
**Kentucky Hospital Association Response**
**HHS Office of Inspector General Report on Critical Access Hospitals**
**August 2013**

The Health and Human Services Office of Inspector General (OIG) released a report on August 15 titled "Most Critical Access Hospitals Would Not Meet the Location Requirements if Required to Re-Enroll in Medicare." The study was performed to determine the number of CAHs that today meet the original mileage requirements established for the CAH program in 1999. The OIG conducted the study by plotting the locations of CAHs and other hospitals into a mapping program to determine their mileage from another acute care hospital. The OIG reports that nearly two thirds of the nation's CAHs would not meet the mileage standard and should be stripped of their CAH designation in an effort to save dollars to the Medicare Program.

Background

The critical access hospital (CAH) program came about in the aftermath of the Balanced Budget Act when many community hospitals across the country could not keep their doors open under a revised payment system but were very much necessary in order to ensure access to health care by rural, vulnerable populations. The CAH program provides a stable cost-based payment system and 32 Kentucky hospitals enrolled in the program. Today, there are 29 Kentucky CAHs. A hospital could meet the CAH criteria in one of two ways: 1. Be located in a rural area and greater than 35 miles from another hospital (15 miles in mountainous terrain and/or secondary roads); or 2. Be located in a rural area and deemed as a "necessary provider of care." Each state was allowed to develop criteria to define "necessary provider" and Kentucky characteristics included high poverty levels, high percent of unemployment, high elderly population, high percentage of Medicare and/or Medicaid patients.

The Issue

While the CAH program, which pays 101 percent of cost for Medicare patients and Medicaid patients (Kentucky-specific), the reimbursement rate is in no way a "cash cow" for our small rural hospitals. In fact, 2011 cost report data shows that 60% of Kentucky's CAH had a negative profit margin. Struggling economies, persistent unemployment rates and lack of private insurance are still significant challenges CAHs face in Kentucky.

The OIG recommends the Centers for Medicare and Medicaid Services re-evaluate the distance between CAHs and other acute care hospitals and seek federal legislation to strip the CAH designation for hospitals that do not meet the distance criteria. The OIG makes further recommendations to develop alternative location-related requirements, ensure that it periodically reassesses CAHs for compliance with these requirements and apply uniform definitions of mountainous terrain to all CAHs.


All Kentucky CAHs were designated prior to January 2006 and were not held to the mileage rules. Further analysis must be done to determine if CAHs would meet the 35 and 15 mile rules that were clarified in 2007.

Talking Points

1. The OIG recommendations would create a significant loss in access to quality acute care hospital services in rural Kentucky:
   - Under this report, the majority of Kentucky's CAHs would lose their CAH designation and many report they would not be able to continue services to their communities.
   - Kentucky's 29 CAHs are located in rural areas and operate emergency room services which are available 24/7. Hospital EDs are most often the only access to 24/7 care.
   - Kentucky's 29 CAH provide care of the residents of 40 Kentucky counties with no hospital. If we lose one CAH, it reduces access not only for that county but for surrounding counties with no hospital.
   - Rural residents have a 20 percent higher risk of death from injury or accident in rural areas than in urban areas. If we lose access to our rural EDs, the outcome of traumatic injury will worsen.

2. We cannot afford to lose access to health care at a time when we are expanding insurance coverage to Kentuckians under the Accountable Care Act:
   - Hospitals are the highest recruiters of primary care physicians and specialists to rural settings. If our rural communities lose their CAH, the ability to maintain and recruit needed physicians is nearly impossible.
   - A recent study performed by Deloitte for the Kentucky Health Benefits Exchange reports Kentucky has a shortage of 3,000 physicians statewide with 60 percent of those needed in rural areas.

3. The OIG report is incorrect to state that eliminating CAHs would save money. CAHs save taxpayers money by providing low-cost, high quality health care close to home.
   - Care provided in a CAH makes up only 2% of the total Medicare budget and less than 5% of the Medicare hospital budget. If CMS wants to save money, it does not make sense to focus on such a small-budget program.
   - Providing quality care closer to home prevents added expenses related to patient travel and it also enables family and friends to support patients.

4. Eliminating the CAH program would result in hospital closures and would NOT save tax payer dollars:
   - CAHs are the top two leading employers in their local economies providers


- Having a local hospital helps to enhances the ability of the community to recruit businesses and industry locally
- CAHs and their employees pay more than $28 million in local and state taxes annually, far outweighing the savings of eliminating the CAH program.

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