

Small Rural Hospital Improvement Program (SHIP) FY 2025 Allowable and Unallowable Investment Activity Examples

Clarification of Allowable and Unallowable Investments

The Small Rural Hospital Improvement Program (SHIP) supports eligible hospitals in meeting value-based payment and care goals for their respective organizations, through purchases of hardware, software subscription services, and training. SHIP also enables small rural hospitals: to become or join accountable care organizations (ACOs); to participate in shared savings programs; and to purchase health information technology (hardware and software) including subscriptions, equipment, and/or training to comply with quality improvement activities such as advancing patient care information, promoting interoperability, and payment bundling.

Unallowable investments include, but are not limited to, hospital patient care services, hospital staff travel costs, hospital staff salaries, or general medical and office supplies. The **FY 2025 Allowable Investment Table** below outlines examples and suggested topic areas by category to assist eligible SHIP hospitals in planning and selecting activities. Hospitals should contact their [State Office of Rural Health \(SORH\)](#) with questions regarding the appropriateness or fit of a certain activity, training, or hardware/software purchase.

FY 2025 SHIP Funding Priorities

Critical Access Hospitals must first meet the SHIP funding priority before using resources to support investments in other areas. SHIP funding priority areas include:

SHIP funds should be prioritized by participating Critical Access Hospitals (CAH) in the following manner:

- 1) Hospitals must meet MBQIP (see <https://www.telligen.com/rqita> ; <https://www.hrsa.gov/rural-health/grants/rural-hospitals/medicare-beneficiary-quality-improvement>) participation requirements in order to improve hospital quality outcomes. Non-federal tribal hospitals may use another culturally sensitive federally managed measure of hospital quality outcomes.

If a CAH meets MBQIP requirements and funds remain, then that hospital may select a different activity listed on the SHIP Allowable Investments (<https://www.ruralcenter.org/ship/allowable-investments>), contained within the hospital application.

If a CAH or non-CAH (PPS hospital) is currently using all hardware, software, equipment, and/or trainings listed on the SHIP Allowable Investments (<https://www.ruralcenter.org/resources/ship-allowable-investments-spending-categories>), the hospital may select an alternative hardware, software, equipment, and/or training provided:

- 1) the purchase will optimally affect the hospital's ability to transform its practice and participate in a Medicare Shared Savings Program or an ACO, increase value based purchasing objectives, aid in the adoption of ICD-11, and/or support care transitions/coordination. Hospitals are encouraged to align SHIP purchases in ways that ensure the consistent and systematic fair, just, and impartial treatment¹ of all patients by addressing Social Drivers of Health² (SDOH) to improve the quality of healthcare provided; and
- 2) The hospital receives permission from both its SORH SHIP Program Coordinator and the state's [FORHP Project Officer](#).

¹ As defined by Executive Order 13985: <https://www.federalregister.gov/documents/2021/01/25/2021-01753/advancing-racial-equity-and-support-for-underserved-communities-through-the-federal-government>

² Social determinants of health (SDOH) are the conditions in the environments where people are born, live, learn, work, play, worship, and age that affect a wide range of health, functioning, and quality-of-life outcomes and risks. <https://health.gov/healthypeople/priority-areas/social-determinants-health>

The **FY 2025 Allowable Investment table** below is not a complete list and is only intended to provide examples of allowable SHIP activities. For additional clarification, refer to the [SHIP Allowable Investments Search Tool](#) and [Frequently Asked Questions \(FAQs\)](#) available on the [SHIP TA](#) website.

Examples of Value-Based Purchasing (VBP) Investment Activities

VBP Investment Activities	Examples of Allowable Activities
A. Quality reporting data collection/related training or software	<p>CAHs must participate in the Medicare Beneficiary Quality Improvement Project (MBQIP).</p> <p>MBQIP Resources:</p> <ul style="list-style-type: none"> • Data Reporting and Use • MBQIP State Flex Program Key Resources • Core Competency: Strengthening Quality Reporting and Improvement • Online MBQIP Data Abstraction Training Series • MBQIP Core Measures Set Guide • Emergency Department Transfer Communications <p>Any activity to support process improvements that result in improved quality reporting and/or inpatient and outpatient measures for PPS acute care hospitals.</p> <ul style="list-style-type: none"> • Quality Net • Hospital Outpatient Quality Reporting Program
B. MBQIP data collection process/related training	<p>Activities to improve MBQIP patient engagement data collection, and reporting for MBQIP measures including provider communications and patient and family engagement that directly impacts patient satisfaction scores. Hospitals may use funds to support an HCAHPS vendor to assist them in fully implementing MBQIP patient engagement measures through HCAHPS and improved reporting.</p> <ul style="list-style-type: none"> • HCAHPS Overview: Vendor Directory

