Cascade Medical Center (CMC) will apply to change its license from that of a Critical Access Hospital (CAH) to a Rural Emergency Hospital (REH)

Situation: The Federal Government has created a new hospital type called a "Rural Emergency Hospital" or REH. The intent of the legislation is to provide rural communities with an additional option to preserve access to the most critical medical services. For some hospitals, converting to an REH comes with financial benefits. Cascade Medical Center is eligible, and will soon apply to convert from its current license as a Critical Access Hospital (CAH) to an REH. A few hospitals converted immediately as their financial situations were dire. To date, 28 hospitals nationwide have converted.

Fortunately, CMC is financially stable at this time and leadership decided that rather than jump at the conversion option last year, we would take the time to thoroughly study the pros and cons before bringing it to the Board for decision. The 3 committees of the Board (Finance, Quality, and Strategic Planning) have provided their input and perspective on the question. Converting to an REH has financial advantages to CMC, but would require us to cease "inpatient" services. The Background and Assessment below provide more information to help us make the best decision for our community

Background: The last time CMS created a new provider type was in 1997 when it created the Critical Access Hospital (CAH) designation. Congress created the CAH designation through the Balanced Budget Act of 1997 in response to over 400 rural hospital closures during the 1980s and early 1990s. Since its creation, Congress has amended the CAH designation and related program requirements several times. The CAH designation was designed to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish this goal, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services. In January of 1999, CMC applied to become a CAH. On June 1, 2000, Cascade Medical Center received permission from CMS to become a CAH. The CAH designation and its associated advantages helped support rural hospitals, including CMC, over the past two decades.

During that time, the standards of medical care have advanced, health care labor costs have risen dramatically, demographics in urban and rural areas have shifted, and the consolidation of hospitals into systems have transformed our industry. The result is that rural hospitals face unprecedented challenges to remain financially viable while meeting the ever-rising standards of care and patient expectations. One important dynamic is the centralization of specialty care and surgical services into urban centers where high volumes create economies of scale needed to support expensive equipment, costly critical care units, and highly compensated specialists.

Effective 1/1/2023, the Centers for Medicare and Medicaid Services (CMS) established REH as a new provider type via Section 125 of the Consolidated Appropriation Act of 2021, to address the growing concern over closures of rural hospitals.

Cascade Medical Center was featured in a New York Times article on this subject in December of 2022. In the 18 months since then, we have studied the pros and cons of REH conversion. We contracted with an independent 3rd party, the Rural Health Redesign Center (www.rhrco.org), to assist us with the financial analysis. Much of the information provided in the following Assessment section is a result of their technical assistance.

Assessment: This is not the first time CMC has faced this kind of decision. For decades, CMC provided maternity care and delivered babies. But that service was discontinued in the mid-1980s due to the small number of deliveries managed here, the constantly escalating medical training for OB and neonatal care, and staff specialization necessary to operate a state of the art Labor & Delivery program. Given how medical practice has evolved and the increased specialization of inpatient medicine – there comes a time when a small hospital must decide what it should focus on. CMC has a growing volume of ER patients and can best serve the community by focusing on ER as a core competency and center of excellence. The same applies to other key services of Family Medicine, Urgent Care, and Physical Therapy – our other strong service lines with many patients. However, our volume of inpatients is low and not rising, so we have an opportunity to better align our resources with services our community uses in such a way that will bring greater benefit to our patients and to the community as a whole.

There are qualitative and quantitative pros and cons to converting from Cascade's current CAH license to an REH license. In summary:

Pros of Conversion:

- Net financial gain of $500,000 to $1,400,000 per year. This can be used to fund CMC facility modernization, facility expansion to support growing ER, PT, and other outpatient services, IT system upgrades, and staffing.
- Modest cost reduction related to inpatient services (about $30,000 per year).
- Reduced liability caring for both long-term skilled nursing patients at the same time as ER patients with the same staff and resources.

