Rural Wisconsin
Health Cooperative

Eye On Health

Review & Commentary on Health Policy Issues from a Rural Perspective - June 1st, 2000

Health Care Safety Net Endangered

From "America's Health Care Safety Net, Intact But Endangered," a report recently released by the Institute of Medicine; the full report is available at <www.iom.edu>:

"Rising numbers of uninsured patients, together with changes in Medicaid policies and cutbacks in government subsidies, are putting unprecedented pressure on the nation's health care safety net. This report recommends a new government initiative, in the form of competitive grants, to bolster this diverse set of health care institutions that provides care to tens of thousands of the nation's poor and uninsured. The report also calls for the creation of a new government oversight body to monitor and assess the condition of safety net providers and thoroughly review the impact of federal and state policies on the system."

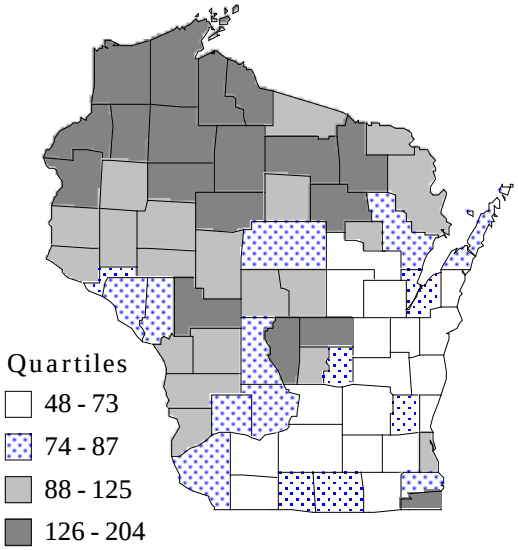
" 'In the absence of universal, comprehensive health coverage, we have come to rely on the safety net to catch some of the nation's most vulnerable populations,' said Stuart Altman, professor of national health policy at Brandeis University, and chair of the committee that wrote the report. 'These health care providers fulfill a critical role, and the government must be there to help them.' "

"In some communities the health care safety net is highly organized; in others it functions as a loose collection of institutions. At the center of this makeshift system are what the report calls the 'core safety net providers' - public hospitals, community health centers, local health departments, rural health clinics, as well as special service providers such as AIDS and school-based clinics. To stay in business, many of these facilities depend on a patchwork of grants and subsidies that have become increasingly uncertain and insufficient."

"Nearly one of every five Americans - an estimated 44 million - is uninsured. Between 1988 and 1998 the number of uninsured rose by almost 20 percent. A growing share of those without coverage or the ability to pay are turning to core safety net providers for treatment, the report says. These new responsibilities come at a time when many of these facilities face operating losses, largely the result of changes in Medicaid policy; an erosion of government subsidies; and an increasingly competitive health care environment."

"Given these intensifying pressures, the federal government should launch a new, targeted financial initiative to support key safety net providers, the committee said. Competitive three-year grants could pay for facility improvements that would help providers strengthen their ability to survive, as well as pay for medical services provided to the most vulnerable popula-

Demand For BadgerCare (CHIP) Strong Especially In Rural Counties



State Average = 96%

Percent Enrollment, Actual to Expected

CHIP is a Medicaid expansion for children; Wisconsin's model includes the whole family.

Data: WI Medicaid & Marshfield Clinic, 4/00
Graph: RWHC 5/00

tions. To win these grants, providers would have to demonstrate need and a commitment to caring for the uninsured."

"While Congress and the administration would determine the size of this initiative, the committee estimated a minimum cost of $2.5 billion over five years. Money for this could come, in part, from the federal budget surplus and unspent funds from the federal-state children's health insurance program and other insurance expansion programs. This initiative would build upon a demonstration program established by Congress last year."

"The report also recommends the creation of a government oversight body - one that is independent, nonpartisan, and expert - to assess the health care needs of the uninsured and to monitor the financial stability of the safety net. No single entity in the federal government currently has this responsibility. However, the committee did not specify an administrative home for such a body."

