CHARTIS

Rural Health Safety Net Under Pressure: *Rural Emergency Hospital Designation*

August 2023

New England Rural Health Association

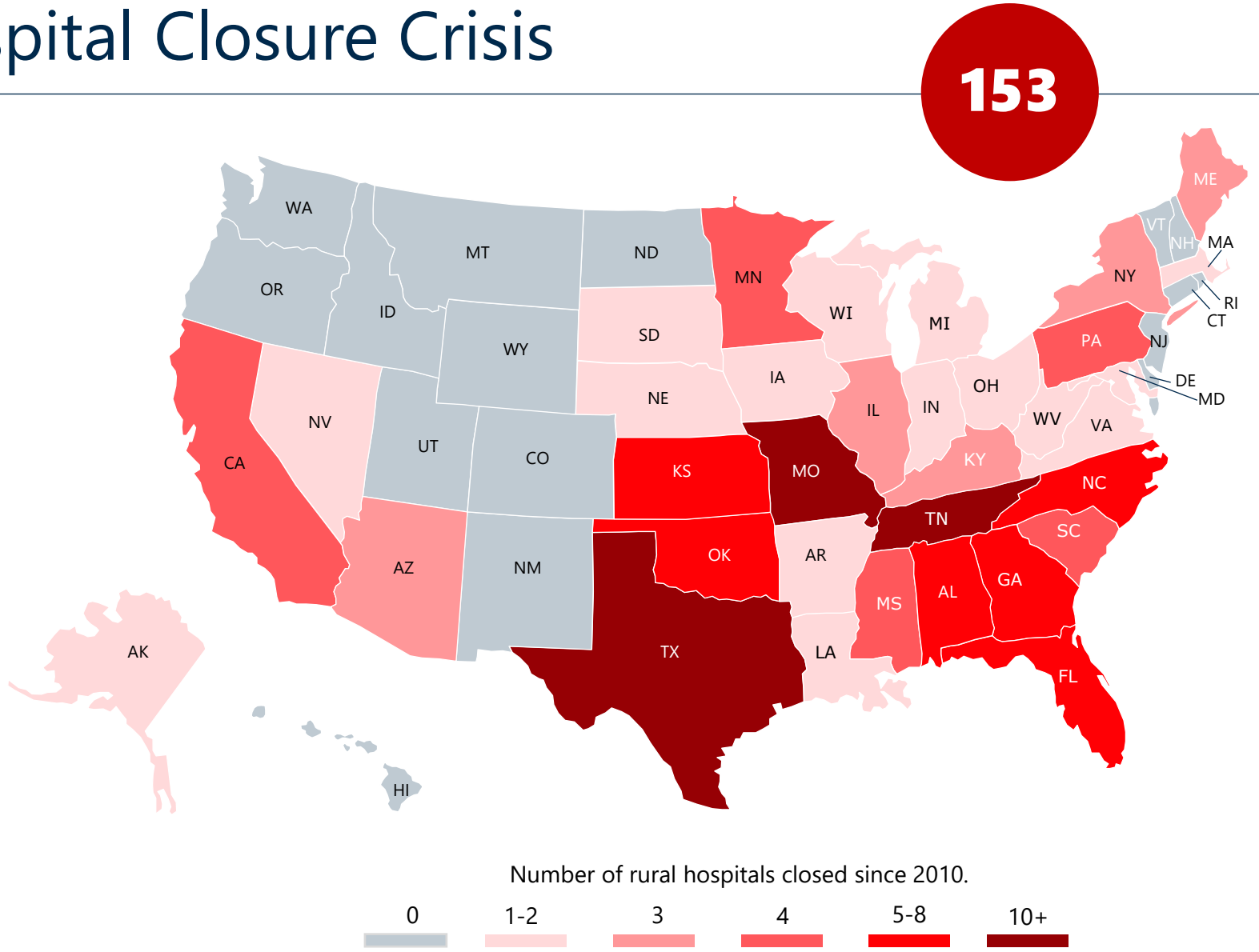
Persistent Pressure Points on Rural Hospitals

America’s Rural Hospital Closure Crisis

Since 2010, **153 rural hospitals have stopped providing inpatient** or closed their doors completely.

Highest number of closures tend to be in **states resisting** (or slow to adopt) **Medicaid Expansion**.

Pandemic relief **eased closure rate** but didn’t address key factors impacting rural hospitals.