Cons against conversion:

- Approximately 1 patient per month will be transferred to McCall or Boise for care that would previously have been kept at CMC in "inpatient status."
- Ease of conversion back to CAH, if desired, is uncertain

FAQs Regarding CMC's Conversion from a Critical Access Hospital to a Rural Emergency Hospital

1. Why would CMC convert to a new hospital license type?
    a. *Converting to a Rural Emergency Hospital will benefit CMC and the community because it better fits the work we do, and at a higher level of reimbursement. The higher reimbursement will enable us to make important investments in our infrastructure, assuring our ability to best serve the community.*
2. What infrastructure?
    a. *Better electronic medical record system that will put us on the same system as other hospitals we work with and that our patients use. Future facility improvements and expansions could also be paid for, at least in part, by this change.*
3. Will services change?
    a. *Not noticeably. While we will no longer be licensed for inpatient beds, we will be able to keep patients overnight (and for multiple nights) as needed for observation and care. We would be allowed to start new services such as day surgery, endoscopy, hospice, nursing home, infusion, and more as needed by the community and as appropriate for CMC to provide.*
4. Will we be able to convert back to a Critical Access Hospital?
    a. *Conversion back to a CAH is allowed by the law, but it will require CMC to meet the most current standards of care and facilities applicable at the time to CAHs.*
5. I've heard many hospitals have been struggling financially the last few years. How is CMC doing financially?
    a. *The CMC's Governing Board (which is appointed and/or elected by the citizens of the tax district) and the hospital leadership team have kept the hospital in great financial shape. Additionally, the hospital keeps a reserve of emergency funds to serve the hospital during lean times.*
6. Why should CMC consider the Rural Emergency Hospital designation if the hospital is doing well financially?
    a. *One advantage of being in good financial shape, is the hospital can make the decision on whether to pursue the Rural Emergency Hospital designation based on how can the hospital best serve the community—this doesn't have to solely be a financial decision. Furthermore, even though CMC is financially strong today, the headwinds are likely to erode CMC's reserves under the current cost-plus Medicare reimbursement, which does not in fact fully reimburse all costs.*

7. Are there other hospital types/designations which would better serve the community?
    a. *While there are other types of hospital designations which CMC could pursue, the Rural Emergency Hospital designation is an ideal fit for exactly the population mix and utilization we have at the Cascade Medical Center.*

8. Will my hospital bills increase if CMC proceeds with the Rural Emergency Hospital designation?
    a. *No, our hospital billing process will not be impacted based on the Rural Emergency Hospital designation.*

9. How long will it take to convert?
    a. *Conversion requires approval by both Federal and State agencies. Federal law is established and 28 hospitals have converted from other states. CMC would be the first hospital in Idaho to convert and so there is no existing structure in place for the State to allow and oversee conversion to a Rural Emergency Hospital. CMC has notified our State agency of our interest and we will proceed as quickly as possible.*

10. Will the law change?
    a. *At the federal level, bills are being introduced at both the house and senate to improve the flexibility and remuneration for hospitals that convert to REH.*

11. Does this mean we don't need to build a new hospital?
    a. *No. CMC's building is 50 years old and still too small for the services offered and patients served. CMC still needs to build a new hospital or at least significantly expand. However, it does mean we don't have to build as large a hospital since we won't require as many patient rooms.*

12. *Will this impact the clinics in Cascade or Donnelly?*
    a. *No. CMC operates Rural Health Clinics in Cascade and Donnelly that operate under CLINIC licenses, not HOSPITAL licenses. CMC clinics still operate as "Rural Health Clinics" which is a specific designation under CMS/Medicare distinct from CMC's hospital designation.*

13. Will this impact my taxes?
    a. No. Conversion to an REH will not increase or decrease the property tax levy paid by owners of property within the CMC Health District.

Additional resources:

https://www.cmchd.org

https://www.npr.org/sections/health-shots/2024/01/10/1223828296/federal-fix-for-rural-hospitals-getsfew-takers-so-far (Public radio coverage of REH option)

https://www.usatoday.com/story/news/health/2024/02/06/rural-hospitals-upgradeinfrastructure/72343083007/ (USA Today coverage or REH option)

https://chqpr.org/downloads/Rural_Hospitals_at_Risk_of_Closing.pdf (Center for Healthcare Quality & Payment Reform assessment of issue)

https://www.rhrco.org/_files/ugd/861f85_1de507b3570e42b7a8ff5a772490c4c8.pdf?index=true (Rural Health Redesign Center education on REH option) https://www.rhrco.org/_files/ugd/861f85_15d17d7a07b245e9abf458e78b6fa6eb.pdf (REH Conversion FAQs) https://www.youtube.com/watch?v=NOS-Aq4oX0g (1-hour presentation of REH by Oregon Office of Rural Health)