"To avoid a loss of core safety net providers, policymakers should explicitly consider the impact of recent changes to the Medicaid program on these facilities and the patients they serve, the committee said. Additionally, federal programs and policies intended to support the uninsured and other vulnerable populations should be reviewed for effectiveness in meeting their stated objectives."

"Because of changes in federal subsidy programs, safety net providers also face the erosion of this important source of revenue. The Balanced Budget Act of 1997 phases out over five years a subsidy under which federally funded primary care health clinics often were paid for services at an above-market rate. So far, the subsidy levels have dropped 5 percent, although in 1999 Congress put a two-year moratorium on the cuts and extended the phase-out period until 2005."

"Another provision of the Balanced Budget Act of 1997 cuts payments intended to assist hospitals that serve low-income patients. These reductions will total $10.4 billion over five years. At the same time, these institutions are treating more uninsured patients. For example, the report cites a study of 39 public hospitals that lost 12 percent of their Medicaid business -- the paying customers -- between 1993 and 1997, while the numbers of those without insurance rose by 6 percent. Local subsidies in some communities have increased slightly, but these increases in no way make up for other federal and state cuts, or the increased demand for services."

"To adapt to their changing environment, many core safety net providers have made improvements and emulated the competition -- bolstering operating efficiency, administrative and information systems, and customer service, the committee said. Some have forged new alliances or formed networks designed to make them more full-service. Another strategy has been to broaden the patient base to include those with better insurance coverage -- balancing the provider's survival against its traditional mission of serving the neediest populations. Those local health departments unable to operate under Medicaid managed care have reduced their clinic operations, concentrating instead on broader public health concerns."

Statewide Medicare Initiative Pays Off

From the "President's Column" by Robert Taylor in *News & Views*, of the Wisconsin Health & Hospital Association, 5/12/00:

"Wisconsin hospitals are expected to gain $33 million under revised Medicare wage indices announced by the Health Care Financing Administration (HCFA). This payment increase was no accident and will affect 13 of 14 Wisconsin metropolitan statistical areas (MSAs) and our rural members."

"This achievement reflects the results of a great deal of collaboration among our members during the past two months. Using a concerted approach involving

The **Rural Wisconsin Health Cooperative**, begun in 1979, intends to be a catalyst for regional collaboration, an aggressive and creative force on behalf of rural communities and rural health. RWHC promotes the preservation and furthers the development of a coordinated system of rural health care which provides both quality and efficient care in settings that best meet the needs of rural residents in a manner consistent with their community values.

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WHA's Finance Department staff and the accounting firm of Wipfli, Ullrich and Bertelson, we aggressively explored how wage indices are calculated and how we can maximize what we're entitled to under federal law. Using a comprehensive manual we developed and a series of regional meetings, we made the commitment to ensure that our cost reports are accurate, to understand the nuances of how wage indexes are prepared, and to ensure that key data wasn't omitted."

"It is important to recognize that this additional flow of federal dollars isn't the result of congressional action, but rather a redistribution based on more accurate data reporting from our state. I'd like to thank those members who made this a priority, assigned senior staff to attend our wage indices conferences, and made the arcane process of cost report submissions the policy issue it really is. I'd also like to thank the Rural Wisconsin Health Cooperative, which has focused on wage indices for many years."

"I hope we don't rest on our laurels. I'm convinced we can do even better in the next go-round as we continue to refine the numbers submitted to the federal government. There are some additional wage index issues that require our further attention and will be a priority as the year unfolds."

Another Medicare Wage Glitch Hurts Rural

From "Misapplication of Medicare Wage Index Unfairly Penalizes Iowa Hospitals," a position paper from Steve Brenton at the Iowa Hospital Association.

Overview

"One of the primary factors why Medicare payments to Iowa hospitals are among the lowest in the nation is because the wage index data used by Medicare locks Iowa into a historic inequity devised in 1983. The reality is that wages necessary to attract and retain quality health care professionals is not really that much different in Iowa than the rest of the nation. Yet every hospital in Iowa has a wage index below 1.00 (the national average)."

