

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

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SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

Program Basics and Eligibility Requirements

[What is SHIP?](#)

SHIP, the Small Rural Hospital Improvement Grant Program, is a program run through the Health Resources and Services Administration's Federal Office of Rural Health Policy. Through SHIP, small rural hospitals that meet certain eligibility requirements are able to apply for funding to assist in the implementation of activities related to:

- Value-Based Purchasing (VBP)
- Accountable Care Organizations (ACOs)/Shared Savings
- Payment Bundling (PB)/Prospective Payment System (PPS)

SHIP is authorized by section 1820(g)(3) of the Social Security Act.

[How do hospitals apply for SHIP funding?](#)

Direct federal funding for SHIP is secured through the State Office of Rural Health in each of the 47 states with eligible hospitals. States in turn solicit applications from their SHIP eligible hospitals.

[Who is eligible for SHIP?](#)

Eligible small rural hospitals are non-federal, short-term general acute care facilities located in a rural area of the United States and the territories, including faith-based hospitals. They may be for-profit, not-for-profit or tribal organizations.

[Which states participate in SHIP?](#)

All states participate in SHIP, except Delaware, New Jersey and Rhode Island which have no SHIP eligible hospitals.

[What is the SHIP application and award process?](#)

The State Office of Rural Health (SORH) submits a grant application to the Federal Office of Rural Health Policy within the Health Resources and Services Administration (HRSA) on behalf of eligible hospital applicants in their state. The SORH is the official grantee of record and serves as the fiscal intermediary for all eligible hospitals within the state. The SORH receives the federal funds, verifies hospital eligibility, makes awards to eligible hospitals and ensure appropriate use of funds. At the end of the grant period, the SORH submits a financial report to the HRSA Division of Grants Management Operations (DGMO).

[How do hospitals qualify as rural?](#)

Hospitals can qualify as rural, even though they are not in non-Metro counties or eligible Census Tracts, by being designated as rural, either by statute or regulation by the State government. All critical access hospitals are rural by definition and qualify for SHIP.

[Can SHIP hospitals, affiliated with large health system and who no longer file cost reports, attest that they are still operating with 49 beds or less?](#)

Yes, they can attest to the number of beds from hospital administrator.

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

Can a SHIP eligible hospital affiliated with a large hospital system, use the combined cost report information for the system?

Yes, hospitals can submit an attestation from the Chief Executive Officer or Chief Financial Officer indicating they are operating at 49 beds or less.

What is the SHIP Purchasing Menu?

In 2013, in order to ensure effective use of SHIP funding and increase program integrity, the Federal Office of Rural Health policy instituted a SHIP Purchasing Menu from which eligible SHIP hospitals select investments. Investment activities are broken into three categories: Value-Based Purchasing, Accountable Care Organizations (ACOs)/Shared Savings and Payment Bundling (PB)/Prospective Payment System (PPS). Activity priorities are set each year based on current industry trends.

SHIP Coordinator Guidance

Does the same amount of funding have to be provided to all hospitals?

Yes, all hospitals must receive the same amount of money. Pooling of funds in the form of networks or consortia is encouraged as a way to increase purchasing power of hospitals pursuing similar activities.

SHIP funds were used for a different category than what the hospital initially asked for so what should I do?

Remind the hospital of their agreement, monitor, evaluate progress and likelihood of it happening again and if it does, exclude them from future participation. They should seek prior approval from SHIP Coordinator/State Office of Rural Health before changing activities.

Can SHIP funds be used to support provider-based rural health clinic (RHC) investments?

Yes, SHIP funds can be used to support RHC investments as long as they are aligned with the SHIP menu. Additional guidance and examples of RHC investments are provided in the SHIP Investment Menu.

Can a hospital spend leftover money on another activity on the SHIP purchasing menu?

Hospitals that have realized a cost savings can spend leftover activities on other SHIP investments. The State Office of Rural Health must approve any change in use of funds.

What can the State Office of Rural Health do if hospitals do not spend all funds?