VBP Investment Activities	Examples of Allowable Activities
	<ul style="list-style-type: none"> • HCAHPS Online
C. Efficiency or quality improvement training in support of VBP related initiatives	<p>To support MBQIP measures in patient safety and care transitions, consider adopting Six Sigma, Lean, Plan-Do-Study-Act, or other such efficiency or quality improvement processes to address performance issues related to VBP initiatives, such as the following:</p> <ul style="list-style-type: none"> • Value Based Care in Action • Discharge planning • Patient safety • Reducing readmissions • Antibiotic stewardship • Immunization • Hospital Safety Training & Emergency Preparedness
D. Provider-Based Clinic (Rural Health Clinic) quality measures education	<p>Any activity that supports educational training for provider-based clinic quality improvement reporting and scores, including patient satisfaction survey scores.</p> <ul style="list-style-type: none"> • SHIP State Learning Collaborative <ul style="list-style-type: none"> ○ Part I: Learning Collaborative: Improving Quality Reporting in Provider-Based Rural Health Clinics ○ Webinar Recording ○ Slide Deck ○ Part II: Learning Collaborative: Improving Quality Reporting in Provider-Based Rural Health Clinics ○ Webinar Recording ○ Slide Deck

VBP Investment Activities	Examples of Allowable Activities
	<ul style="list-style-type: none"> • Rural Health Clinic Quality Reporting Initiatives
E. Alternative Payment Model and Quality Payment Program training/education	<p>Software or training to prepare staff and physicians for the Quality Payment Program (QPP), which determines payment based on quality, resource use, clinical practice improvement, health equity, and meaningful use of certified electronic health record (EHR) technology.</p> <ul style="list-style-type: none"> • Quality Payment Program: Small, Rural, and Underserved Practices • Physician and Provider Engagement and Alignment • Population Health Management • MACRA/MIPS Overview and Eligibility • Value-Based Payment Models and Data

Examples of Accountable Care Organization (ACO) or Shared Savings Investment Activities

ACO or Shared Savings Investment Activities	Examples of Allowable Activities
A. Computerized provider order entry implementation (CPOE) and/or training	Any educational trainings that support use and implementation. <ul style="list-style-type: none"> • Pharmacist Computerized Provider Order Entry
B. Pharmacy services training, hardware/ software, and machines (not pharmacists; services or medications)	<ul style="list-style-type: none"> • Telepharmacy training, hardware, software
C. Population health or disease registry training and/or software/hardware	<p>Educational training, or hardware/software to support the development and implementation of a disease registry for care coordination.</p> <ul style="list-style-type: none"> • Project ECHO • SHIP training: Care Coordination <p>Software and training for analysis of population health needs by chronic disease or geographic location for care management programs.</p> <ul style="list-style-type: none"> • Population Health Toolkit • Population Health Management Technology • Software for Population Health Management
D. Social drivers/determinants of health (SDOH) screening software/training	<p>Software and training for analysis of social determinants of health (SDOH) for improving health outcomes and care management programs.</p> <ul style="list-style-type: none"> • Social Drivers of Health and Health-Related Social Needs