"This inequity is compounded because the Health Care Financing Administration (HCFA) is currently applying the Medicare wage index to 71 percent of a hospital's costs. In other words, HCFA assumes that 71 percent of a hospital's total costs are tied up in salaries and benefits. However, Iowa data reveals that only 51 percent of hospital costs are associated with salaries and benefits. This means that HCFA is misapplying the Medicare wage index to a higher portion of costs than is actually the case, unfairly driving down Medicare payments to lower levels. This misapplication of the wage index penalizes all rural areas of the United States, but is especially harmful in Medicare-dependent states like Iowa."

Background

"Iowa ranks 47th lowest among all states in Medicare inpatient payment per discharge, more than 20 percent below the national average. Medicare is the primary source of revenue for all Iowa hospitals, with many rural hospitals relying on Medicare payment for more than 80 percent of their revenue. However, Iowa Medicare margins are now ***a negative 12.6 percent***."

"According to independent accounting data, the misapplication of the Medicare wage index unfairly lowers hospital inpatient payments in Iowa by approximately ***$22 million*** each year *($15 million in Wisconsin*). Appropriately applying the Medicare wage index would mean real financial relief for dozens of Iowa hospitals currently in dire financial straits and would provide targeted Medicare relief to areas of the nation disproportionately affected by Medicare cuts."

Action Needed

"Legislation is needed requiring HCFA to apply the Medicare wage index to only the correct percentage of hospital costs that actually relate to labor expenses. Correcting this inequity would significantly benefit 37 states and should not penalize other states above the national Medicare wage index. If this correction were applied to all hospitals with a Medicare wage index below 1.00, the annual cost would be approximately $880 million…certainly a realistic response to the deep and unintended Medicare cuts contained in the Balance Budget Act of 1997. Correcting this misapplication of the wage index would provide Medicare relief where it is most needed."

Rural Health Apprenticeship Opportunities

RWHC has been awarded a State grant from the Governor's Work-Based Learning Board to create rural health apprenticeship opportunities in Wisconsin. Staff will work closely with existing state coordinators of the Youth Apprenticeship Program, as well as the hospitals and affiliated nursing homes that own and operate the Cooperative.

RWHC Career Opportunities

More information is available about these new and existing positions at www.rwhc.com or by contacting Monica Seiler at 608-643-2343 or mseiler@rwhc.com.

Rural Health Apprenticeship Opportunities Program Coordinator is a new full-time position to work with local youth apprenticeship coordinators in the development and implementation of public information, outreach and recruiting strategies.

Partners in Agricultural Health Program Coordinator is a new full-time position to startup the Partners in Agricultural Health program. The coordinator, with an agricultural background, will provide outreach and coordination of health care services for farmers and agricultural workers in Juneau, Adams, and Sauk counties and work as a team member with the professional staff of five participating hospitals and three health departments in the tri-county area.

Health Information Manager will supervise day-to-day operations management and consultation for the Credentials Verification Service and the Quality Indicators Program (a JCAHO Performance Measurement System). An expertise in JCAHO and NCQA standards is required as well as an ability to interpret and apply new or revised standards.

Speech Pathologist will provide services to all age groups in a rural hospital setting. Candidate must have experience with the provision of videofluoroscopies and be eligible for WI licensure.

While managed care and a very tight labor market have taken a toll on the entire health care industry, rural providers have been particularly hard hit. Lower reimbursements from federal sources, increased competition from urban providers and an aging population have made it very difficult for rural providers to recruit and retain skilled workers.

The goal of the project is to recruit 12–18 health care entities that could accommodate 24–36 new local students. Using a team approach, RWHC will develop public information and marketing strategies that will focus on member facilities and the rural communities they serve. Those hospitals and nursing homes that participate in the project will receive an $800 stipend to cover the internal costs of staff training and program development.

The grant includes salary and benefits for a full-time, program coordinator who will manage the project from our offices in Sauk City. This person will be responsible for meeting with local coordinators and other shareholders on a regular basis to implement the project's objectives and recruitment strategies. RWHC will serve as the fiscal agent on the project, as well as an active partner.