State Offices can redistribute funds among all hospitals or undertake a SHIP-oriented training. They may also develop a special project aligned with SHIP guidance and hospital needs. If the SHIP Coordinator has questions, they should contact the Federal Office of Rural Health Policy Program Officer for guidance.

Funds cannot be transferred to another participating hospital without prior FORHP approval.

Can state SHIP Program staff salaries be paid with SHIP funds?

Yes, personnel costs are allowed only for award oversight; this does not include hospital personnel. Remember, SHIP is primarily a pass-through for hospital improvement so budgets will be scrutinized for reasonable costs.

Can indirect costs be included in the SHIP budget?

Yes, indirect costs up to 15% can be allocated for the State Office of Rural Health.

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

Can the State Office of Rural Health alter the hospital application to include more questions or requirements?

Yes, as long as all the information needed for the State Spreadsheet of SHIP Applicants is gathered, the form can be altered to meet state needs. This includes requiring hospitals to submit additional documentation needed at the state level.

Are states required to submit individual hospital applications to the Federal Office of Rural Health Policy or do they keep them on file again?

States should keep hospital applications on file for the fiscal year for which they are applying. As part of integrity oversight and monitoring, FORHP may randomly ask States to provide signed applications.

Are electronic signatures acceptable for the hospital applications?

The Federal Office of Rural Health Policy has indicated that electronic signatures are acceptable from their perspective. State Office of Rural Health will want to ensure their application process aligns with any state requirements for signatures.

The hospital application requires that hospitals agree to select investments for which they will be able to demonstrate measurable outputs/outcomes and to report those measures and progress to the State Office of Rural Health (SORH) upon request and at the end of the program year. What kinds of measures should the hospitals be tracking and what is the SORH supposed to do with that information?

At this time there is no standard set of measures for SHIP investments; however, program integrity is of utmost importance and therefore states are encouraged to maintain communication with their hospitals regarding use of their funds and outcomes from their SHIP activities. SORH's can use what they learn in this regard to inform future projects at other hospitals and to identify opportunities for pooling of resources to maximize SHIP investment.

Hospital Guidance

What are the funding priorities a hospital must follow in selecting investment activities?

The first priority is that hospitals must fully implement the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) and ICD-10. Furthermore, hospitals must publicly report HCAHPS scores to Hospital Compare. Priority is not given to one over the other of HCAHPS and ICD-10 and hospitals may choose to work on both simultaneously.

The second priority for investment activities are all other options listed on the SHIP purchasing menu. For examples of efficiency, quality improvement or systems performance activities, see the [Examples of Investment Activities](#) section in this document.

If a hospital has already completed ALL investments listed on the SHIP purchasing menu, the hospital may identify an alternative piece of equipment and/or service ONLY IF: a) the purchase will optimally affect the hospital's transformation into an accountable care organization, increase value-based purchasing objectives and/or aid in the adoption of ICD-10; and b) the hospital receives pre-approval from both the state SHIP Coordinator and the appropriate Federal Office of Rural Health Policy project officer.

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

What does a hospital need to do to get our HCAHPS scores displayed on Hospital Compare?

If a hospital is using a vendor for HCAHPS, the vendor should be able to walk the hospital through the process of ensuring all the necessary pieces are in place to allow data to appear on Hospital Compare. This will include at a minimum completing a vendor authorization and the Hospital Inpatient Quality Reporting Notice of Participation, both through QualityNet.

What if a hospital has completed the necessary steps to allow for our HCHAPS data to appear on Hospital Compare, but due to low volumes, the data is suppressed? Is the hospital allowed to choose a different investment activity from the SHIP Purchasing Menu?

Yes, so long as the hospital has taken all the necessary steps to allow for HCAHPS data to appear on Hospital Compare, the hospital is allowed to select a different investment from the SHIP Purchasing Menu.

Do hospitals have to allocate 100% of funds to one category?

No, hospitals may split funding between different SHIP Purchasing Menu categories.

Are hospitals allowed to change their investment after they have submitted their application?

The State SHIP Coordinator has discretion to determine if a change in investment can/should be made. In an effort to ensure program integrity, coordinators may want to monitor hospitals that make such requests closely. Some coordinators have implemented deadlines for hospital changes to investments.

