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

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

Source: Federal Office of Rural Health Policy

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

<table>
<thead>
<tr>
<th>Payer</th>
<th>Inpatient</th>
<th>Outpatient</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare*</td>
<td>99% of Cost</td>
<td>99% of Cost**</td>
<td>Medicare Cost Reports Not Actual Cost</td>
</tr>
<tr>
<td>Medicaid*</td>
<td>Prospective Payment</td>
<td>Prospective Payment</td>
<td>Payments Cover estimated 50% of costs</td>
</tr>
<tr>
<td>Commercial</td>
<td>Blend of PPS or % of Charge</td>
<td>Blend of PPS or % of Charge</td>
<td>Negotiated Contract</td>
</tr>
</tbody>
</table>

* Medicare and Medicaid make up more than 60% of NPSR

** Was 101% reduced by 2% for sequestration; excludes non-allowable expenses (i.e. Provider tax and physician services)