RWHC is an ideal partner for this type of program because of our history of collaboration and the close relationship among cooperative members. The hospitals and affiliated nursing homes that are members of the Cooperative are typically one of the largest employers in their area and contribute significantly to the economic viability of the communities they serve.

Promoting and expanding valuable youth apprenticeship opportunities in health care are a good start to improve the ongoing labor shortage in rural areas.

Wisconsin Coalition Aims At Medical Errors

Late last fall, the Institute of Medicine (IOM) grabbed the attention of the country with its seminal report, *To Err Is Human: Building a Safer Health System*. In response, MetaStar, the Medicare Peer Review Organization in Wisconsin, convened an ad-hoc coalition: the Wisconsin Department of Health and Family Services, the Wisconsin Health and Hospitals Association, the State Medical Society of Wisconsin, the Rural Wisconsin Health Cooperative and the Employer Health Care Alliance Cooperative.

The participants determined that the most effective statewide intervention, over the next year, would be to address medication errors with a benchmarking initiative--(1) to determine the extent to which best practices for medication safety are being followed in Wisconsin hospitals and (2) to implement and evaluate strategies for increasing the use of best practices for medication safety in Wisconsin hospitals. If fully funded, this initiative may serve as a national pilot.

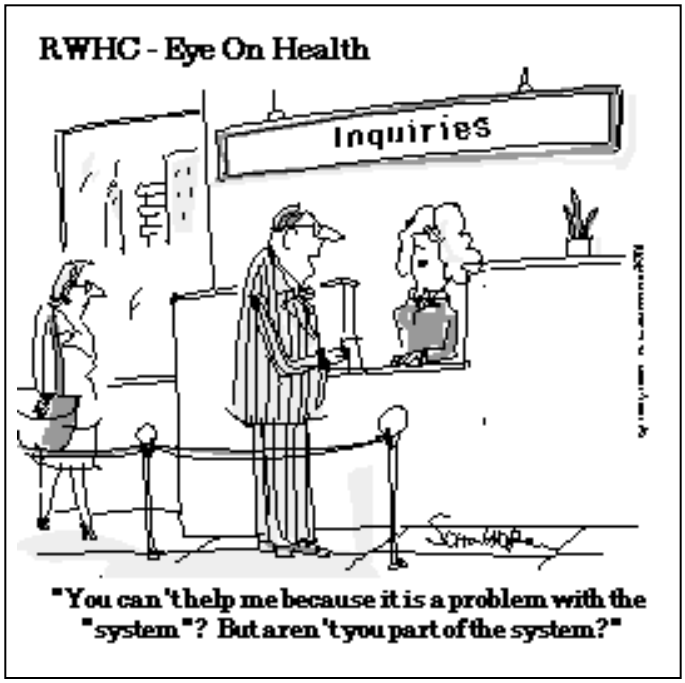
As the IOM Report points out, "A number of practices have been shown to reduce errors in the medication process...These methods include: reducing reliance on memory; simplification; standardization; use of constraints and forcing functions; the wise use of

protocols and checklists; decreasing reliance on vigilance, handoffs, and multiple data entry; and differentiating among products to eliminate look-alike and sound-alike products: (p. 136). The widespread adoption of such measures unquestionably would lead to decreases in medication errors."

As noted by MetaStar in its request for federal funding on behalf of the coalition: "One potential barrier is the inherent unreliability of reported information about medication errors. We intend to overcome this barrier by not attempting to measure the rate of errors at all. Rather, we will measure and attempt to implement practices that have been demonstrated to reduce errors."

MetaStar, with the support of the coalition, is planning to survey Wisconsin hospitals using a tool identical to the *Medication Use Process Benchmarking Project Survey* developed by the Institute for Safe Medication Practices--a tool currently being promoted by the American Hospital Association and the Wisconsin Health and Hospital Association. The "pre-post" designed study is planned for inpatient settings in all 124 acute care hospitals in Wisconsin (as funding permits).