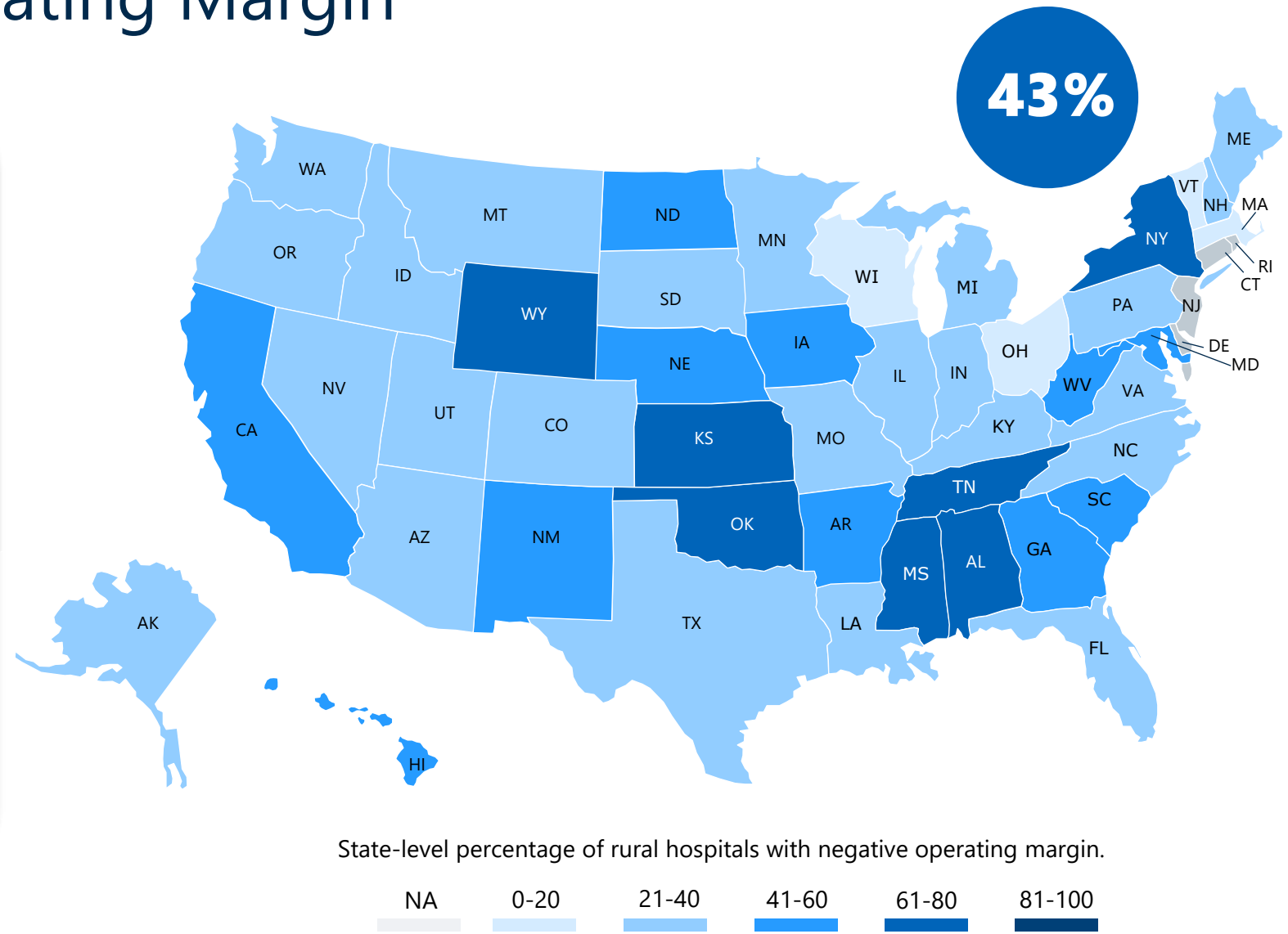
Closure Source: Cecil B. Sheps Center for Health Services Research, 01/17/23.

Rural Hospital Operating Margin

Overall, **43% of America's rural** hospitals are operating in the red.**

Higher utilization and **suspension of sequester** helped **boost** hospital operating margins.

In the **12 non-expansion states**, **51%** of rural hospitals are operating **in the red**.*



Source: The Chartis Center for Rural Health,

*South Dakota counted as a non-expansion state as it has not implemented as of 1/24/23.

