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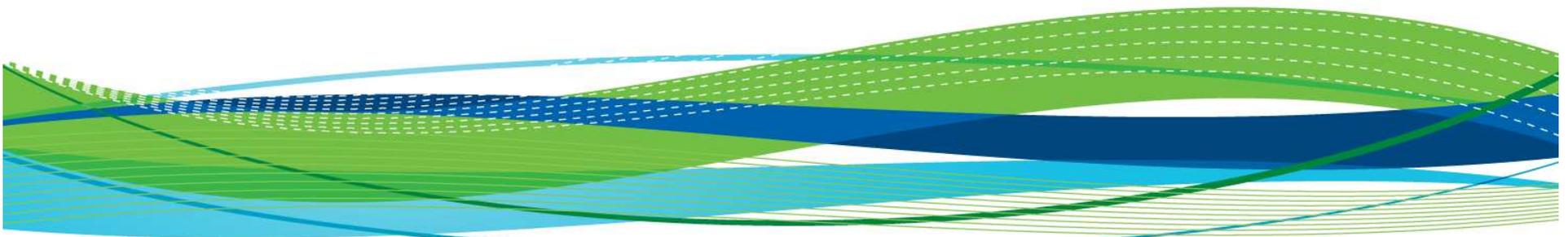
## **Unit 2: Federal Update**

# The Evolving Rural Hospital

**Brock Slabach, MPH, FACHE**

Senior Vice President for Member Services

National Rural Health Association



# 18 have closed in 2015, Already eleven closed in 2016



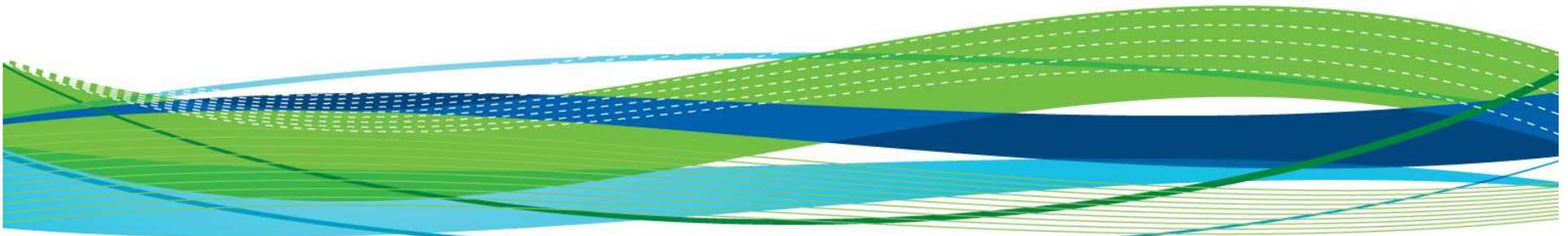
# Closure Analysis



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- Most closures in South
- Annual number of closures increasing
- Most are CAHs and PPS hospitals (vs MDH and SCH)
- Most are in states that have not expanded Medicaid
- Patients in affected communities are probably traveling between 5 and 28 more miles to access inpatient care
- Most hospitals closed because of financial problems

--Sheps Center for Rural Health, University of North Carolina, 2016



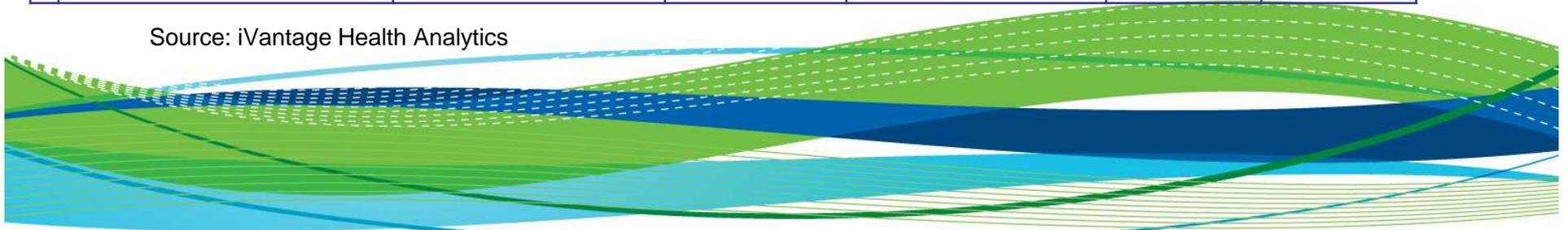
# 2015 Rural Hospital Financial Status



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| Rural Hospital Financial Status |            |        |              |       |     |
|---------------------------------|------------|--------|--------------|-------|-----|
| Provider Type                   | Profitable | Switch | Unprofitable | Total |     |
| CAH                             | 358        | 27     | 917          | 1302  |     |
| Medicare<br>Dependent           | 54         | 7      | 138          | 199   |     |
| Sole Community                  | 94         | 2      | 156          | 252   |     |
| Standard Rural<br>PPS           | 52         | 1      | 101          | 154   |     |
|                                 |            |        | 1312         | 1907  | 69% |