ACO or Shared Savings Investment Activities	Examples of Allowable Activities
	<ul style="list-style-type: none"> • County Health Rankings
E. Efficiency or quality improvement training or software in support of ACO or shared savings related initiatives	<p>Quality Improvement trainings such as the following:</p> <ul style="list-style-type: none"> • IHI Plan Do Study Act (PDSA) • Root Cause Analysis (RCA) • TeamSTEPPS and Lean Process planning • CMS Abstraction & Reporting Tool <p>Consider other efficiency or quality improvement trainings or software to address performance issues related to the following:</p> <ul style="list-style-type: none"> • Medicare spending per beneficiary • Non-clinical operations • Swing-bed utilization and quality measures • Care coordination • Population health • Health Information Exchange (with traditional and/or non-traditional partners)
F. Systems performance training in support of ACO or shared savings related initiatives	<p>Hospitals interested in systems performance training should consider adopting a framework approach in transitioning to value-based system planning such as one of the following:</p> <ul style="list-style-type: none"> • Performance Excellence (PE) Blueprint for small rural hospitals based on the Baldrige Framework • Strategy Map and Balanced Scorecard development

ACO or Shared Savings Investment Activities	Examples of Allowable Activities
G. Telehealth and mobile health hardware/software (not telecommunications)	<p>Training hardware/software that supports the application and implementation of telehealth and/or telemedicine. Tablets and hardware/software investments are allowed if they are used by staff to improve operational efficiencies and telehealth services.</p> <ul style="list-style-type: none"> • Rural Telehealth Toolkit • Telehealth Resource Collection • Telehealth Resource Centers • CAH Telehealth Guide
H. Community paramedicine hardware/software and training	<p>Community Paramedic Program (CPP) training. If the hospital and/or hospital-owned ambulance units has a formal CPP, then hardware/software can be purchased to support the CPP to reduce inappropriate Emergency Department Use and emergency department and readmissions. However, use of SHIP funding for general EMS equipment is not allowable.</p> <ul style="list-style-type: none"> • Rural EMS • Rural Community Ambulance Agency Transformation Toolkit

Examples of Payment Bundling (PB) or Prospective Payment System (PPS) Investment Activities

PB or PPS Investment Activities	Examples of Allowable Activities
A. ICD-11 software	<p>Hospitals may use funds to support an ICD-10 vendor to assist them in fully implementing and/or updating ICD-10-CM and related software/hardware to prepare for ICD-11. Hospitals may also use funds for:</p> <ul style="list-style-type: none"> • Trainings that update and computerizes hospital policies and procedures to implement ICD-11 • Hardware/software investments that improve quality, efficiencies, and coding
B. ICD-11 training	<p>Hospitals may use funds to support an ICD-10 vendor facilitate ICD-10-CM trainings and/or ICD-11 preparedness trainings. This may include:</p> <ul style="list-style-type: none"> • Training to support coding and reimbursement to prepare for and implement ICD -11 <ul style="list-style-type: none"> ○ ICD-11 for SHIP Grantees • Training to support Revenue Cycle Management documentation improvements that result in increased coding compliance • Revenue Cycle Bootcamp Part I • Revenue Cycle Bootcamp Part II • Training for collecting and reporting on Z-Codes (SDOH)
C. Efficiency or quality improvement training in support of PB or PPS related initiatives	<p>Training that improves processes through adoption of best practices and the transition to value-based payment strategies such as the following:</p> <ul style="list-style-type: none"> • Financial and operational strategies

PB or PPS Investment Activities	Examples of Allowable Activities
	<ul style="list-style-type: none"> • 340B Training
D. S-10 Cost Reporting training	<ul style="list-style-type: none"> • Debt and charity care training • Training to improve charity care processes and develop policy guidelines for S-10 Cost Reporting • Training examples: <ul style="list-style-type: none"> ○ Understanding the S-10 Cost Report Slide Deck Part One ○ Understanding the S-10 Cost Report Slide Deck Part Two
E. Price transparency training	<p>Software and training to support hospital compliance with price transparency rule. SHIP funds may be used to support a consultant or vendor to build price transparency software and/or for website development, as well as maintenance or updates to the software or website. SHIP funds can support staff training by a consultant.</p> <ul style="list-style-type: none"> • SHIP Price Transparency Guide • Price Transparency: Making the Most of the 2021 Requirement <p>Training on revenue cycle management to improve processes that provide clear information about charges and cost to Medicare beneficiaries. Training examples:</p> <ul style="list-style-type: none"> • Chargemaster, Pricing Transparency, Charges • Chargemaster Review