Can hospitals select the same priority 2 years in a row?

Yes, they can.

Can hospital staff salaries be paid with SHIP funds?

No, SHIP funds cannot be used for salaries at the hospital.

Can travel be paid for with SHIP funds?

No, SHIP funds cannot be used for travel.

If a hospital has SHIP money left over after completing chosen investments, can the hospital spend that money on another activity from the SHIP purchasing menu?

Hospitals that have realized a cost savings can spend leftover activities on other SHIP investments. The State Office of Rural Health must approve any change in use of funds.

Can SHIP funds be used to pay for an internal training conducted by an affiliated hospital system?

Yes, with SHIP Coordinator approval and understanding of how the training aligns with selected SHIP menu activity and supports improvement.

Can SHIP funds be spent on an HCHAPS vendor?

Yes, because many hospitals cannot afford the costs of HCAHPS without SHIP and because it is part of quality improvement.

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

Is it possible for hospitals to pool SHIP funds on a shared activity?

Yes, pooling SHIP funds amongst hospitals is a great way to make efficient use of resources. The State Office of Rural Health must be involved in establishing any such projects.

Can a hospital use SHIP funding to purchase tablets?

Tablets and other technology/hardware investments are allowed if they will be used by staff to support efficiencies. Tablets for patient entertainment purposes are not allowed.

The application asks if the applicant hospital is participating in various Centers for Medicare and Medicaid Services (CMS) programs. Where can I find out more about these programs?

Click on the links below to find out more about each of the CMS programs included on the hospital application:

- [Medicare Shared Savings Program](#)
- [Pioneer Accountable Care Organization Model](#)
- [Hospital Inpatient Quality Reporting Program](#)
- [Hospital Compare](#)
- [Hospital Value-Based Purchasing Program](#)

Examples of Training and/or Project Investment Activities

Many of the investment options on the SHIP Purchasing Menu are self-explanatory, while a few are more general in nature. What follows are examples of activities a hospital may undertake for some of the broader investment activities. **Please note, this is not an exhaustive list;** rather it is meant to provide some examples to assist hospitals in selecting activities that will work best for them and fit under the guidelines of the program. Hospitals should contact the State Office of Rural Health (SORH) with questions regarding the appropriateness or fit of a certain activity. SORHs with similar questions should contact the appropriate Federal Office of Rural Health Policy project coordinator.

What are examples of activities for the investment option (C) under the category Value-Based Purchasing (VBP): *Efficiency or quality improvement training/project in support of VBP initiatives?*

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:

- Patient experience of care
- Clinical care processes and outcomes
- Patient safety
- Reducing readmissions
- Reducing infections
- Medicare spending per beneficiary

SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM (SHIP) FREQUENTLY ASKED QUESTIONS (FAQS)

What are examples of activities for the investment option (D) under the category Accountable Care Organization (ACO) or Shared Savings: *Efficiency or quality improvement training/project in support of ACO/Shared Savings initiatives?*

Consider adopting Six Sigma, Lean, Plan-Do-Study-Act or other such efficiency or quality improvement processes to address performance issues related to ACO/Shared Savings initiatives, such as the following:

- Non-clinical operations
- Board organization/operations
- Multihospital/network projects (traditional and/or non-traditional partners)
- Emergency Department Transfer Communications
- Health Information Exchange (with traditional and/or non-traditional partners)
- Swing bed utilization
- Care coordination
- Population health

What are examples of activities for the investment option (E) under the category Accountable Care Organization (ACO) or Shared Savings: *Systems performance training?*

Hospitals interested in systems performance training may want to consider adopting a framework approach, such as one of the following:

- Baldrige
- Balanced Score Card
- Logic Model

What are examples of activities for the investment option (C) under the category Payment Bundling/Prospective Payment System (PB/PPS): *Efficiency or quality improvement training/project in support of PB/PPS initiatives?*

Consider adopting Six Sigma, Lean, Plan-Do-Study-Act or other such efficiency or quality improvement processes to address performance issues related to PB/PPS, such as the following:

- Financial improvement
- Operational multi-hospital/network projects