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How Many Rural Hospitals Might Convert to a Rural Emergency Hospital (REH)?

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Supporting New Models of Payment and Delivery

TASC 90 Webinar

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Legislative Origin of REH

- The Consolidated Appropriations Act 2021 creates a new facility called a “rural emergency hospital” (REH) that is defined as a facility that provides:
  - emergency department (ED) care
  - observation care
  - outpatient services
  - optional skilled nursing facility (SNF) care in a distinct part unit
- REHs do not provide acute care inpatient services
- Emergency Medical Treatment and Active Labor Act of 1986 (EMTALA) will apply
- REH can be an originating telehealth site

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REH Eligibility and Application

- *Hospital eligibility to become a REH.*
  - Critical Access Hospitals (CAHs) and rural hospitals with 50 beds or less
- *Application to become a REH*.
  - an action plan for initiating REH services
  - a list of services that will be provided on an outpatient basis
  - information about how the additional facility payment will be used
  - State approval of REH licensure.

REH Requirements

- Must not exceed an annual per patient average of 24 hours;
- Must be staffed 24 hours a day, 7 days a week by a physician, nurse practitioner, clinical nurse specialist, or physician assistant;
- Must meet the Medicare licensure requirements and staffing responsibilities of an ED;
- Must have a transfer agreement in place with a level I or II trauma center;
- Must meet conditions of participation applicable to CAH emergency services and hospital EDs;
- Must meet the DPU requirements if REH is a DPU of a SNF.

REH Medicare Payment

Type of payment	Method Used to Calculate Funding
Monthly additional facility payments	Calculated as 1/12th of the excess of (if there is any): the total amount that was paid for Medicare beneficiaries to all CAHs in 2019; minus the estimated total amount that would have been paid for Medicare beneficiaries to all CAHs in 2019 if payment had been made for inpatient hospital, outpatient hospital, and SNF services under the applicable PPS; divided by the total number of CAHs in 2019
Outpatient	Current OPPS X 1.05
Outpatient copayment	Based on current OPPS
SNF DPU	Current SNF PPS
Ambulance	Current ambulance fee schedule
Rural Health Clinic	Same rate as <50 bed hospital (payment limit exception)

REH Quality metrics and evaluation reports

- Beginning in 2023, REHs will be required to submit data for quality measurement.
- Quality measures will be made public and will be posted on the CMS website.
- Reports will be conducted to evaluate the impact of REHs on the availability of healthcare and health outcomes in rural areas after 4 years, 7 years, and 10 years of enactment.

REH Reception so far

- *Optimism*
  - Model could be an alternative for communities facing hospital closure
- *Pessimism*
  - No mention of capital in legislation - existing hospital buildings will not be usable for REHs
  - Why would an REH have a SNF DPU that requires 24-hour coverage and the associated costs but not have inpatient beds?
  - Biggest obstacle could be community resistance to replacement of an inpatient facility with 150 FTEs with an REH that only has 25 FTEs
  - Size of CMS monthly additional facility payments may deter most hospitals from considering conversion

REH Reception so far (continued)

- For example, assume:
  - Total Medicare cost-based payments to all CAHs in 2019 was $14 billion*
  - The estimated PPS payments for the CAH services would have been $11B**.
  - 1,350 CAHS are included in the above payments.
- Additional facility payment (AFP) for each REH in 2023: ($14B - $11B = $4B / 1,350) = $2.2 million

* MedPac estimated $10B to all CAHs in 2015.

** On March 10, 2011, the Congressional Budget Office (CBO) released a report entitled “Reducing the Deficit: Spending and Revenue Options.” In this report, the CBO states that hospitals benefiting from the special adjustments for CAHs, MDHs, and SCHs are paid about 25% more, on average, for inpatient and outpatient services than the payments that would otherwise apply.

Policy Question

- REH is a new Medicare payment classification, the first in over 20 years
- The number of rural hospitals that might convert to a REH is unknown
- Range of guesses I have heard: 0 - 100 rural hospitals might convert to REHs
- Policy question: How many rural hospitals might convert to a REH?

Hypothesis and Method

- Hypothesis
  - Financial and operational measures of closed hospitals are predictive of rural hospitals that are likely to consider conversion to REH
- Method
  - Financial and operational measures of **closed** hospitals were compared to **open** hospitals
  - Measures that differed the most between closed and open hospitals were identified
  - A few measures will be selected to predict hospitals that are likely to consider conversion

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Your opinion:

- Given what is known about the REH model to date, what types of rural hospitals are most likely to be interested in conversion to a REH?
  - Financially distressed?
  - Low ADC?
  - Low amount of net patient revenue?
  - CAH? PPS? MDH? SCH?
  - Government-owned? Not-for-profit? For profit?
  - System-affiliated? Independent?
  - Have RHC?
  - Provide long-term care?
  - Remote location?
  - Other?

Please use the chat box

Answers will not be attributed to specific individuals

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Next steps

- The predictors you have suggested will be considered in determining the potential number of rural hospitals that might convert to a REH
- Results will be written up in a NC Rural Health Research Center findings brief
- Results will be presented at the next meeting of the National Advisory Committee on Rural Health and Human Services

Thanks for your input!

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North Carolina Rural Health Research Program

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Resources

North Carolina Rural Health Research Program
http://www.shepscenter.unc.edu/programs-projects/rural-health/

Rural Health Research Gateway
www.ruralhealthresearch.org

Rural Health Information Hub (RHIhub)
https://www.ruralhealthinfo.org/

National Rural Health Association
www.ruralhealthweb.org

National Organization of State Offices of Rural Health
www.nosorh.org

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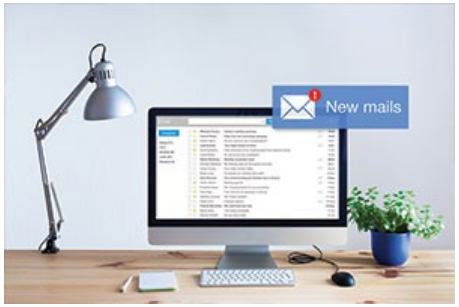

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