Source: iVantage Health Analytics

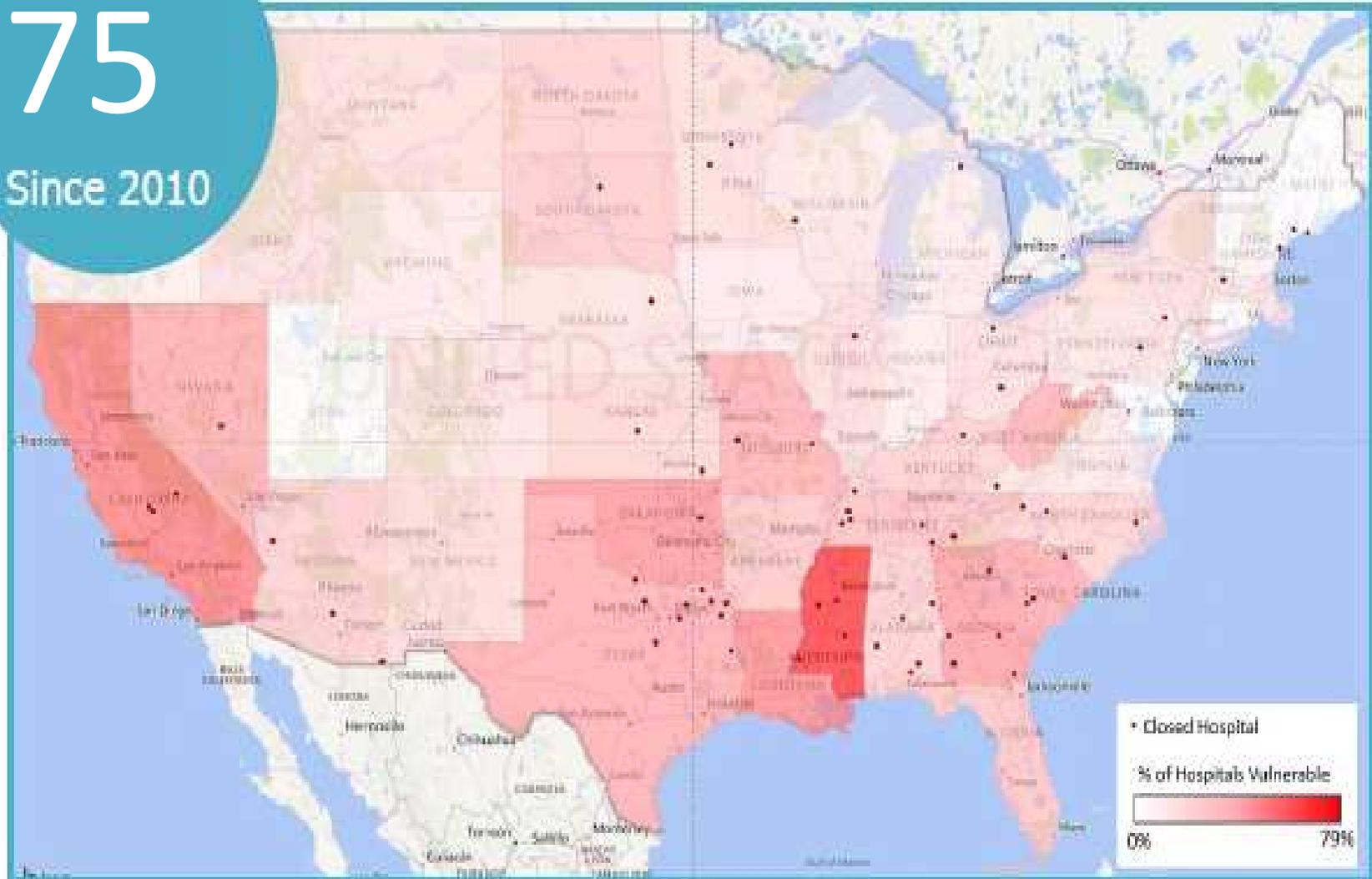


# Rural Hospital Closures and Risk of Closures

## Closures Escalating

75

Since 2010



# RURAL Hospital Closures Escalating

75 Hospitals have closed since 2010.



The VULNERABILITY INDEX™ identifies 673 Rural Hospitals Now Vulnerable or At Risk of Closure

210 hospitals are most vulnerable to closure, while an additional 463 are less vulnerable

673

75

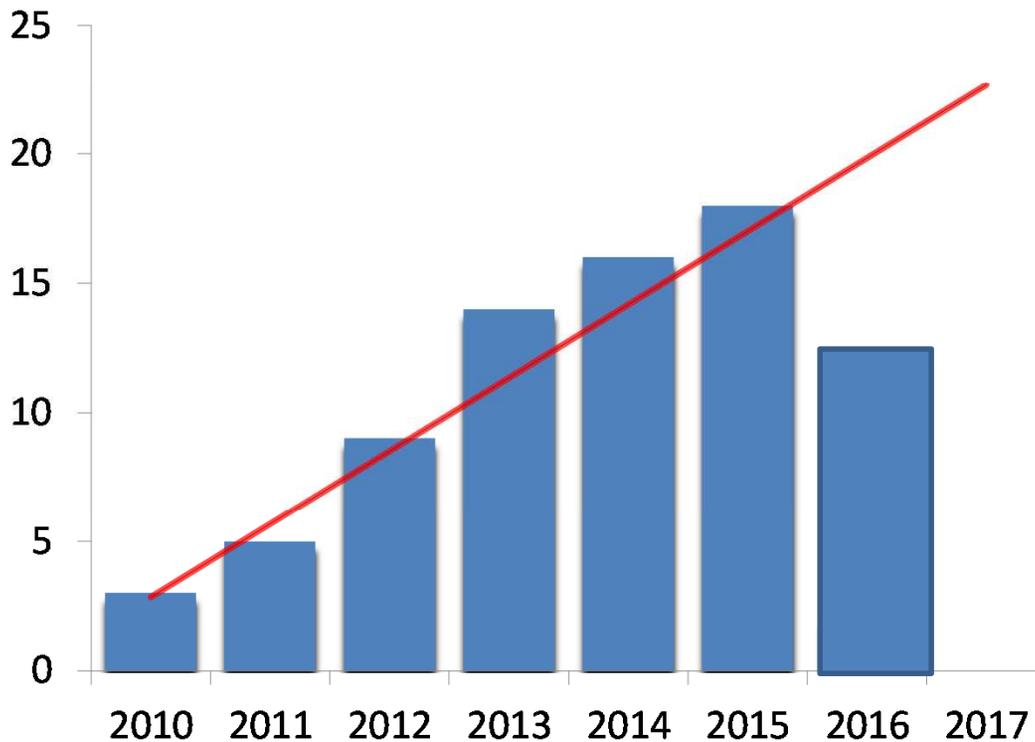
since 2010

Rural hospitals closing where health disparities are the greatest.

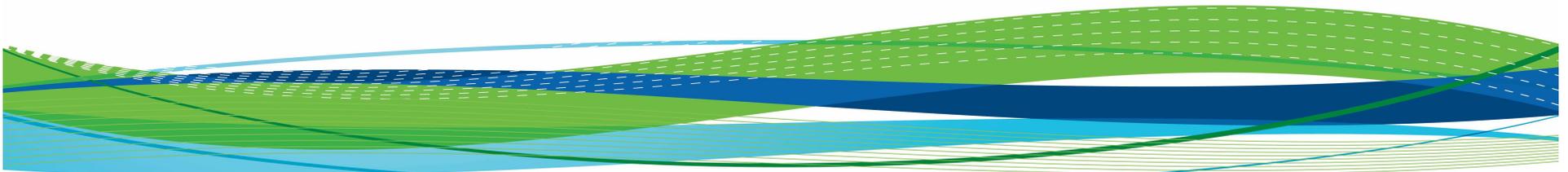
# Rural Hospital Closures on the Rise

*The rate of closure is six times higher in 2015 than in 2010*

## Closures



At this rate,  
25% of rural  
hospitals will  
shut down in  
less than  
10 years.



## The Impact of Rural Hospital Closures

The **Vulnerability Index™** identifies **673** rural hospitals statistically clustered in the bottom 2 tiers of performance.



The loss of these Hospitals would mean...