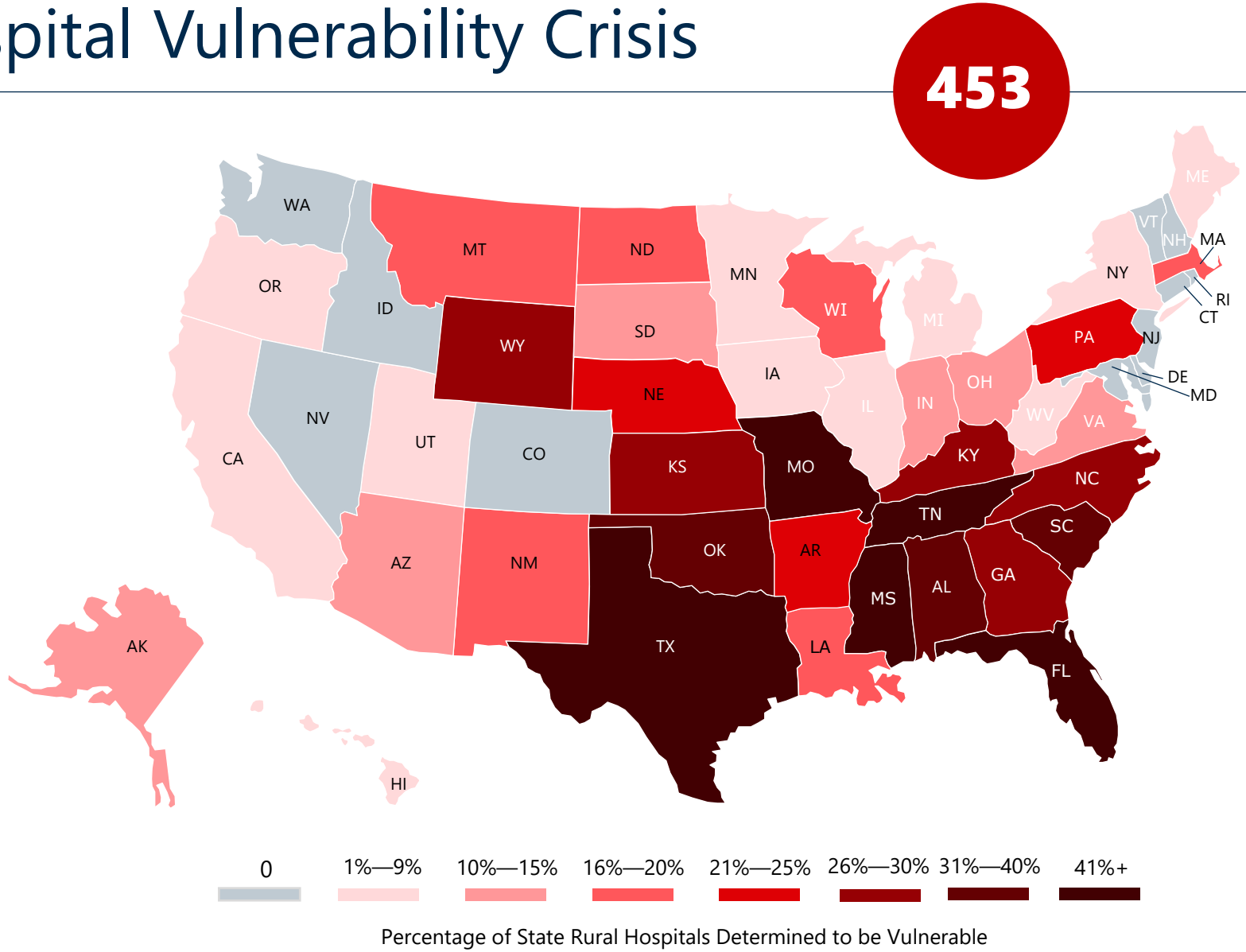
**CMS Healthcare Cost Report Information System (HCRIS) Q4 2022. Operating margin is computed in accordance with Flex Monitoring Team guidance. Outliers are excluded. Hospitals for which data are unavailable are excluded. Reported Covid-19 PHE Funds (Worksheet G-3 line 24,50) excluded from operating margin. Adjustments made to operating margin to reflect full 2% sequester.

America’s Rural Hospital Vulnerability Crisis

453 rural hospitals across America are **vulnerable to closure**.

Highest concentration of vulnerable hospitals in **states resisting Medicaid expansion** (e.g., TX, TN, MS, FL).

States with **most vulnerable** have also experienced **high number of closures** since 2010 (e.g., TX, TN).

