2.5 times less** than the wait in an urban Emergency Department (98 vs. 247 minutes),
- **More than 50%** of all Emergency Department visits to Critical Access Hospitals were categorized as low acuity cases.

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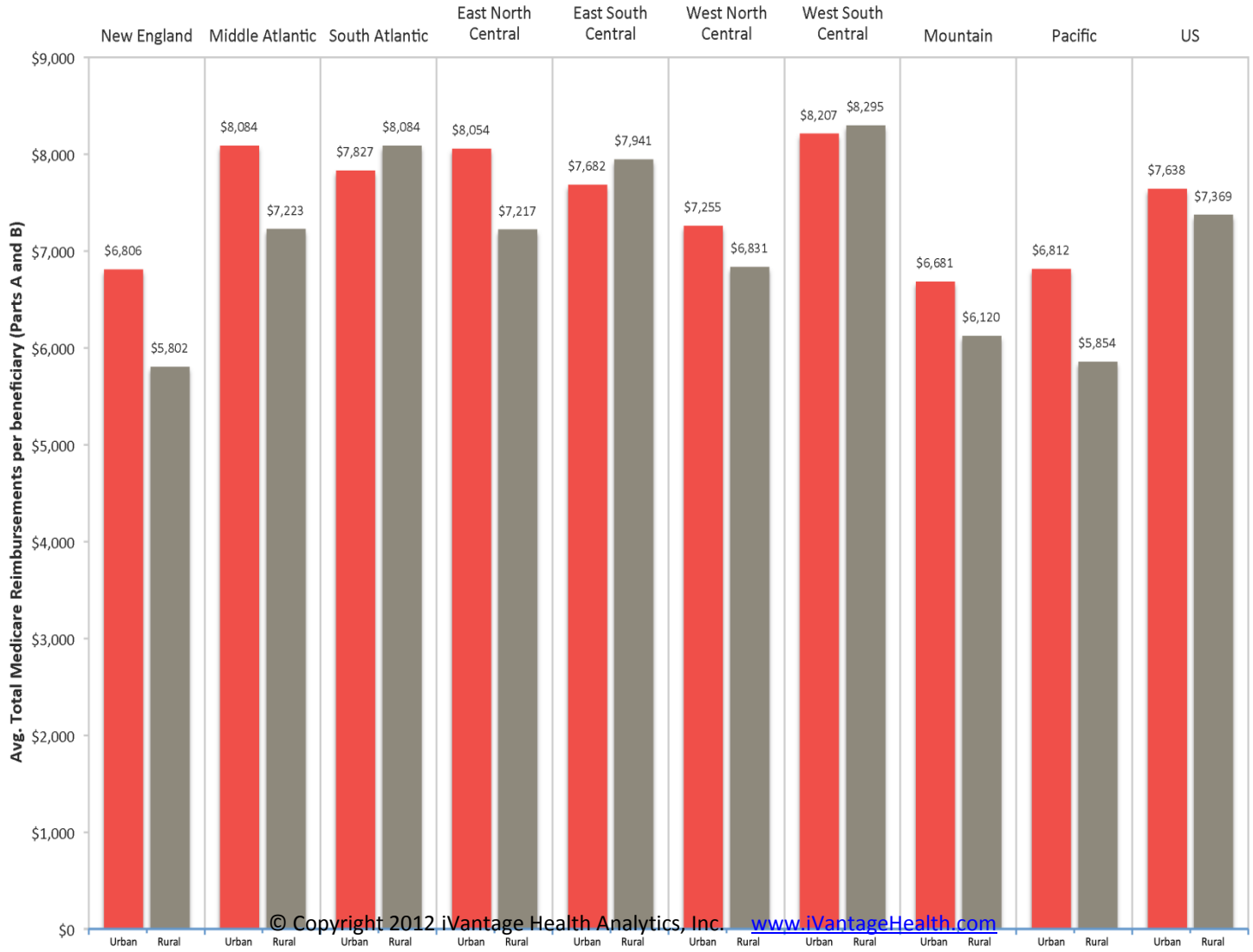
Rural Relevance Under Healthcare Reform Study

ACO Shared Savings (Medicare Beneficiaries)

- Approximately **$2.2 billion** in annual cost differential (savings) occurred in 2010 because the average cost per rural beneficiary was **3.7% lower** than the average cost per urban beneficiary,
- Approximately **$7.2 billion** in annual savings to Medicare alone if the average cost per urban beneficiary were equal to the average cost per rural beneficiary,
- Approximately **$9.4 billion** per year is the existing and potential differential between Medicare beneficiary payments for rural vs. urban including the opportunity for savings if all urban populations could be treated at the rural equivalent

Rural vs. Urban Medicare Payments

Average Medicare Beneficiary Payments for IP, OP and Physician Services by CMS Region (2010)



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Thank you!

Q/A