In between the pre and the post, MetaStar would offer both general and intensive interventions believed to be effective in eliciting improvement. Such interventions would include feedback of data, use of CQI tools, and sharing of best practices. The impact of the study will be measured and evaluated by looking at changes in the rates at which best practices are being followed, and by interviewing staff of collaborating hospitals and partner organizations to determine the ways in which the project was effective or ineffective and how it might be improved in the future.



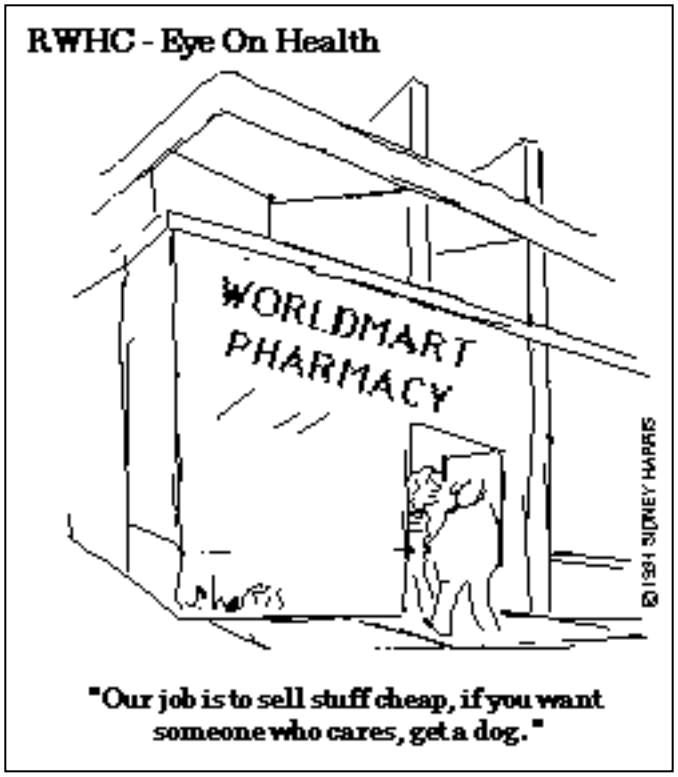
From those hospitals that express an interest, MetaStar plans to interview staff members and choose a handful of hospitals as the site of intensive interventions. The key criterion which will be used to select these hospitals is their eagerness to collaborate: first, the commitment of the hospital administration, and if that commitment is strong, then the existence of champions among the professional staff. The period of performance would be about 18 months once funding is confirmed, hopefully within the month.

The Value of Community Pharmacists

From *A Day in the Life of Rural Pharmacist Mitch* by Carol J. Hermansen, winner of this year's Hermes Monato, Jr. Essay, a $1,000 prize awarded annually by RWHC. (Entries are accepted annually through April 15th from students at the University of Wisconsin-Madison, who are associated with the Center for Health Sciences.) The complete short story is available at <www.rwhc.com>.

"*A recent analysis of the availability of community pharmacies reveals a trend of fewer community pharmacies in rural areas. This suggests potential problems with access to pharmacy services among those people living in rural. With these trends in mind, it is my hope that the reader may gain a greater understanding of the plight of, and the important contribution of, the rural community pharmacy owner.*"

"Mitch Anderson walks to his pharmacy this morning, as he usually does, weather permitting, to get some exercise. Today he walks in after having breakfast with a local internist-turned-geriatrician at the corner diner down the street. Mitch is opening the store a bit early today knowing that Mrs. Atkins, owner of the nearby hair salon, needs to stop by early for her new blood pressure medication before her first appointment. Her physician is trying to get her started on something that she's willing to take. She has been apprehensive about taking anything after the diuretic that she absolutely hated. As he unlocks the door and turns off the alarm system, Mitch recalls the intense conversations he and Dr. Holman have had with her, trying together, to convince her of her need to bring her blood pressure down. Changing her diet didn't help, and her risk of stroke is high with her family history. She'd be devastated if she were to have a stroke."