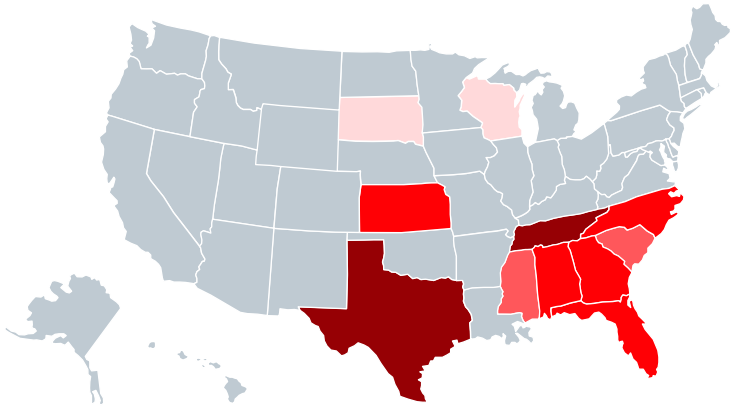


Source: The Chartis Center for Rural Health,

The Safety Net at Its Weakest

States yet to adopt or implement Medicaid Expansion

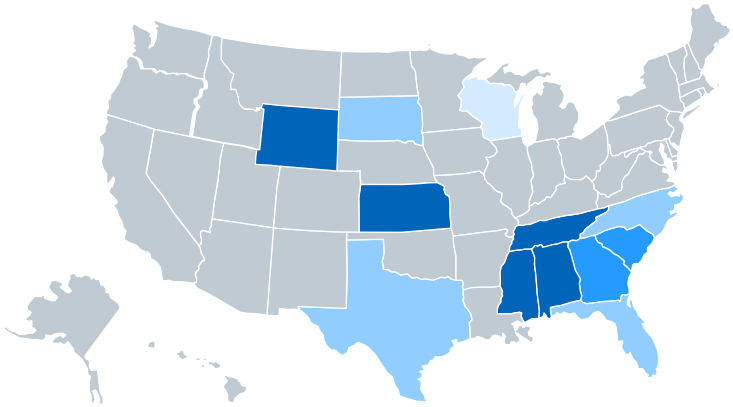
Hospital Closures



81 closures since 2010

Texas – 21
Tennessee – 17

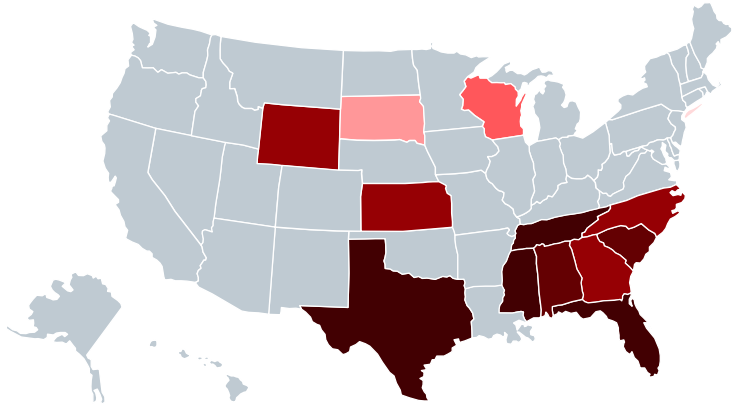
Operating Margin



51% of rural hospitals in the red

Kansas – 79%
Wyoming – 78%

Vulnerability



254 hospitals vulnerable to closure

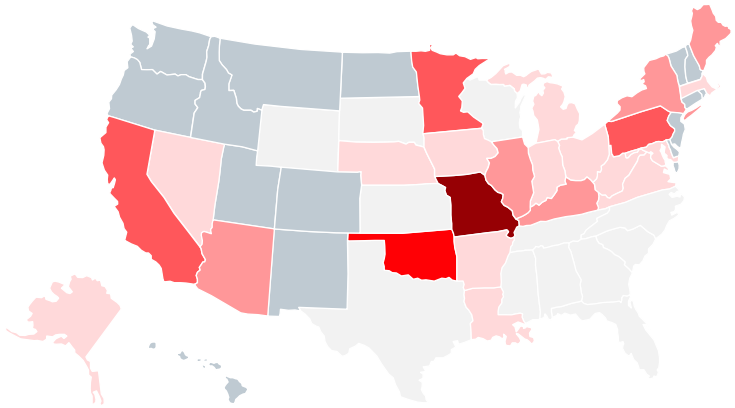
Tennessee – 53%
Florida, Texas – 50%

Source: The Chartis Center for Rural Health, See slides 3, 4, and 5 for map legend pertaining to hospital closures, operating margin and vulnerability.

Where the Safety Net is Stronger

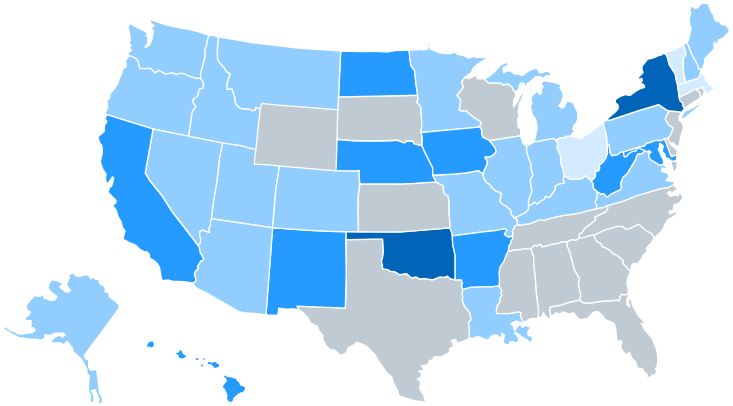
Medicaid Expansion States

Hospital Closures



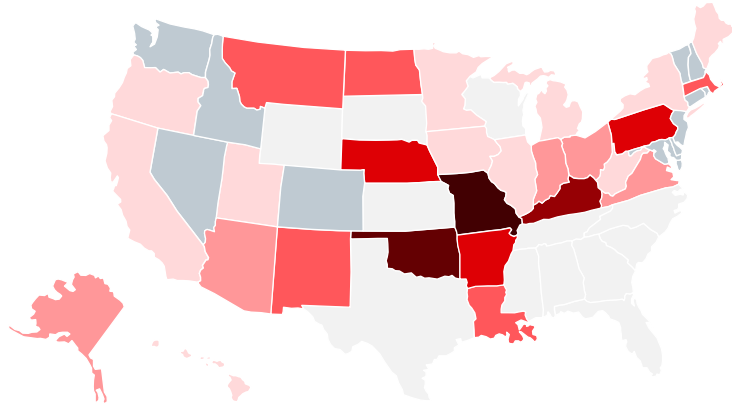
60 closures since 2010

Operating Margin



39% of rural hospitals in the red

Vulnerability



199 hospitals vulnerable to closure

In Medicaid Expansion states, the median operating margin is **2.6%** compared to just **-0.5%** in states that have not yet adopted or implemented expansion.

