

Services Delivered Differently

- Many common procedures do not require an overnight hospital stay
- Technology and specialists needed for complex procedures – delivered regionally
- 37 Kansas hospitals have fewer than 2 patients staying overnight



Service Delivery Has Changed, but Payment Methods Have Not

Cataract Surgery, 1970s	Cataract Surgery, 2000s:
1 hour surgery	10 minute procedure
1-2 days hospitalization	Outpatient surgery centers
Provided only to worst case patients	Available to most patients



Health Care Finance Challenges

- Health care finances are different than many industries
 - What other industry willingly accepts 20 to 30% of a bill...and is happy?
- Some unique aspects of health care finance
 - Highly regulated by government
 - Make the most money when patients stay in hospital
 - Very capital intensive
 - Low profit margins



Biggest sources of revenue don't pay the true "cost" of services



Medicaid
pays \$55

Medicare
pays \$99

In addition, some patients are uninsured and provide no payment

Example illustrates Critical Access Hospital reimbursement



Financial Pressures

- **46%** of rural hospitals nationally are operating at a financial loss
- **75** Kansas rural hospitals are operating at a financial loss and in danger of closing
- Nationally median operating margins **down 10-11%** compared to pre-pandemic

Chartis/Vantage 2021
CHQPR 2020
American Hospital Association 2022
Kauffman Hall 2021



New Impacts on the Bottom Line

- **95%** of health care facilities report hiring temporary staff
- The average pay for a contract nurse has **more than doubled**
- Average hourly wages have **increased 8.5%**
- Labor costs are now **over 50%** of a hospital's total expenses
- Supply costs have **increased 20%**
- Moody's recently gave non-profit/public health care a **"negative outlook"**

American Hospital Association 2021 and 2022



Regulatory Challenges

- Rules about how space in the hospital can be used
- Restrictions on telemedicine
- Rules governing overnight stays
- Prohibition of home visits prior to an inpatient stay
- Rules governing EMS



Options for Rural Communities



Option #1

Partnering with Others

Financial Position
& Stability

The hospital can't sustain itself financially over the long-term.

Facilities &
Equipment

The poor financial position of a hospital makes borrowing money challenging. Patients do not want to come to an old facility with outdated equipment.

Workforce

The ability to recruit and retain physicians and nurses to sustain services that the community needs is deteriorating.

Telemedicine

Telemedicine can bring access to specialty care and additional workforce support to the community.



Option #2

Maintaining a Clinic

The **majority** of health care needs in a community can be addressed in a **physicians' office or clinic** instead of a hospital.



Clinics can provide many services:

- Wellness/Preventative Care
- Immunizations
- Chronic Disease Management
- Diagnostic Labs and Imaging
- Family Planning and Prenatal Care
- Prescription Assistance
- Telemedicine access



Option #3

Rural Emergency Hospital

a.k.a. Primary Health Center



Clinic

Limited hours
No Emergency Services
No Overnight Stays
Primary Care



Rural Emergency Hospital

Open 24/7
Emergency Services
No Overnight Stays
Primary Care
Telemedicine



Hospital

Open 24/7
Emergency Services
Overnight Stays



Services provided by REH

CORE SERVICES

- Primary health care, including prenatal care
- Urgent care
- Emergency care
- Minor outpatient procedures
- Management of chronic conditions
- Telemedicine
- Transportation

OPTIONAL SERVICES

If unavailable locally, may be added:

- Skilled care
- Rehabilitative services
- Behavioral health
- Oral health
- Specialty care (via telemedicine or visiting specialists on site)



Benefits of the Rural Emergency Hospital

- A Kansas solution that **changes the way** health care services are delivered and paid for.
- A health care approach that provides **flexibility so a community can get the services it needs**.
- A place where **24/7 health care** is available.
- An approach to health services that **focuses activities on keeping people healthy**, not to keeping them in the hospital.




Kansas is a Leader in REH Development

- Kansas hospitals have been researching and working on a new model **since 2012**
- Kansas is the **first state** to pass legislation allowing for licensure and operation of a Rural Emergency Hospital - HB 2208 (2021)
- Research showed **more than 75%** of patients using the emergency room would be **fully served** by the new model



REH Might Work in KS

 Findings Brief
NC Rural Health Research Program
July 2021

How Many Hospitals Might Convert to a Rural Emergency Hospital (REH)?
George H. Pink, PhD; Kristie W. Thompson, MA; H. Ann Howard, BS; G. Mark Holmes, PhD

Table 7: State Location of Converters

State	Number
KS	16
TX	7
NE	5
OK	4
IA	3
MT	3
ND	3



Moving Forward



Next Steps for the REH Model

Finalize rules for the operation of the Rural Emergency Hospital

- Centers for Medicare and Medicaid Services is responsible agency
- RFI in August 2021- Kansas has provided input
- Waiting for Proposed Rules and then Final Rules
- Kansas rule making process follows CMS
- REHs to start operating January 2023



Engage Communities in Conversations About the Future

- Education about current environment
- Current state of local hospital/health delivery system
- Discuss essential services
- Review options for the future



Community Conversation Success

Decatur Health, Oberlin Kansas

March 4, 2020

- 80 community members participated
- 92% of attendees recommend other communities have a conversation
- 69% felt the primary health center could meet the communities needs



Rural Hospital Innovation Grant Program

- Created by HB 2208 (2021)
- \$10 M total funding to program - \$1 of state money matching every \$2 of private money
- Application made to KDHE through the county commission
- Excludes Douglas, Johnson, Sedgwick, Shawnee and Wyandotte counties
- Focus is transitional assistance – changing current model to one more appropriate for the community
- Must demonstrate that COVID-19 funds have been exhausted
- Sunsets July 1, 2025