**11.7M**

Patient Encounters

**99,000**

Healthcare Jobs Lost

**137,000**

Community Jobs Lost

**\$277B**

Loss to GDP (10 years)

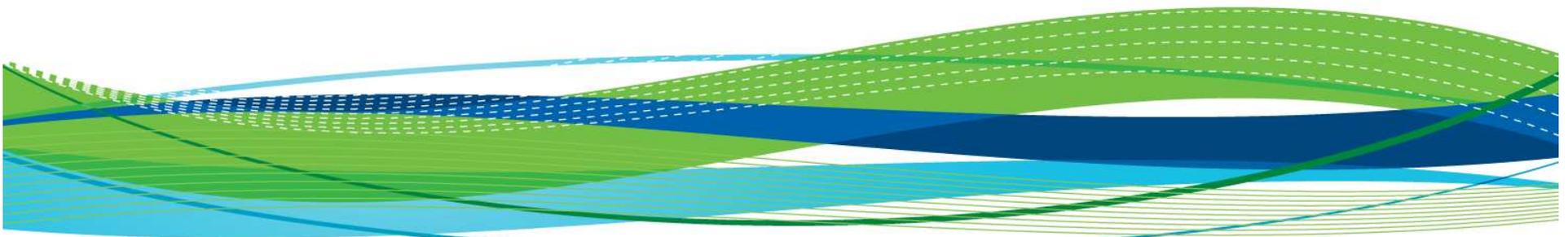


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# NRHA Analysis of Rural Hospitals

**Target solutions for three cohorts of rural hospitals:**

- At high-risk of closure (n=210)
- Stable with strategically sound fundamentals (n=1,437)
- High-performers or first movers (n=208)



