



Vermont Association of
Hospitals and Health Systems

Critical Access Hospital Overview

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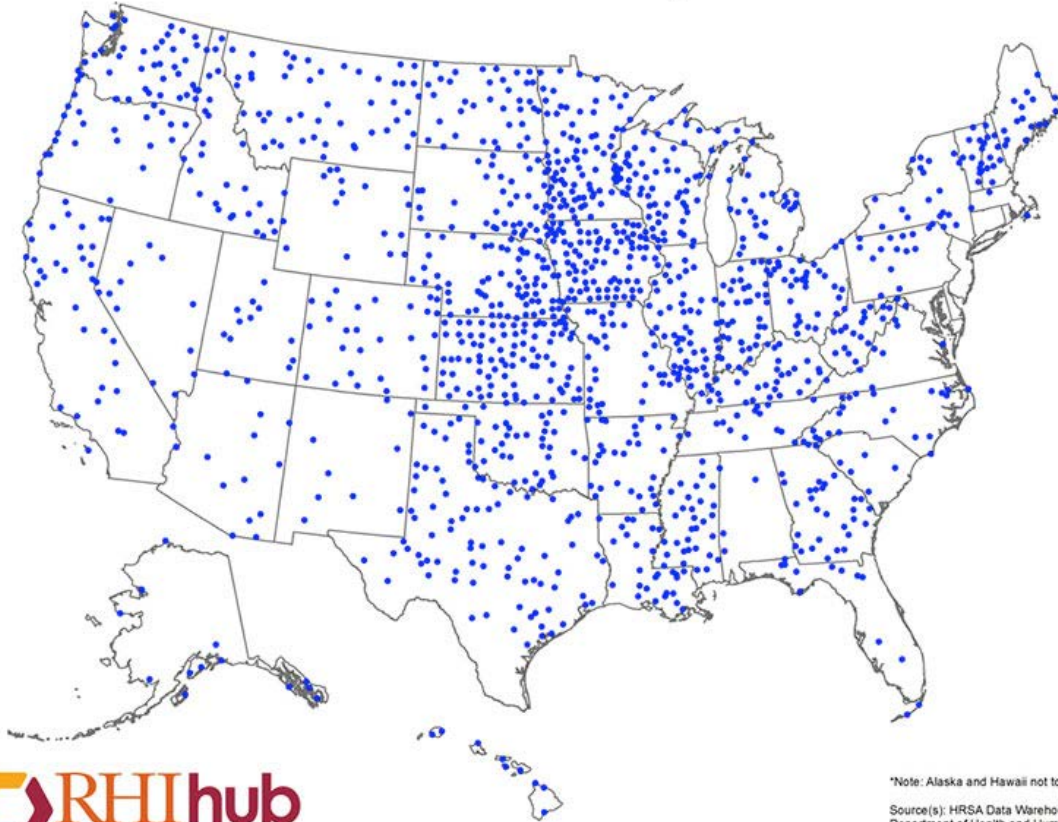
Critical Access Background

- Created by Balanced Budget Act of 1997
- Designation designed to *reduce financial vulnerability* of rural hospitals and *improve access to health care* by keeping essential service in rural communities.



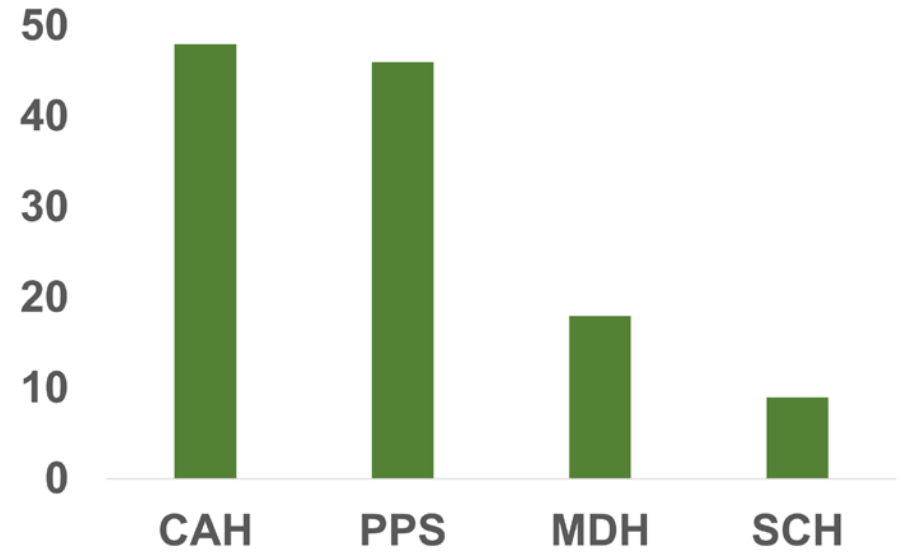
Critical Access Background

Critical Access Hospitals



*Note: Alaska and Hawaii not to scale
Source(s): HRSA Data Warehouse, U.S. Department of Health and Human Services, November, 2017

2005-17 rural hospital closures:
What were their Medicare payment classifications?



Source: Federal Office of Rural Health Policy



Critical Access Eligibility

To be designated as Critical Access, the hospital must...

- Have 25 or fewer acute-care, inpatient beds
- Be located more than 35 miles (or 15 miles if mountainous) from another hospital
 - Or designated as a necessary provider before January 1, 2006.
- Maintain an annual average length of stay of 96 hours or less for acute-care patients
- Provide 24/7 emergency care services



Critical Access Overview

- Eight of Vermont's 14 acute-care hospitals are designated CAHs
- Regulatory requirements are not eliminated
 - State – Same as PPS hospitals and academic medical center
 - Federal – Medicare Conditions of Participation and quality reporting
- CAH status does not guarantee financial success
 - CAHs typically have higher fixed costs
 - CAHs have high governmental payer percentages and cost shift
- Services offered by a CAH are aimed at meeting community needs



Critical Access Reimbursement

| Payer | Inpatient | Outpatient | Notes |
|---|-----------------------------|-----------------------------|---------------------------------------|
| Medicare* | 101 % of Cost | 99% of Cost** | Medicare Cost Reports Not Actual Cost |
| Medicaid* | Prosepective Payment | Prosepective Payment | Payments Cover estimated 50% of costs |
| Commercial | Blend of PPS or % of Charge | Blend of PPS or % of Charge | Negotiated Contract |
| * Medicare and Medicaid make up more than 60% of NPSR | | | |
| ** Was 101% reduced by 2% for sequestration; exludes non-allowable expenses (i.e.provider tax and physician services) | | | |

