



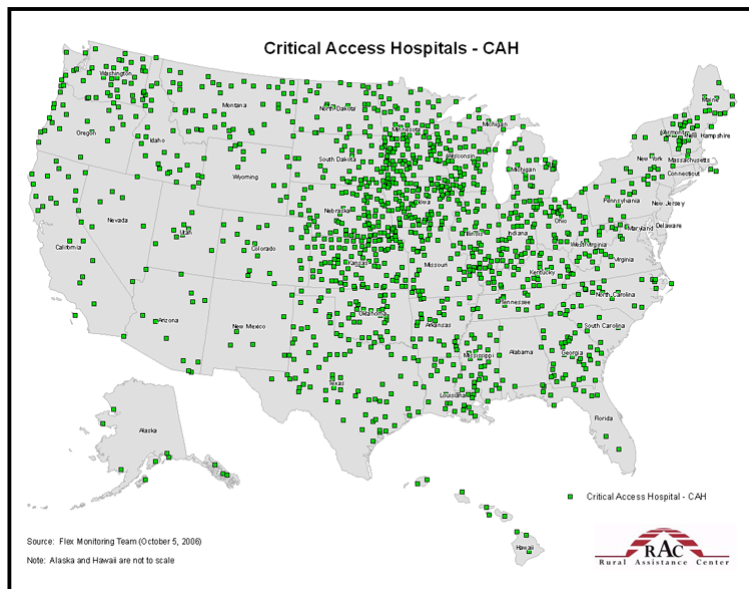
The Role of Critical Access Hospitals In Rural Health Care

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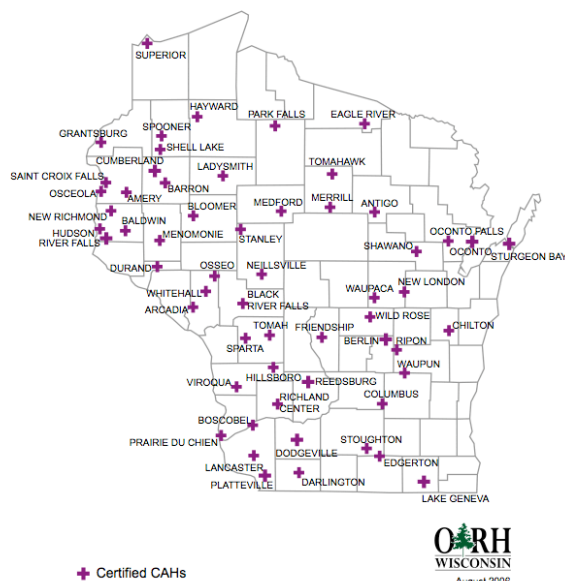
Talk Summary; If You Need to Leave Early

- CAHs here to stay? Yes!
- CAHs needed? 20 years Medicare failure.
- CAHs different? Beyond Medicare payments, not much.
- CAHs made a difference? Yes.
- CAHs & private payers? Private payments matter.
- Examples of services provided by a typical CAH.





Wisconsin's Critical Access Hospitals





Medicare's Traditional View of Rural



Medicare Didn't Work for Rural

- In 1966, Medicare starts providing healthcare for the elderly; hospitals were paid their costs.
- In 1983, Congress made a major change in how they paid hospitals--creating the Prospective Payment System (PPS).
- PPS started paying by "DRGs" - a fixed amount for a hospital stay which varied by patient diagnosis and whether hospital was urban or rural. Initially Wisconsin rural paid 30% less than some urban for same diagnosis.



Medicare Didn't Work for Rural (continued)

- Many rural hospitals closed during these difficult times; rural access to care becoming a problem.
- RWHC, the National Rural Health Association & others fought for reform, and made some major progress, but many problems remained.
- Finally, Congress in 1997 created the Critical Access Hospital (CAH) as a new Medicare provider type eligible for cost-based reimbursement. Wisconsin then did the same with Medicaid.



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Key Requirements to Become a CAH

- Be located in a rural county or a rural area of an urban county
- Have 25 or fewer beds
- Be 35 miles from another hospital, or be declared by the State's governor as a "necessary provider"*
- * The necessary provider option is no longer available if the hospital is not already a CAH