Source: The Chartis Center for Rural Health, See slides 3, 4, and 5 for map legend pertaining to hospital closures, operating margin and vulnerability.

RURAL HEALTH SAFETY NET UNDER RENEWED PRESSURE AS PANDEMIC FADES

Access and Staffing Crises

Diminishing Access to Care in Rural America

"A Very Dangerous Place to Be Pregnant ***is*** **Getting Even Scarier."**

Businessweek
August 4, 2022

Obstetrics

217

RURAL HOSPITALS STOPPED PROVIDING OB. (2011-2020)

Chemotherapy

353

RURAL HOSPITALS STOPPED PROVIDING CHEMO. (2014-2021)

Lack of Nurse Staffing Chips Away at Access to Care

1

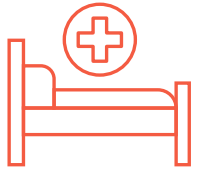
Number of Open Bedside Nurse Positions

56% have 1 to 5 open positions
16% have 6 to 10

2

Patient Admissions

36% said staffing issues prevented patients from being admitted in last 60 days



3

Suspension of Services

17% said staffing issues resulted in suspension of services

RURAL HEALTH SAFETY NET UNDER RENEWED PRESSURE AS PANDEMIC FADES

Relief: The Rural Emergency Hospital (REH) Designation

Rural Emergency Hospital Designation (REH)

What this designation is:

- An opportunity for hospitals that struggle with low patient volume to strengthen their financial footing, avert closure and continue to provide some services to their community as a **"Rural Emergency Hospital."**

What this designation is NOT:

- A large-scale legislative solution addressing the widespread instability that has spread across the rural health safety net in the last 12 years.

REH Reaction: *'Between a Rock and a Hard Place'*

The New York Times — Dec 22, 2022

Mississippi Today — March 31, 2023

In last ditch effort to stay open, Holly Springs hospital ends inpatient care

The Daily Yonder — KEEP IT RURAL — March 22, 2023

Texas Monthly — March 30, 2023

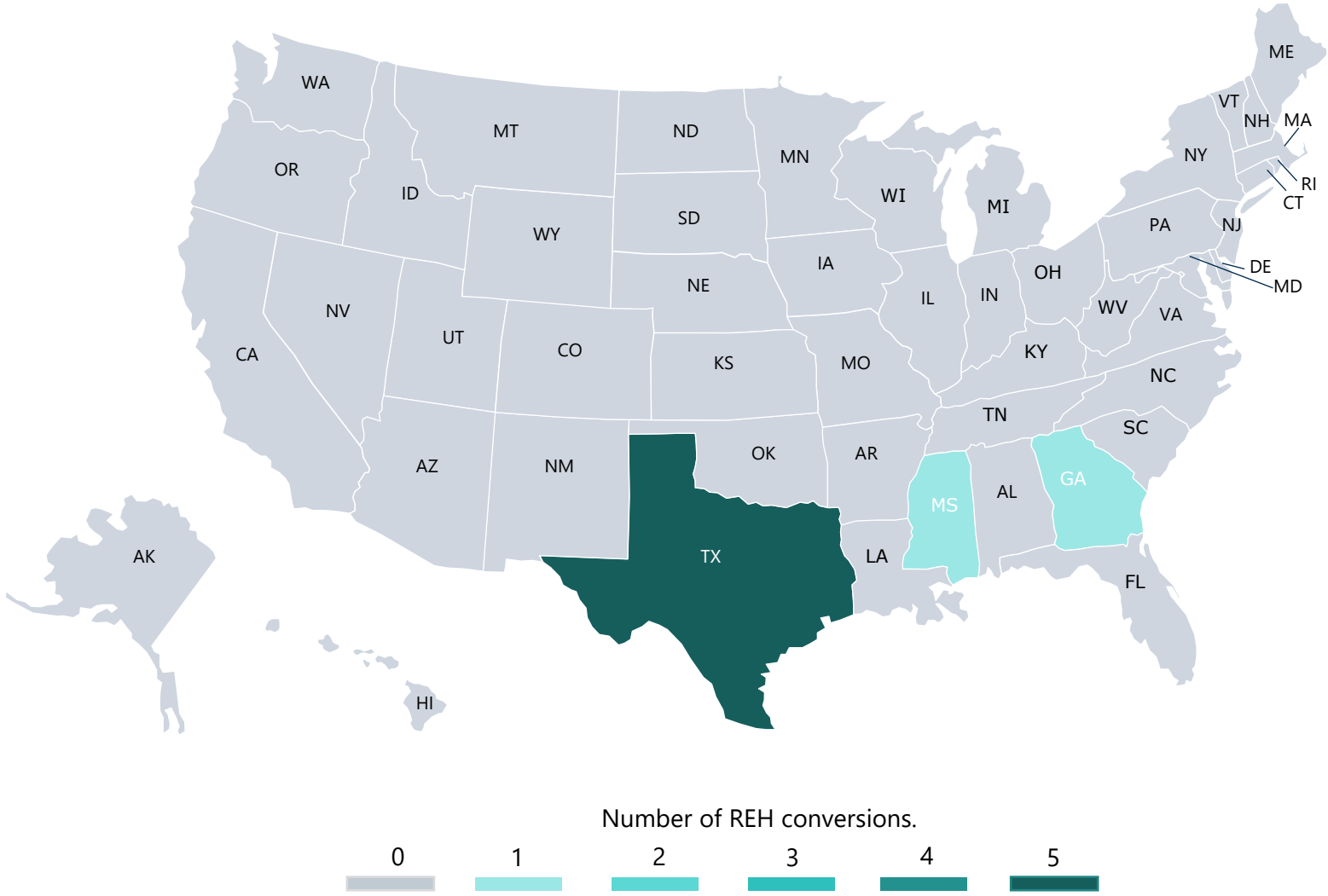
A Lifeline for Rural Texas Hospitals Comes With Strings Attached

