Improving efficiency and preserving access to emergency care in rural areas

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Background on rural hospital payment policy

- Long-standing objective: preserve access

- Current strategy
  - Higher inpatient rates for rural PPS hospitals
  - Cost-based payment for critical access hospitals (CAHs)

- Two problems
  - Increasingly inefficient
  - Becoming less successful in preserving access
Existing strategies for preserving emergency access in rural areas

- Sole-Community Hospital (SCH), an add-on to inpatient rates (300+ hospitals)
- Medicare-Dependent Hospital (MDH), an add-on to inpatient rates (150 hospitals)
- Low-volume adjustment, an add-on to inpatient rates (can also be MDH/SCH)
- Critical Access Hospital (CAH), requires inpatient services (1,300 hospitals)
Limitations of existing models

- **Inpatient-focused**
  - Lower volume $\rightarrow$ higher unit costs
  - Lower volume $\rightarrow$ concerns about quality
  - Concern: Low volume can lead to low value

- **Most rural hospitals are CAHs with cost-based reimbursement**
  - Favors higher-profit/high-cost hospitals
  - Encourages non-emergency services (e.g., imaging and post-acute swing-bed services)
  - Can lead to excess cost growth
Declining admissions at critical access hospitals

Source: All payer discharges reported by hospitals on Medicare cost reports
Declining volume and increasing closures

- 41 rural closures from 2013 to March 2016 (54 rural closures if we include rural portions of MSAs)
- Distance to the nearest hospital varied widely among the closures
  - 3 are less than 10 miles from the nearest hospital
  - 24 are 10 to 20 miles from the nearest hospital
  - 13 are 20 to 30 miles from the nearest hospital
  - 1 is over 30 miles from the nearest hospital
Cost-based payments do not always keep hospitals open

- 14 of 41 closures were critical access hospitals
- For the median CAHs that closed in 2014, cost-based payments exceeded PPS rates by $500,000 for inpatient and post-acute care
- High costs per inpatient day absorbed the additional payments
- Question: Would emergency services be financially viable if we redirected the supplementary dollars from inpatient to ED services?
Goals of an outpatient-only option

- Isolated hospitals (CAH or PPS) would have the option to convert
- Maintain emergency access
- Improve efficiency
- Assure community commitment by requiring matching grants from the county or local sources
Option 1: 24/7 Emergency department

- 24/7 emergency department and primary care outpatient services
- Payment
  - Hospital outpatient PPS rates per service
  - Fixed grant to help fund stand-by costs
- No acute inpatient services
- Post-acute SNF services get PPS rates
Option 2: Clinic + ambulance

- Primary care clinic + ambulance
  - Clinic open 12 hours per day
  - Ambulance available 24/7

- Two types of payment
  - PPS rates per unit of service (e.g., FQHC rate)
  - Fixed grant to help pay for ambulance standby capacity and uncompensated care costs
Eligibility for special payments

- Focus on “low-volume isolated providers” (June 2012 MedPAC report)

- Isolated could be defined as being some minimum distance to nearest competitor
Remaining issues

- 24/7 model
  - Product: 24/7 standby emergency capacity
  - How will the ED be staffed?
  - Allow conversion back to CAH or PPS hospital?
- Clinic + ambulance
  - Product: what is Medicare buying?
  - Minimum staffing?
  - Maximum ambulance response time?
  - Limiting eligibility for the program?
Effects on rural beneficiaries

- Emergency access is maintained
- Patients will travel for inpatient care
- Outpatient services will be paid PPS rates and have lower coinsurance than at CAHs
Effects on providers

- Change is optional
- Can create financial viability
- The health care provider will have grant funds that can help recruit physicians
- Cost structures will be lower (PPS rates) making the entity more compatible with ACOs and the movement to value
Discussion issues

- **Options**
  - 24-7 ED stand-by capacity
  - Primary care and ambulance access
- **Require matching grant funds from the county or local community?**
- **Allow hospitals (CAHs or PPS) that convert to an outpatient only facility to convert back to their original status?**