Kansas Community Hospitals

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127 Kansas Community Hospitals - Including 84 CAHs

Kansas Hospital’s “At a Glance”

Classification of Hospitals

Urban
- Kansas City
- Lawrence
- Manhattan
- Topeka
- Wichita

Rural
- Statewide Rural
- Sole Community Hospitals (11)
- Medicare Dependent Hospitals (5)
- Rural Referral Center
- Critical Access Hospitals (84)
Hospital Contributions to the Economy

Hospital's contribution to the local economy is critical to economic viability of communities:

- As a major source of employment
- As a purchaser of goods and services
- As a provider of health care services

Kansas hospitals and health care services:

- 4th largest aggregate employer in Kansas
- 5th largest producer of total income and total sales in Kansas

Major Employers in Kansas

Kansas hospitals:

- Employ approximately 84,210 people
- Support an additional 68,000+ jobs in other business and industry
- Employment multiplier of 1.81
- Total employment impact of more than 152,000 jobs

Critical Access Hospitals

- Eligibility:
  - Located in a federal or state defined rural area
  - More than 35 road miles from a similar hospital (15 miles in certain conditions)
  - Necessary provider designation by Governor
  - Provides 24-hour emergency services
  - No more than 25 inpatient beds
  - Annual average length-of-stay of no more than 96 hours

- Reimbursement
  - 101% of allowable costs (as defined by Medicare)
  - Optional methods for reimbursement for outpatient services

Financing and Reimbursement Challenges

- Negative Medicare margins - 69% of rural hospitals
- Local tax subsidies - 74 hospitals receive ~$40 million
- Rural KS Medicare cuts - $196M over 10 years + $430M more proposed

Assumptions:

- Federal and state reductions will continue
- Continued pressure to justify the CAH model
- More local responsibility for funding
- Pressure from consumers to reduce their costs
- Move to value as basis of payment

Implications:

- Current reimbursement does not cover the cost of hospital-based health services.
- Change in the focus of services will be required unless local subsidies are available
- Payor pressure for change will increase faster than $ for new models

The OIG Report

Critical Access Hospitals (CAHs)
Reliance on Acute Services

The Facts:
- High number of Acute Staffed Beds for our population - Kansas 9th highest
  - 2000 more beds than the national norm
- Low admissions for our population and high number of days
- Small hospitals less than 35 miles apart
  - Secondary and tertiary care farther

Assumptions:
- Outpatient services will continue to grow
- Prevention and population health initiatives will impact acute volumes

Implications:
- Reliance on acute models will not prepare us for future payment incentives

Small, Rural Markets

The Facts:
- 85 of 105 counties are rural
  - 56 counties with 10 or fewer people/ sq. mi., 35 counties have 6 or less
- 76 counties lost population since 2000. All but one is rural.
- Population needed to support 1 Primary Care Physician = 2,450

Assumptions:
- Continued shift of population away from rural
- At least 3 Primary Care Providers needed to support a 24/7 hospital

Implications:
- Collaboration among communities is necessary to achieve sufficient population to support some services

Population Is Older and Aging

The Facts:
- 40 counties have over 29% age 65 and older
- 26 counties aged >4 years since 2000 census
- Diversity growing - 5 of 7 counties with the highest non-white population are rural

Assumptions:
- Younger populations are mobile, technology savvy with broader definition of community
- Less mobile populations will rely more heavily on local services
- Patient diversity will impact language and social services

Implications:
- Rural Kansas will need to investment in chronic disease management

Workforce Challenges

The Facts:
- Hospitals/health services are the 4th largest employer - 348,000 jobs
- Fewer physicians and more nurses than national average
- A national shortage of 52,000 primary care physicians is projected by 2025
- Vacancies and turnover in key positions

Assumptions:
- Availability of physicians will not increase
- Aging of the workforce and retirements will outpace new entrants

Implications:
- Recruitment and retention will remain difficult and costly
- Alternative delivery options like telemedicine will become more important
- Small Kansas communities will become more reliant on midlevel practitioners

Community Expectations are High

The Facts:
- Hospitals/health services 5th largest producer of income and sales in Kansas - $23 Bil
- Patients leave for care – 64 counties show outmigration of >50% (all rural)
- Patients use information – 1.2M hits on Hospital Compare in 6mo

Assumptions:
- Many rural residents will continue to seek care outside of their local communities
- Consumers will research and choose where they seek medical care
- Hospitals will continue to be an integral part of the rural economy

Implications:
- Rural residents will continue to expect local access to emergency services even though they use other health care services outside their home community
- Local discussions about future health service needs and sustainability will be difficult
- The numbers of patients leaving their community for hospital care implies an opportunity for improvement in the health care system.

What do the facts tell us?

- Pressure to reduce costs will drive change
- Reliance on an acute model will not help prepare for new payment incentives
- Shrinking populations will threaten the sustainability of small, rural acute care facilities
- Small Kansas communities will become more reliant on midlevel practitioners
- Collaboration will become more important to achieve necessary market base
- Use rates and expectations for care may not be sufficient to sustain all CAHs

Incremental changes may be practical; creating a vision for rural health services is critical
SO, WHAT DO WE NEED?

Sustainable Rural Health Delivery

- Rural communities are critical to Kansas
- Hospitals are critical piece of the economic engine
- No "one size fits all" model of health care delivery
- New options must be developed and tested

PRINCIPLES FOR A SUSTAINABLE RURAL HEALTH DELIVERY SYSTEM

A sustainable system should ...

... Improve Health

- Focus on Primary Care to improve the health of the population served
  - prevention
  - primary care
  - chronic disease management
  - emergency services
  - and other essential services

... Provide Access

- Provide access to essential health services
  - within a reasonable distance
  - within a reasonable timeframe

... Encourage Collaboration

- Encourage collaborative solutions
  - local and regional
  - service provision and governance
... Pursue Quality
  • Continue to pursue the highest standards of quality and patient safety

... Promote Efficiency and Value
  • Promote cost and operational efficiencies and provide value in the provision of local and regional services

... Embrace Technology
  • Embrace the use of technology
    – to expand access
    – to encourage patient participation in his/her care

... Reimburse Fairly
  • Be reimbursed and financed fairly by
    – federal government
    – state government
    – local governments
    – private payors
    – patients
  • such that the health of the population can be improved

Neosho Memorial Regional Medical Center
Chanute, KS
January 2015

About Neosho County
  • 16,439 residents
  • 6.7% unemployed
  • 12.5% uninsured
  • 18.3% age 65+
  • 20.7% below poverty level
  • 22.6% families earn < $24K
  • 32.8% kids in poverty KS - 18.7%
### About Neosho Memorial
- Provides care to 42,000 residents in four counties
- Largest Critical Access Hospital in Kansas
- County-owned
- Largest employer in the area (397)
- Provides $1.42 million in charity care in 2014

### Regional Leader
- 19.7 Average daily census
- 330 Babies delivered
- 1,816 Inpatients
- 2,417 Surgeries
- 10,214 Emergency visits
- 26,500 Outpatient visits
- 36 Industry awards

### Economic Driver
- Hospital payroll $18.5 million
- Hospital capital investments $40.9 million (past 10 yrs)

#### Entire Healthcare Sector in Neosho County
- Including physicians, clinics, dentists, pharmacies, & other non-hospital businesses
- Accounts for 10.5% labor force
- Generates $64 million (in direct income, retail sales plus county wide multiplier effect)

### Additional Services
- Rural Health Clinic
- Women’s Health Clinic
- Orthopedic Clinic
- Visiting Specialty Clinics
- Rehab & Fitness Center
- Home Health/Hospice
- Ambulance Service for Neosho County