# Impact of Sequestration



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**2%**  
cut



**\$2.8 billion**  
lost in rural Medicare  
reimbursement (over 10 years)

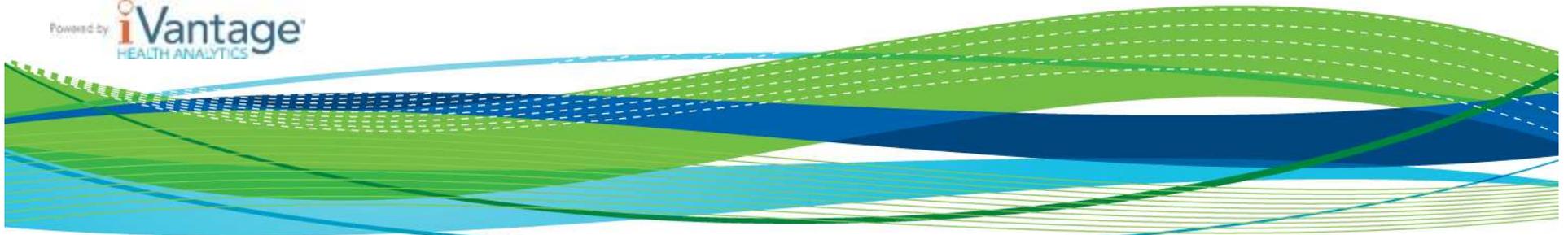


**7,200**  
jobs lost in rural hospitals and  
communities (sustained over 10  
years)



**-0.6%**  
off the bottom line

**30**  
rural hospitals shifting from  
profitable to unprofitable



# Impact of cuts in Bad Debt Reimbursement



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**35%**  
cut



**\$1 billion**  
lost in bad debt reimbursement  
(over 10 years)

**2,000**  
rural healthcare jobs lost



**2,600**  
rural community jobs lost

**\$5.3 billion**  
loss to GDP  
(over 10 years)

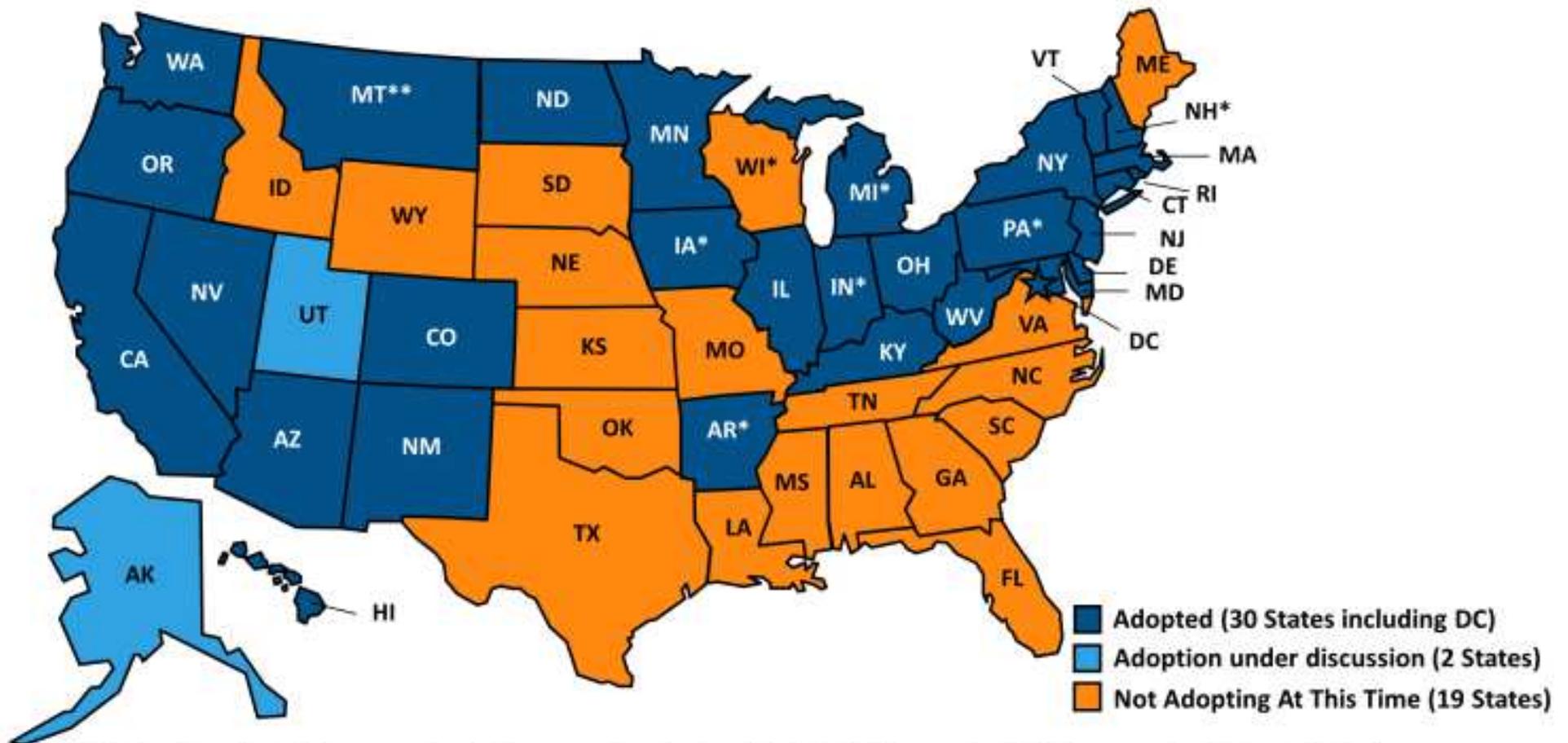


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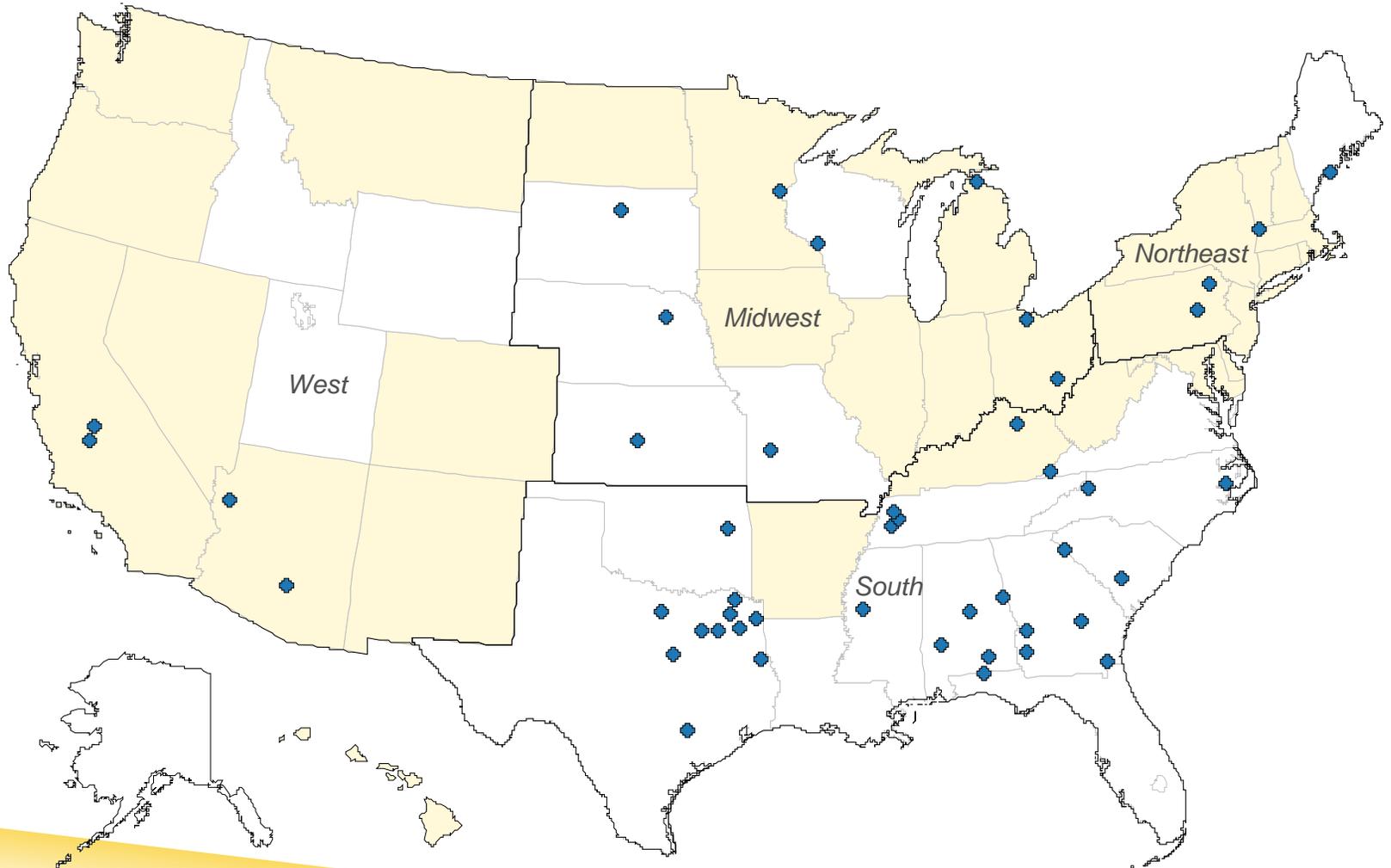
# Current Status of State Medicaid Expansion Decisions



NOTES: Under discussion indicates executive activity supporting adoption of the Medicaid expansion. \*\*MT has passed legislation adopting the expansion; it requires federal waiver approval. \*AR, IA, IN, MI, PA and NH have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it is transitioning coverage to a state plan amendment. Coverage under the IN waiver went into effect 2/1/15. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated June 22, 2015.  
<http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/>

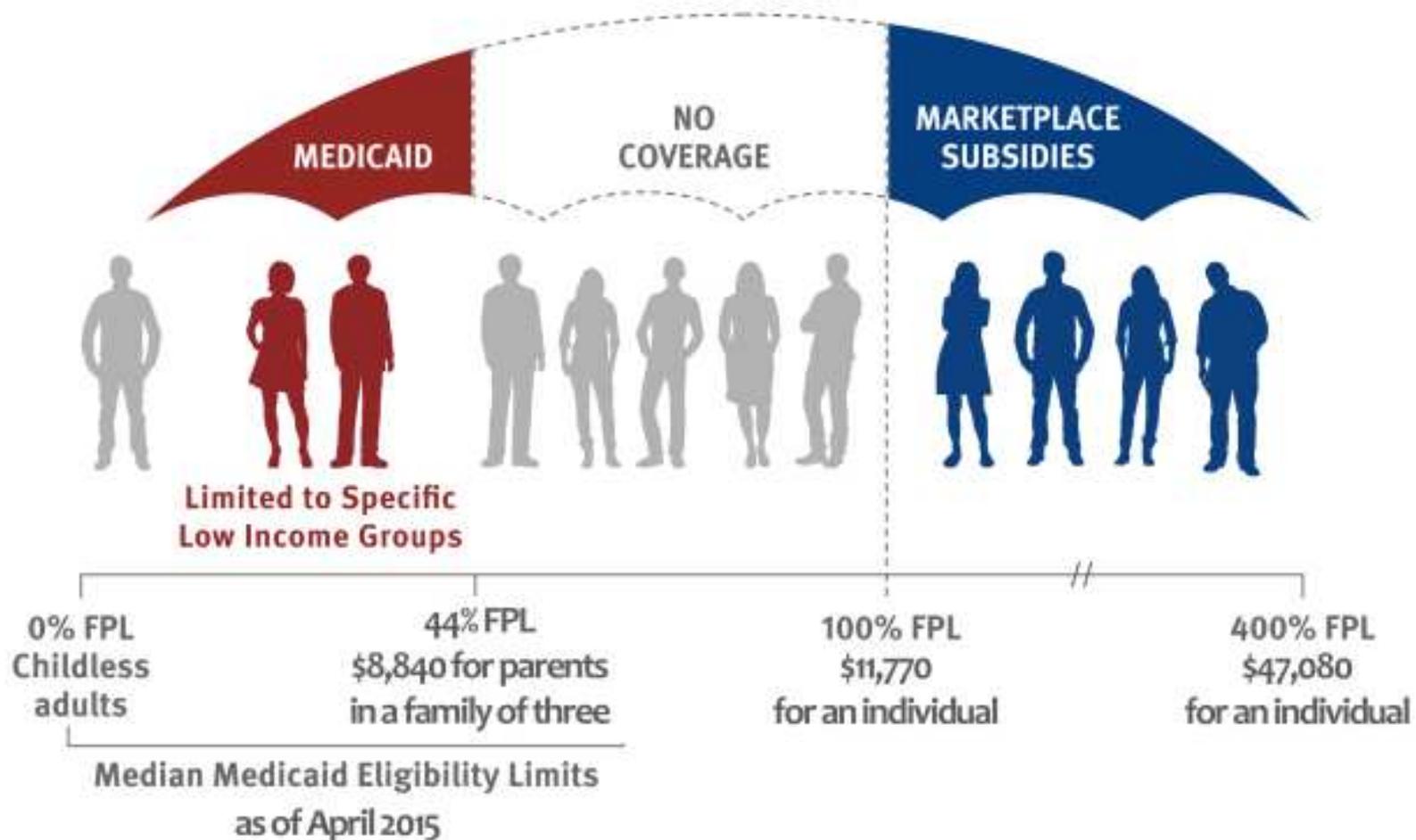
# 2010-14 rural hospital closures: Where were they?