Federal help could keep facilities open in several small towns, but they'll be forced to cut back to offering only emergency care.

Tracking REH Conversions

Six rural hospitals have ceased inpatient services and converted to REH since January 1.

Several states are still working to **approve** REH license and allow conversion.



Closure Source: Cecil B. Sheps Center for Health Services Research, 07/06/23.

REH Fundamentals: Service Requirements

Mandatory Services

- Emergency, Observation

Optional Services

- Outpatient, Distinct Part Skilled Nursing Unit, Rural Clinic, Ambulance Service

Excluded

- Acute inpatient (no swing beds), Participation in 340B

REH Conversion Requirements

- Maintain Emergency Department, Observation and other services
- Meet CAH equivalent CoPs for Emergency Care
- Patient LOS 24 hours or less
- Level 1/Level 2 Trauma Center Transfer Agreement
- Meet Licensing Requirements and Report Quality Data
- **No inpatient care, No Swings Beds, No 340B**

REH Fundamentals: Payment Structure

Fixed monthly payment ($3.2M for 2023)

OPPS rates +5% for outpatient services

Applicable payment rate for services not paid under OPPS

Evaluating REH conversions

Which hospitals would likely consider converting to REH?

*Out of **1,557 eligible hospitals** stratify on a scale of 1 to 100.*

REH Model Indicators

Years Negative Operating Margin

A 3-year look back to determine which facilities have shown sustained unprofitability, and therefore likely to benefit most from REH payments.

Net Patient Revenue

Measuring incoming revenue to determine facilities with lower NPR would be more likely to convert for the financial benefits.

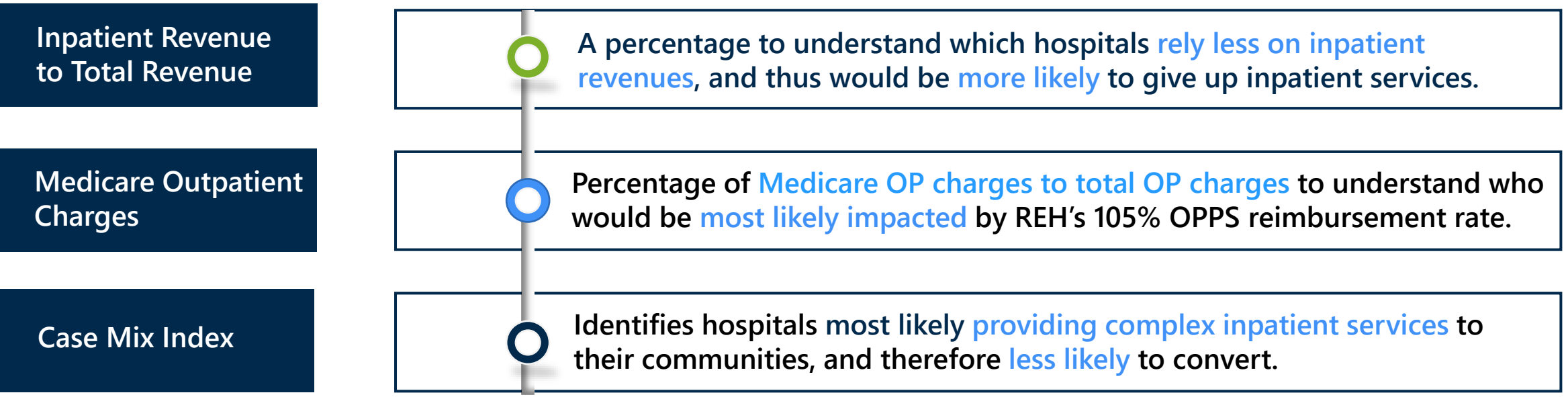
Average Daily Census (Acute)

Since REH requires hospitals to drop acute, inpatient care facilities with higher utilization would be less likely to convert.