"The sun is just beginning to shine through the blinds of the front windows as Mitch carefully pulls them open, as not to disturb the careful placement of the 4-H Club's 'Healthy Pet' display set up the evening before. He muses as he notices the picture of Pluto, Marissa's big retriever-lab mix. What a journey that family has been on these last few months with Pluto's epileptic seizures, the new veterinarian in the town nearby, and Marissa's onset of asthma."

"Following the normal routine, Mitch gets the cash register drawer out and ready, adding enough extra quarters and single dollar bills to last the day. He listens to his answering machine, finding a new prescription called in for his neighbor's little girl. Wanting to know a bit more about the choice of antibiotic and dosing, he places a call to the regional medical center to confirm its appropriateness, using the speaker phone as he cleans up the counter for the new day."

"Mitch is 45 years old. A graduate of the state university, he first practiced pharmacy in the still-surviving rural hospital 30 miles away. In 1993, he decreased his work at the hospital to part-time and started working longer hours with his dad at the pharmacy. After gradually picking up more and more hours, he eventually bought in as a partner in 1995, the year his dad's brother, who started the pharmacy, died. That year, Mitch finished his M.B.A., commuting to school two days a week for three years. He began fully running and managing the pharmacy three years ago. Just last year, his father retired at the age of 68, leaving quite a legacy for his son to continue."

"Mitch knows he has a greater understanding about how to run a business with his second degree. He's glad he put the time in to pursue it. He hopes to strike a reasonable balance between providing the kind of care his customers need and managing the pharmacy in a way that will keep it and maybe even the community alive. Mitch is constantly reminded of the countless independently-owned pharmacies that folded during the last two decades due to the squeeze of reduced reimbursements for dispensed prescriptions. Every morning when he opens up the store he is grateful for another day. He accepts his modest income. To his colleagues working in the larger cities around the state, he looks foolish to be trying to keep the pharmacy going. As Mitch looks around the pharmacy today, he is reminded of his dad, who though retired, is still wanting to be active in the profession 'from behind the scenes'. His dad managed to respond to the changing marketplace during the last 40 plus years, keeping the pharmacy open and its services available. Mitch can't give up now."

"After Mitch's dad took over the pharmacy, he adapted to the needs of the community in a way that only he could do. In the front of the store, he broke the mold by starting to carry some 'unique goods' and providing new services that the community needed. A bike trail opened in 1985, replacing the old, unused set of railroad tracks that parallels Main Street a few blocks over. Bicycling tourists are somewhat common during the summer. As a creative response, the pharmacy began carrying bicycling equipment--spare tubes and bike pumps especially. And the longtime clerk at the pharmacy, Rita, has a son who likes the extra cash he gets from servicing bicycles out of the back of the pharmacy. When interviewed by the local newspaper reporter, about 'the bike stuff', Mitch's dad smiled genuinely and replied, 'We're promoting a health lifestyle.' "

"Amid lots of change, the pharmacy has survived due to Mitch's father's ingenuity and his commitment to and from the community. Mitch has wondered on several occasions whether *he'll* be able to keep it going well into *his* 60's with all of the difficulties he and other independent owners have been having with shrinking profit margins and the steep, but healthy competition from corporate America expanding outlets in nearby cities. There are days the pharmacy's loyal bookkeeper wonders too, but Mitch has been able to stay somewhat optimistic as he holds onto the established services that seem to still fill some needs of the community of which he is a valuable part."

"How grateful he feels to those customers the pharmacy has retained despite the opening three years ago of a corporate-owned discount pharmacy less than 20

miles away. Those who have stayed appreciate the extra services he's been able to develop and maintain, serving the older clientele with home visits and special packaging to assist them in maintaining self-reliance at home. The problem is the financial concerns. He can't keep charging the older, cash-paying customers more, but if he doesn't, he'll be saying goodbye to what little profit he has left. He accepts the contracts of the insurers in order to serve those in the community who do have insurance that covers prescription drugs. But he can't charge them any additional money beyond what the contract says, even though the insured are probably more able to afford it than the older customers without insurance. What a dilemma."