☐ Medicaid Expansion States

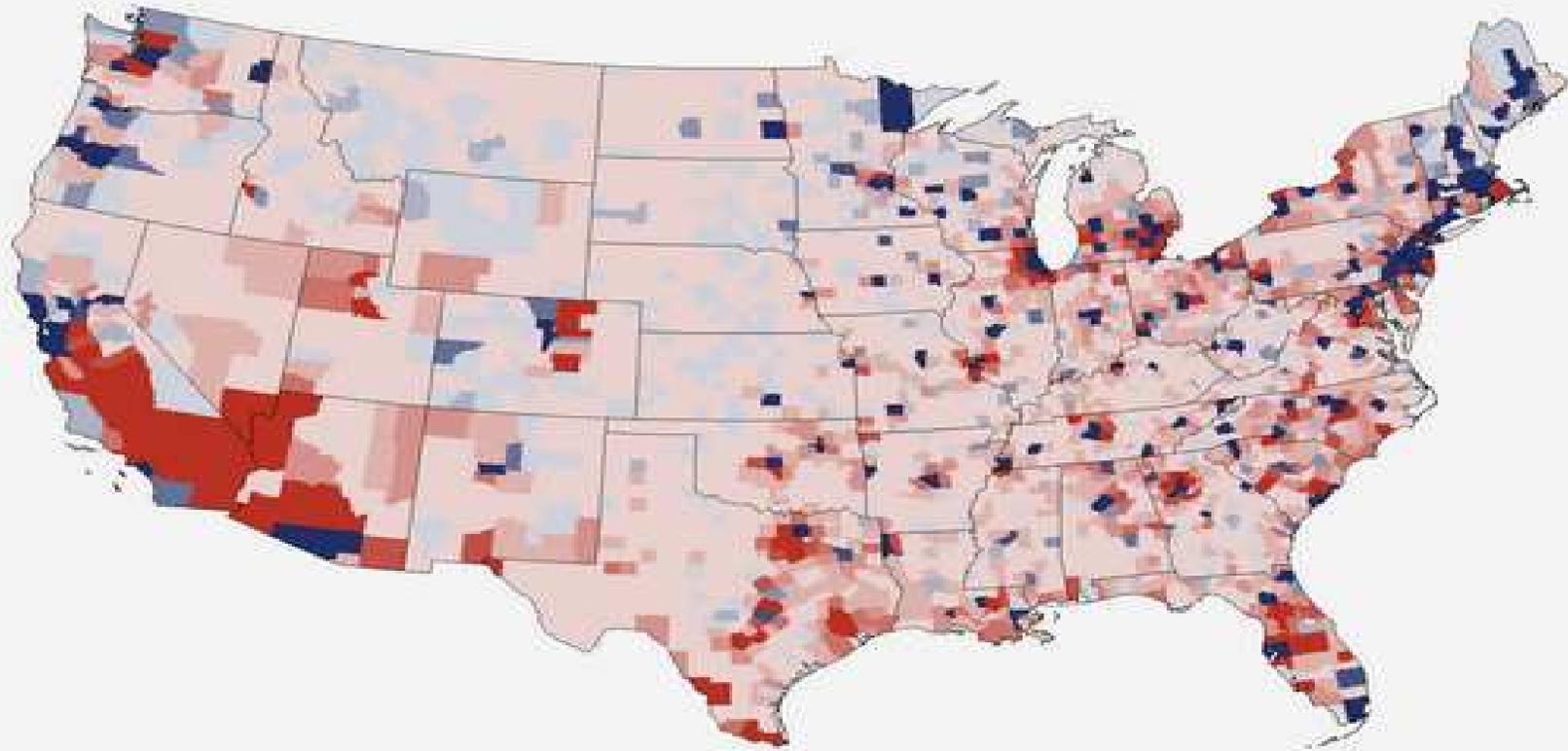
Figure 1

**In states that do not expand Medicaid under the ACA, there will be large gaps in coverage available for adults.**



Source: Kaiser Family Foundation analysis based on 2014 Medicaid eligibility levels, updated to reflect state Medicaid expansion decisions as of March 2015, and 2014 Current Population Survey data.

## Nationwide Shortage and Surplus of Primary Care Physicians



# SAVING MONEY AND TIME



CAH charges for 351 common DRGs (CAH and Non-CAH).



If urban charges were the same as CAH charges, across the 351 DRGs common to rural and urban.



Potential savings if urban Medicare spending was at rural levels.



Faster time in ED for rural patients, with more than 50% low acuity cases.

## WHO HAS THE EDGE?

- Quality
- Patient Safety
- Patient Outcomes
- Patient Satisfaction
- Price
- Time in the ED

| RURAL | URBAN |
|-------|-------|
|       | ✓     |
|       | ✓     |
|       | ✓     |
|       | ✓     |
| ✓+    |       |
| ✓+    |       |

## CELEBRATING EXCELLENCE



More hospitals than ever before are performing at the highest level. Of the 572 top tier hospitals 130 of them are CAHs.