Average Daily Census (Swing/SNF)

CAHs with high swing/SNF utilization would not be likely to convert as this would be a necessary service to provide to the community.

REH Model Indicators



Our REH Index **percentile ranks a hospital's performance** for each indicator. We then percentile rank the sum of all 7 measures to arrive at an overall facility score. All measures are equally weighted.

Evaluating REH Conversion: 1,557 Eligible Rural Hospitals

Which rural hospitals would likely consider converting to REH?

390 hospitals (271 CAH/119 RPPS)

389 hospitals (337 CAH/52 RPPS)

389 hospitals (356 CAH/33 RPPS)

389 hospitals (374 CAH/15 RPPS)

Chartis REH Index Summary Report

CHARTIS

Chartis Rural Emergency Hospital Index Hospital Summary Report

Provider Name:
Medical Provider:
Location:

Model Indicator	Facility Value
Years Negative Operating Margin	3
Net Patient Revenue	$7.9M
Average Daily Census (Acute)	1
Average Daily Census (Swing/SNF)	1
Inpatient Revenue to Total Revenue	14%
Percentage of Medicare OP Charges	44%
Case Mix Index	1

Overall REH INDEX Rank

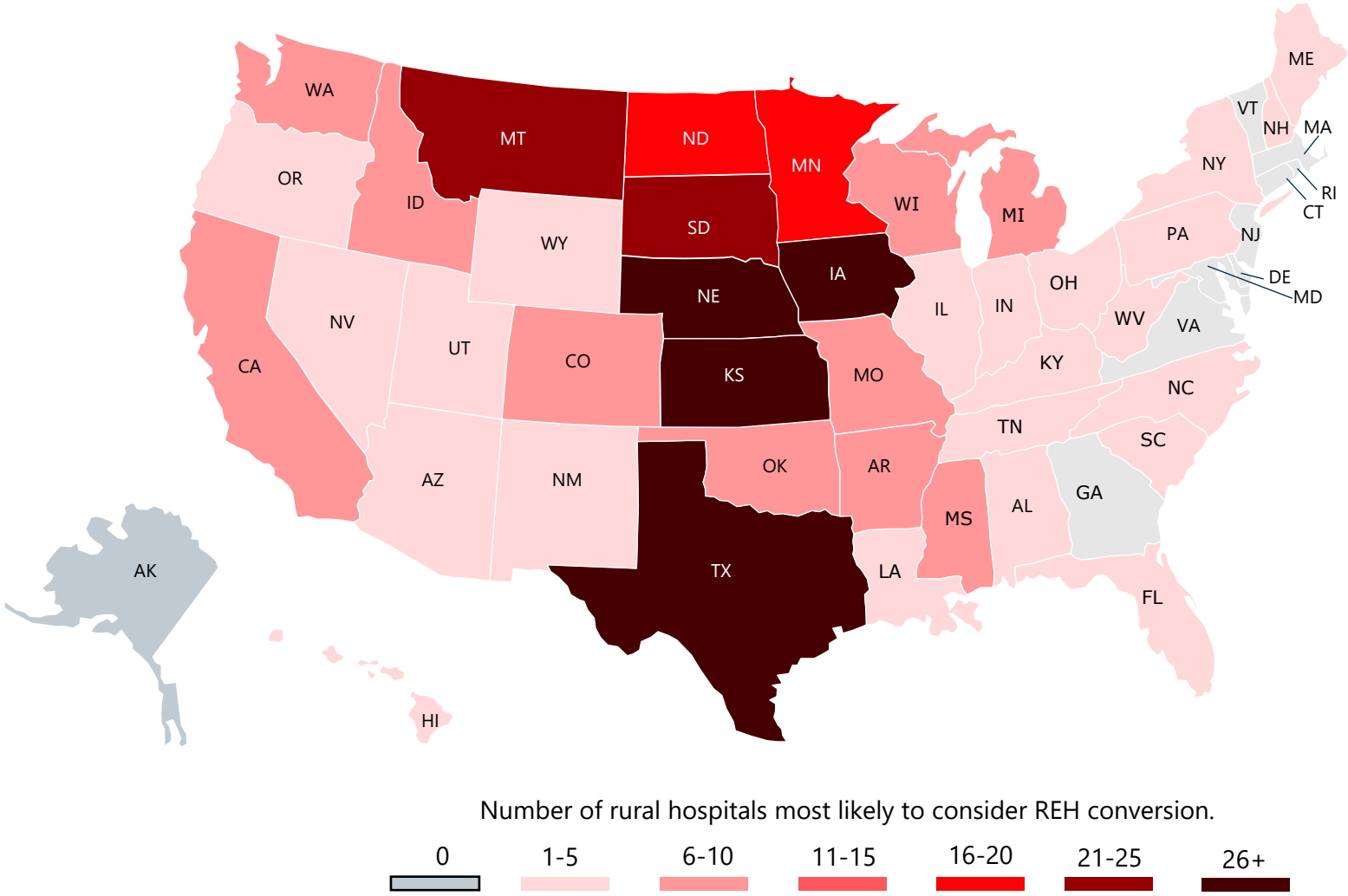
"Among the Most Likely to Consider Conversion"

Quartile 1: Most Likely to consider REH Conversion

Model identified **389 rural hospitals most likely to consider conversion**. Nearly every state is represented.