Special Thanks To The Sponsors For A Successful Wisconsin Rural Health Association Annual Conference:

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"A significant portion of Mitch's clientele seem to require more attention in order to manage all of their medications. Peter is hoping to spend about a fourth of his time working with the older adults in the community who need the extra help. Mitch has begun to identify some of them and is hoping to work with their physicians to develop a medication management program for them. His meeting with Dr. Jannus this morning may have clinched it. Pete, with the help of Mitch at first, will begin meeting with her, and a few of her patients, during office visits to discuss problems and possible solutions revolving around multiple medication use. Some of the details were discussed this morning, but Mitch foresees the three of them needing to meet when she has time next week."

"Mitch's colleagues in the next county over are skeptical about this interdisciplinary approach–because of the amount of time it's going to take–and asked him last month out of real concern, 'How are you going to pay for this, Mitch?' Mitch talked to Dr. Jannus about this to some degree. She appears receptive and sympathetic. Her brother is a pharmacist, and her own parents who live in Florida could use the special attention she believes qualified pharmacists can provide. Mitch spoke quite frankly about the tight financial situation the pharmacy has been in with the new, but necessary, hire. He imagines handling financial arrangements on a case-by-case basis, and Ann to 'take a stab at it'–but she is a bit leery about the time commitment on her part. Mitch is hoping the adult children of his patients may be willing to offset some of the expenses. It actually could work out that Pete would be hired as a part-time consultant for Dr. Jannus, managing some of her *and our* patients who are struggling with multiple medications and difficult disease states. If that happens, a portion of his salary would be paid by her office. 'What a long shot, but I can't sit and watch these people struggle with this stuff,' Mitch explained to Ann last night at dinner."

"It's just after 8 a.m. Mrs. Atkins rushes in, late for her first hair appointment of the day, reaching out her hand to greet Mitch as he walks out from behind the counter, first grabbing her new prescription... He's glad to see her apparent willingness to try the newer medication. 'You know, Dr. Holman and I are optimistic that this new one will be better for you.' 'Yes, we talked about it, and I think I'm finally ready to give in,' she says with a sigh.' Seeing your father has made me realize the reality of it all, I think, Mitch. I hear he's making progress and regaining strength. That physical therapist is terrific. She's done wonders for me since that spill I had last fall. No more bicycling for me...anyway, I know how your father likes to be out and about–always doing something. I'm glad things are looking brighter.' 'Yeah, me too–it's been hard for him and Mom, but ah, selfishly, it's been kind of tough on us here too.' He looks around at the familiar pharmacy. Seeing the door, Mitch realizes the time. 'You know, I don't want to keep you, but I do want to be sure you're set with this.' "

"He looks down at the little orange bottle and opens it easily to reveal its contents. Mitch engages Mrs. Atkins in a short discussion about how the medication works, how she should take it, what to expect from it, and how to handle any possible problems she may encounter. She asks him for more information about the possible side effects, and satisfied, thanks him again."

How To Start A Cooperative

The mother load of information and links on the internet about cooperatives--how to start them and how to run them can be found at <www.wisc.edu/uwcc/>, the site for the University of Wisconsin's Center for Cooperatives (UWCC).

"The UWCC's Mission is to study and promote cooperative action as a means of meeting the economic and social needs of people. The Center works in rural and urban settings in the United States and internationally. It develops, promotes, and coordinates educational programs, technical assistance and research on the cooperative form of business."

"Co-ops are different from for-profit businesses which are owned by one or more investors whose intent is to make a profit by selling goods and services to other businesses and individuals. Co-ops are also distinct from non-profit organizations which are intended to provide educational, charitable and other services and must reinvest any profits they make in their own operations or donate them to other non-profits or to government agencies."

"Cooperatives can be divided into four main categories. **Producer cooperatives** are formed by farmers, craftspeople and other producers to purchase supplies or services and to market products. People form **consumer cooperatives** to buy groceries, financial services (e.g., credit unions) and other goods and services. **Employee-owned cooperatives** are owned by the people who work for the co-ops. For example, many cab companies in the United States are employee-owned. **Business cooperatives** are owned by for-profit businesses, cooperatives or non-profit organizations."

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