# Save Rural Hospitals Act, HR 3225

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## Rural hospital stabilization (Stop the bleeding)

- ❑ Elimination of Medicare Sequestration for rural hospitals;
- ❑ Reversal of all “bad debt” reimbursement cuts *(Middle Class Tax Relief and Job Creation Act of 2012)*;
- ❑ Permanent extension of current Low-Volume and Medicare Dependent Hospital payment levels;
- ❑ Reinstatement of Sole Community Hospital “Hold Harmless” payments;
- ❑ Extension of Medicaid primary care payments;
- ❑ Elimination of Medicare and Medicaid DSH payment reductions; and
- ❑ Establishment of Meaningful Use support payments for rural facilities struggling.
- ❑ Permanent extension of the rural ambulance and super-rural ambulance payment.

**Rural Medicare beneficiary equity.** Eliminate higher out-of pocket charges for rural patients (total charges vs. allowed Medicare charges.)

## Regulatory Relief

- ❑ Elimination of the CAH 96-Hour Condition of Payment (See *Critical Access Hospital Relief Act of 2014*);
- ❑ Rebase of supervision requirements for outpatient therapy services at CAHs and rural PPS (See *PARTS Act*);
- ❑ Modification to 2-Midnight Rule and RAC audit and appeals process.

## Future of rural health care (Bridge to the Future)

Innovation model for rural hospitals who continue to struggle.

Future Model:

# Community Outpatient Hospital



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- 24/7 emergency Services
- Flexibility to Meet the Needs of Your Community through Outpatient Care:
  - Meet Needs of Your Community through a Community Needs Assessment:
    - Rural Health Clinic
    - FFQHC look-a-like
    - Swing beds
    - No preclusions to home health, skilled nursing, infusions services observation care.
- TELEHEALTH SERVICES AS REASONABLE COSTS.—For purposes of this subsection, with respect to qualified outpatient services, costs reasonably associated with having a backup physician available via a telecommunications system shall be considered reasonable costs.”.
- ***“The amount of payment for qualified outpatient services is equal to 105 percent of the reasonable costs of providing such services.”***
- ***\$50 million in wrap-around population health grants.***



# Is ACA Working?

**CDC** May 17, 2016: U.S. Uninsured Rate at 9.10%, Lowest in Eight-Year Trend



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## Percentage Uninsured in the U.S., by Quarter

Do you have health insurance coverage? Among adults aged 18 and older

■ % Uninsured



SOURCE: GALLUP-HEALTHWAYS WELL-BEING INDEX

# But let's dive in closer...

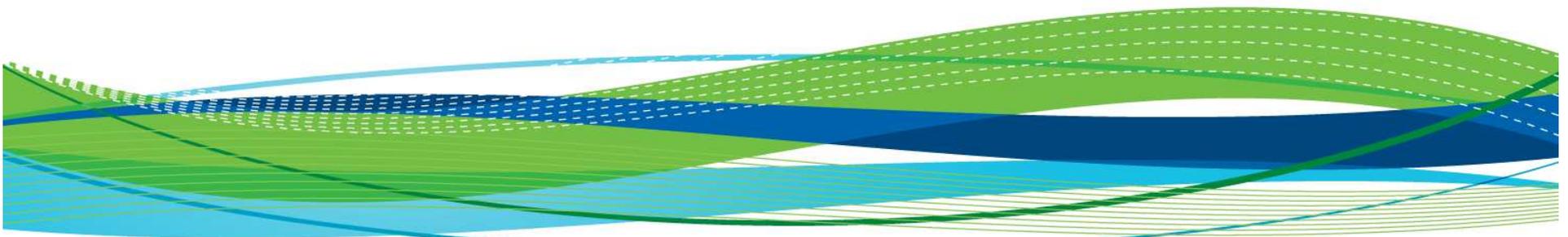


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“More than 1 million ObamaCare exchange customers have likely dropped out since open enrollment, Feb. 1”

## State Case in Study: Colorado

- Colorado: Number of paying individuals has dropped 23% this year from last (150,769 to 115,890). Why?
- Co-Op failure - - covered 69,000 lives
- Premium increases Rate Hikes - Customers who don't qualify for subsidies are paying 34% more for catastrophic and 21% for bronze
- Rather pay the penalty.



# CMS Star Rating Program



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- CMS to allow 30 day preview of the July update starting May 6, 2016
- CMS to host national provider call on May 12 to explain [methodology](#)

| <b>Star Rating</b> | <b>Number of hospitals<br/>(percent of hospitals rated)</b> |
|--------------------|---|
| One Star           | 142 (4%)  |
| Two Star           | 716 (20 %)  |
| Three Star         | 1881 (52%)  |
| Four Star          | 821 (23%)   |
| Five Star          | 87 (2%)   |

Total Hospitals in *Hospital Compare* Data Set: 4604

Met Reporting Threshold: 3647 (79%)

Did not meet reporting threshold: 957 (21%)



# CMS Star Rating System



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| Outcome Measures  | Process of Care Measures  |
|---|---|
| <ul style="list-style-type: none"><li>• Mortality (N=7, 22% weight)</li><li>• Safety of Care (N=8, 22% weight)</li><li>• Readmissions (N=8, 22% weight)</li></ul> | <ul style="list-style-type: none"><li>• Effectiveness of Care (N= 16, 4% weight)</li><li>• Timeliness of Care (N=7 , 4% weight)</li><li>• Patient Experience (N=11, 22% weight)</li><li>• Efficient Use of Medical Imaging (N=5, 4% weight)</li></ul> |

***To meet the minimum threshold to have a star rating calculated hospitals must have at least three measures, in at least three groups, with at least one outcome group.***



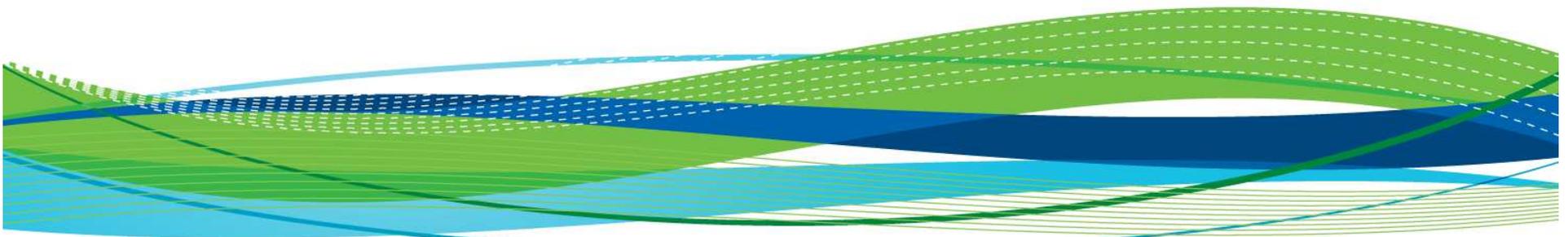
# CMS Star Rating System



“The idea that dying and being readmitted to the hospital are equally important to patients seems funny to me,”

Ashish Jha, M.D.