Highest concentration of most likely candidates for conversion runs from Texas up to the Dakotas.

Median years in the red is 2 and median NPR is $11.6M.



Beyond the data:

Key Considerations for REH Conversion

340B participation: Given the benefits associated with the 340B program, converting to REH **may not offset the loss of savings/reimbursement**

System Affiliation: For CAHs affiliated with health systems conversion means the loss of corporate allocations and **cost-based reimbursement from Medicare.**

Government Control Status: Facility ownership by a government entity (e.g., county) **may create an added layer of tax/financial and political complexity.**

Beyond the data:

Key Considerations for REH Conversion

- **Hospital Staff Perspective:** Medical staff and other key stakeholders will have to "buy in" to new status and **loss of inpatient services and supporting ancillaries**.
- **Community Relations:** Even if government control status isn't applicable, communities **may react negatively** – and vocally – to the idea of losing their hospital, access to inpatient services and the loss of jobs.
- **Safety and Quality Standards:** Conversion and the expected adjustments in staff and processes may impact safety and quality programs **with new requirements**.
- **Staff Retention and Recruitment:** Although conversion may keep the hospital open, the loss of inpatient services means the **potential loss of nurses**.

Looking Across the Model's Four Quartiles

1,557 eligible rural hospitals

	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Years Neg. Operating Margin (median)	2	1	0	0
Net Patient Revenue (median)	$11.6M	$20.9M	$31.3M	$57.3M
Average Daily Census-Acute (median)	1	2	4	9
Average Daily Census-Swing (median)	1	2	2	2
System Affiliated	46%	54%	57%	68%
Corporate Allocation (median)	$1.1M	$2.5M	$3.1M	$6.7M
340B Participant	83%	82%	82%	78%

How Many Ideal Candidates for REH?

77

Within 1st quartile, those at the bottom (0-4th %ile) are ***ideal candidates*** for REH conversion

Ideal Candidate Characteristics

Metric	0-4th %ile
Total Number	77
Number Critical Access	77
Years Negative Operating Margin	3
Net Patient Revenue	$7.9M
Average Daily Census (Acute)	1
Average Daily Census (Swing/SNF)	1
Inpatient Revenue to Total Revenue	14%
Percentage of Medicare OP Charges	44%
Case Mix Index	1
System Affiliated	32
Corporate Allocation	$697K
340B Program Participation	59

The smallest facilities with low patient volumes and mired in unprofitability.

REH State Snapshot

MAINE

0

Ideal candidates for conversion to REH

1

Rural hospitals 'most likely to consider' converting to REH*

2

Rural hospitals 'may consider' converting to REH*

5

Rural hospitals 'less likely to consider' converting to REH*

10

Rural hospitals 'unlikely to consider' converting to REH*

REH State Snapshot

VERMONT

0

Ideal candidates for conversion to REH

0

Rural hospitals 'most likely to consider' converting to REH*

1

Rural hospitals 'may consider' converting to REH*

2

Rural hospitals 'less likely to consider' converting to REH*

5

Rural hospitals 'unlikely to consider' converting to REH*

Rural Emergency Hospital Technical Assistance Center

Providing assistance to rural hospitals exploring the Rural Emergency Hospital designation
As of September 2022, the RHRCO has been working in cooperation with the Health Resources and Services Administration (HRSA), and the Centers for Medicare and Medicaid Services (CMS) to provide technical assistance to rural hospitals across the nation interested in assessing the feasibility of the new Rural Emergency Hospital provider designation.

Rural Emergency Hospital Inquiries
Email: *REHSupport@RHRCO.org*

Helping Rural Providers Navigate a New Era

Network Collaboration, Strategic Advisory, Quality Improvement and Advanced Analytics

At the Chartis Center for Rural Health, we deliver a rural-relevant framework through which leadership teams and frontline staff can better understand performance and initiate further clinical and financial improvement.

Our expertise and research has been featured in some in some of the nation's leading news outlets.

CHARTIS

Connect with Our Team

Michael Topchik
National Leader

mtopchik@chartis.com

Troy Brown
Network Consultant

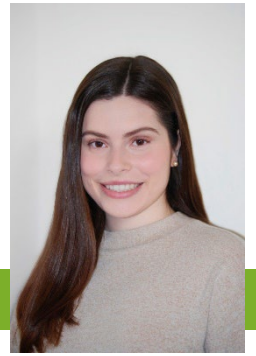
tbrown@chartis.com

Melanie Pinette
Senior Analyst

mpinette@chartis.com

Billy Balfour
Communications

wbalfour@chartis.com



Ana Wiesse
Data Analyst

awiesse@chartis.com