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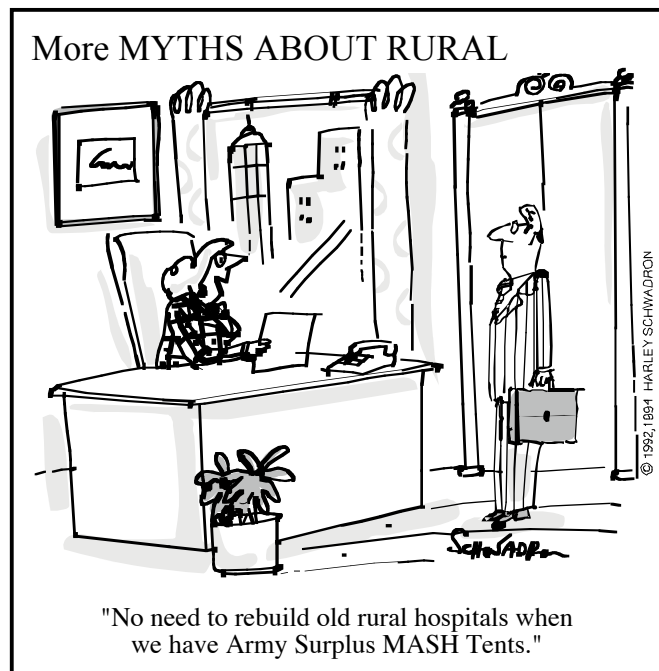


Key Requirements to Remain a CAH

- Operates with a limit of 25 beds
- Annual average inpatient stay of under 96-hours
- Provides 24-hour ER service
- 24-hour nursing services when patients are present in the facility
- Has in place an agreement for patient referral and transfer as needed
- Annual audits & cost reports reviewed by Medicare



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The CAH Program Is Meeting Its Purpose

- A goal of the CAH program was to improve financial stability of small, rural facilities
- Low Medicare payments led to a lack of investment in modern facilities and medical equipment
- The CAH program has improved financial performance and access to capital
- CAHs more able to provide and expand needed health care services to their communities

"The Financial Effects of Wisconsin Critical Access Hospital Conversion" by
Richard Donkle, CPA and Dale Gullickson, FHFMA at RWHC, 4/27/05



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Two Significant Future Issues

- Getting cost on Medicare is better than losing money on Medicare; but two issues remain (1) what Medicare says is cost is LESS than what the rest of us consider cost and (2) ALL organizations need revenue beyond their expenses in order to add new equipment/services.
- Representative Ron Kind, RWHC, NRHA and others are working to make sure that the new MEDICARE MANAGED CARE PLANS (Medicare Advantage) beginning to come into Wisconsin, at least pay CAHs what they would get from traditional Medicare.



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What is Future for Private Insurance?

- No one knows what if any health care reform may take place in Wisconsin or USA that will effect private payers and private insurers but much now being discussed.
- Currently in Wisconsin most insurers pay hospital charges less a discount. Huge national insurers may come into Wisconsin, afford to sell insurance at a loss, gain market share and force deep discounts on providers.
- In the meantime, many, if not most employers are shifting more of the cost and risk of health insurance to employees and overall employers and employees are becoming significantly more concerned about price.



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Services Provided by Many CAHs

- | | | | |
|-------------------------|-------|--------------------------|-------|
| • Acute Med/Surgical | 28/28 | • Mammography Screen. | 25/28 |
| • Emergency Department | 28/28 | • Respiratory Therapy | 25/28 |
| • Physical Therapy | 28/28 | • Social Work Services | 25/28 |
| • Outpatient Services | 28/28 | • Cardiac Rehabilitation | 24/28 |
| • Medicare Swing Beds | 27/28 | • Diagnost. Mammogram | 24/28 |
| • CT Scanner | 27/28 | • Occupational Therapy | 24/28 |
| • Ambulatory Surgery | 27/28 | • Rehab - Outpatient | 23/28 |
| • Pediatrics | 26/28 | • Orthopedic | 22/28 |
| • Com. Health Promotion | 26/28 | • Respite Care | 22/28 |
| • Patient Education | 26/28 | • Worksite Health Promo. | 22/28 |

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Services Provided by Many CAHs (cont.)

- | | | | |
|--------------------------|-------|------------------------|-------|
| • Occupational Health | 21/28 | • Nursing Home | 15/28 |
| • Noninvas. Card. Asses. | 20/28 | • Rehabilitation Med. | 14/28 |
| • Patient Representative | 20/28 | • Recreational Therapy | 14/28 |
| • Sports Medicine Clinic | 19/28 | • Intensive Care | 14/28 |
| • Speech Path./Therapy | 18/28 | | |
| • Obstetrics | 17/28 | | |
| • Labor, Delivery Room | 17/28 | | |
| • Case Management | 17/28 | | |
| • Ultrasound | 17/28 | | |
| • Newborn Nursery | 16/28 | | |

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Questions/Comments?

More Information about CAHs and rural health:

<http://www.raconline.org>

Information about Rural Wisconsin Health Cooperative:

<http://www.rwhc.com>

Free On-line RWHC Monthly Newsletter "Eye on Health"

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