Harvard Medical School



# 2017 VBP Program

## 2017 VBP program

- Begins October 1, 2016
- 2% withhold of Medicare reimbursements

| Domains  | %TPS | Minimum requirements   | Performance Period | Baseline Period   |
|--|------|--|--------------------|-------------------|
| <b>Clinical Care</b>   | 30%  |  |                    |                   |
| Process of Care  | 5%   | 10 cases minimum threshold for at least four measures (out of 8) | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| Outcomes - Mortality   | 25%  | 25 case minimum threshold in at least two mortality measures     | 10/1/13 - 6/30/15  | 10/1/10 - 6/30/12 |
| <b>Patient Experience</b>  | 25%  | 100 surveys  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| <b>Safety</b>  | 20%  | At least 3 of the 5 outcome measures                             | varies:see below   | varies:see below  |
| AHRQ PSI_90*   |      | At least 3 cases on any one underlying indicator                 | 10/1/13 - 6/30/15  | 10/1/10 - 6/30/12 |
| HAI_1_SIR* (CLABSI)  |      | 1 predicted infection  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| HAI_2_SIR* (CAUTI)   |      | 1 predicted infection  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| HAI_3_SIR* (SSI_Colon) & HAI_4_SIR* (SSI Abdominal Hysterectomy)** |      | 1 predicted infection in at least one of the SSI measures        | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| HAI_5_SIR* (MRSA)  |      | 1 predicted infection  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| HAI_6_SIR* (C. difficile)  |      | 1 predicted infection  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |
| <b>Efficiency</b>  | 25%  | 25 cases (aka episodes)  | 1/1/15 - 12/31/15  | 1/1/13 - 12/31/13 |

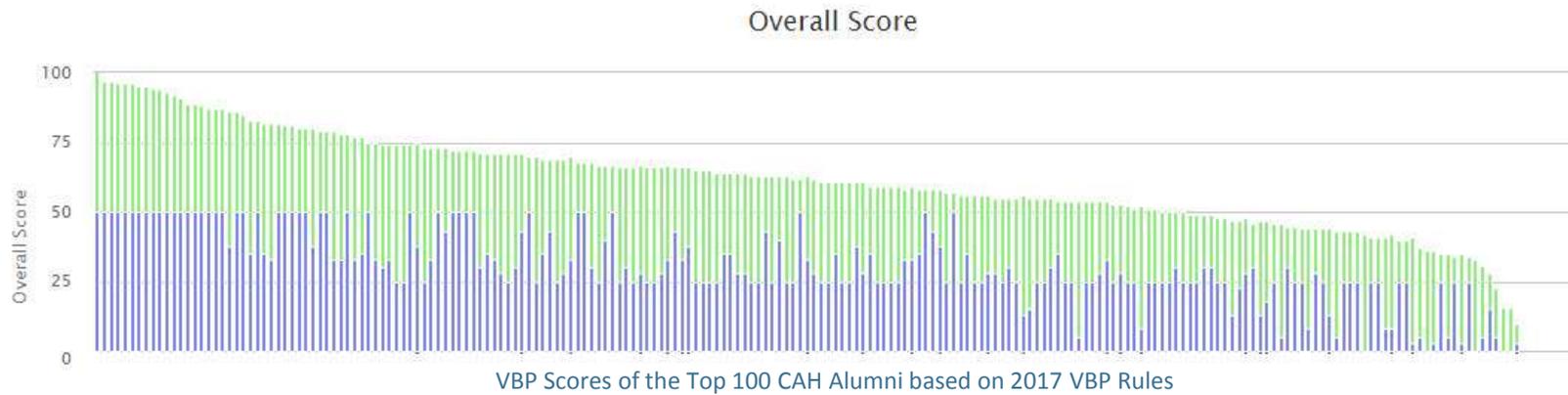
## 2017 VBP Measures – Clinical Care (30%)

- Process of Care (5%)
  - AMI-7a - Heart Attack Patients Given Fibrinolytic Medication Within 30 Minutes Of Arrival
  - IMM-2 - Influenza Immunization
  - PC-01 - Percent of newborns whose deliveries were scheduled too early (1-3 weeks early), when a scheduled delivery was not medically necessary
- Outcomes (25%)
  - 30 Day Mortality Rates for AMI, HF, PN

# 2017 VBP Measures

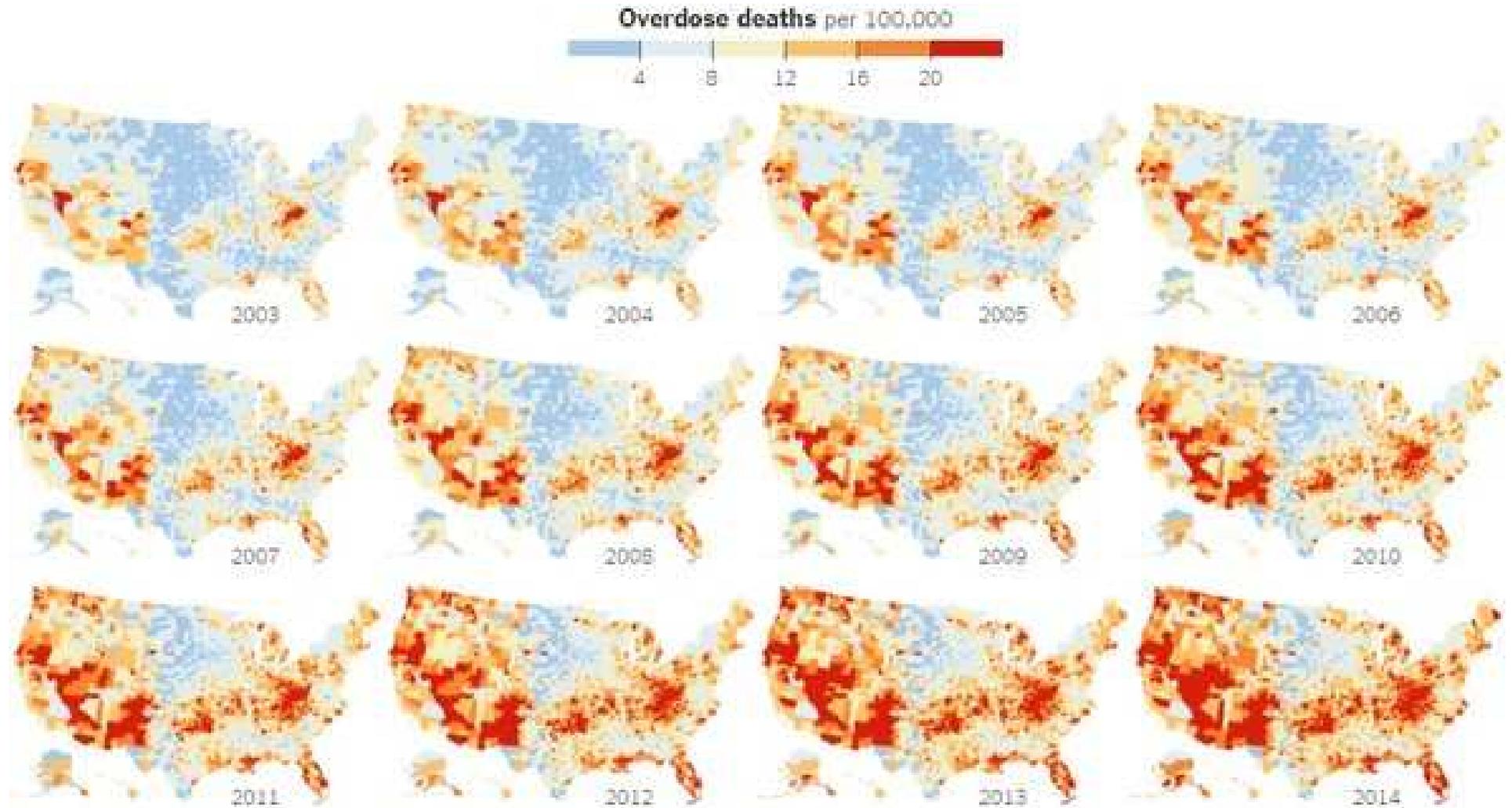
- Safety (20%)
  - PSI-90 - AHRQ Patient Safety Rate
  - HAI-1 – CLABSI
  - HAI-2 – CAUTI
  - HAI-3 – SSI Colon
  - HAI-4 – SSI Hysterectomy
  - HAI-5 – MRSA
  - HAI-6 – CDIF
- Patient Experience (25%)
  - HCAHPS
- Efficiency (25%)
  - Spending per Hospital Patient with Medicare as a ratio to the national average

