Bipartisan Policy Center

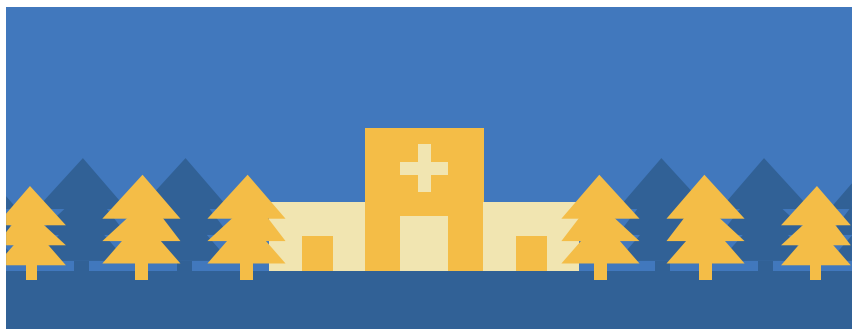
Rural Hospital Transformation Models

SEPTEMBER 2020

Since 2010, more than 130 rural hospitals have closed in the U.S., including 14 this year alone.[i] An additional 453 rural facilities are currently considered at risk.[ii] When rural hospitals close, residents face long drives to get the services they need and may delay or forego care altogether. Communities also lose a major source of jobs.

BPC's Solution

BPC's Rural Health Task Force recently recommended establishing new models of care that would allow hospitals to transform their services to best fit the needs of the community and receive appropriate Medicare reimbursement. Possibilities include hospitals that would transform to mostly emergency and outpatient services, and clinics that could add emergency and other services that aren't otherwise available in the community.



Rural Emergency Outpatient (REO) Model

Who is this for? Critical Access Hospitals and other rural hospitals at least 35 miles from a similar facility.

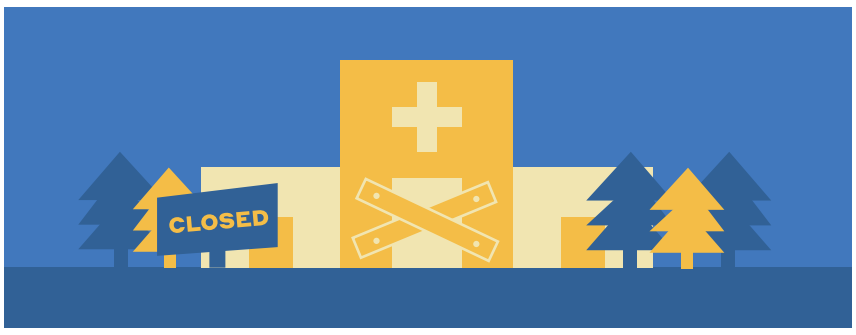
What happens? Rural hospitals become outpatient and emergency care-centric facilities, with optional add-on services based on the community's needs.

Optional services include:

- Extended care services, acute inpatient care, enhanced observation beds, a range of wellness and preventive services, and social services.

Payment Options

- Cost-based reimbursement of 110% of reasonable costs.
- Medicare outpatient prospective payment (OPPS) for emergency and outpatient services combined with a fixed grant or a per member per month (PMPM) payment.
- A global payment that combines funding of all federal payers.



Extended Rural Services (ERS) Model

Who is this for? Rural Health Clinics (RHCs), Federally Qualified Health Centers (FQHCs), and rural hospitals that are struggling or closed within five years.

What happens? RHCs and FQHCs would add additional services, such as urgent care, 24/7 emergency room care, observation stays, or certain specialty services.

This program would aim to utilize existing rural infrastructure and retain health care providers who might otherwise leave the community when the local rural hospital closes. It would be a new, separate option and would not change the laws that currently govern FQHCs or RHCs.

Payment Options:

- Grant funding would cover costs of uninsured and underinsured.
- Medicare hospital inpatient prospective payment system (PPS) or new Medicare PPS.
- ERS facilities could participate in 340B drug discount program.

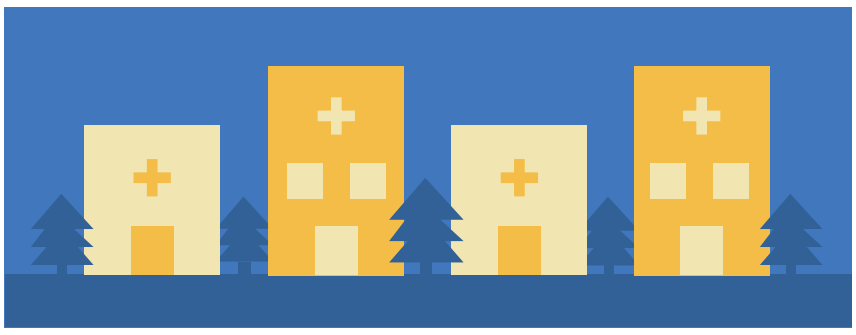
Multi-Payer Global Budget Models

Who is this for? Rural communities with multiple payers and providers

What happens? The Center for Medicare and Medicaid Innovation (CMMI) would develop proposals that encourage and incentivize multiple payers and providers to come together in rural communities on the local, state and regional level. The goal is to improve care coordination and quality, and reduce health care costs.

How would HHS funds be used?

- For local or regional organizations to assess the community's needs.
- To help communities model and develop business plans.



New CMMI Initiatives

Who is this for? Rural hospitals, RHCs, and FQHCs

What happens? CMMI would promote and prioritize models that help rural hospitals, RHCs, and FQHCs coordinate care. Communities could maintain the current rural hospital, while potentially streamlining access to health services.

This could include submission of a community needs assessment to ensure collaboration will increase access to care and quality.

i NC Rural Health Research Program, Sheps Center for Health Services Research. Accessed 8/17/20 at: https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/.

ii The Rural Health Safety Net Under Pressure: Rural Hospital Vulnerability, The Chartis Group. February 2020. https://www.chartis.com/forum/insight/the-rural-health-safety-net-under-pressure-rural-hospital-vulnerability/