# 2017 VBP Rules Impact – What if?



If the 2017 VBP rules were applied to CAH facilities,  
\$14,328,362 in potential forfeited revenue for Top 100 CAH Alumni  
just on HCAHPS and Outcomes performance

# Opioid Crisis in Rural American



All states have demonstrated an increase in nonmedical prescription opioid mortality during the past decade, however, the largest areas of abuse are concentrated in states with large rural populations, such as Kentucky, West Virginia, Alaska, and Oklahoma.

# Zika Virus



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- 544 travel-associated cases in the U.S.
- No local vector-borne cases reported in the U.S., yet
- Sexually transmitted cases: 10
- Guillain-Barré syndrome: 1
- Pregnant women with any laboratory evidence of possible Zika virus infection: 157

## PREVENTION: What we know

- No vaccine exists to prevent Zika virus disease
- Prevent Zika by avoiding mosquito bites
- Mosquitoes that spread Zika bite mostly during the daytime.
- Prevent sexual transmission of Zika by using condoms or not having sex

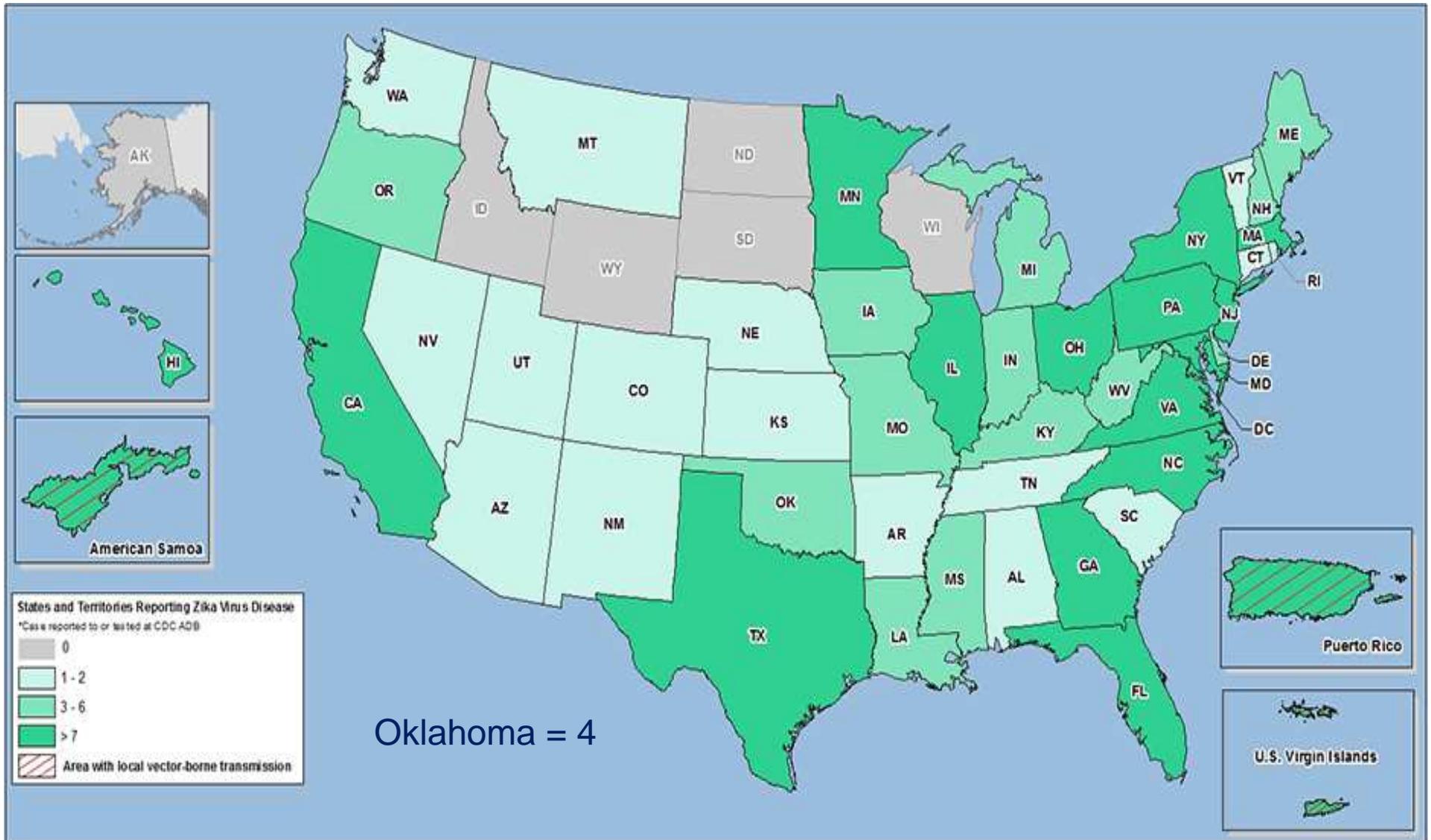
H.R.4446 - Zika Response and Safety Act of 2016



# Laboratory-confirmed Zika virus disease cases



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# THANK YOU

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