What is a Critical Access Hospital?

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UH Regional Hospitals – Richmond and Bedford Medical Centers
Definition of a Critical Access Hospital

- A Critical Access Hospital (CAH) is certified by Medicare (CMS) to receive cost-based reimbursement.
- Differs from larger hospitals who receive DRG / APC reimbursement.
- Each CAH receives 101% of its “reasonable costs” for inpatient and outpatient services.
Why was this program created?

• The CAH program was created in 1997 by the Federal Balanced Budget Act to assure Medicare beneficiaries access to healthcare services in rural areas.

• As safety net hospitals, the increased reimbursement that CAH’s receive is an attempt to reduce small rural hospital closures.
What is the criteria to be a CAH?

- Must be located in a rural area
- Over 35 mile distance from another hospital, or 15 miles from another hospital in mountainous terrain or areas with only secondary roads, or deemed a “necessary provider” by the State prior to 01/01/2006
- Must maintain an annual average length of stay of 96 hours or less for acute patients
- Inpatient census cannot exceed 25
- Must have Transfer Agreements (i.e. 26\textsuperscript{th} patient)
- 24/7 Emergency Care Services
How did UH GMC and UH CMC become CAH’s?

• Filed application with Ohio Department of Health (ODH) to determine if we were considered a “necessary provider”

• Completed very lengthy application for CMS and were ultimately approved
How many CAH’s are there?

- As of June 30, 2013 there were 1,332 Critical Access Hospitals throughout the United States

- All states except Connecticut, Delaware, Maryland, New Jersey and Rhode Island have at least one CAH

- Kansas has 83 CAH’s, Iowa has 82 CAH’s, Minnesota has 79 CAH’s, and Texas has 80 CAH’s
Number of CAH’s in the U.S., 1999-2010

Year

1999 2001 2003 2005 2007 2009 2011 2013

Number of CAH’s

41 139 341 563 722 1,055 1,283 1,294 1,280 1,300 1,320 1,325 1,330 1,332

Number of CAH’s

0 200 400 600 800 1,000 1,200 1,400
Location of Critical Access Hospitals
Information Gathered Through June 30, 2013

Legend
( ) = N
- Critical Access Hospital (1,332)
- Metropolitan County
- Nonmetropolitan County
- State Not Eligible or Not Participating


*Note: Core Based Statistical Areas are current as of the February 2013 update. Nonmetropolitan counties include micropolitan and counties outside of CBSAs. Produced By: North Carolina Rural Health Research and Policy Analysis Center, Cecil G. Sheps Center for Health Services Research, University of North Carolina at Chapel Hill.
Number of CAH’s in Ohio

- 34 CAH’s in Ohio
- Geneva and Conneaut became the 8th and 9th CAH’s in Ohio effective January 1, 2002
How is a CAH reimbursed?

- CAH – Cost based reimbursement from Medicare
  
  - **Reasonable Costs Include:**
    - Salaries and Wages
    - Fringe Benefits
    - Purchased Services
    - Plant Operations
    - Medical and Non-Medical Supplies
    - Depreciation
    - Bad Debt
  
  - **Physician Related expenses are non-allowable**
  
  - **Marketing expenses are also non-allowable**
CAH – Medicare portion of expenses

• Inpatient (I/P)- Percentage of Traditional Medicare Days to Total Days at an interim rate

• Outpatient (O/P)- Percentage of Traditional Medicare O/P Revenue to Total O/P Revenue at an interim rate

• Medicare Cost Report – At the end of the year, we complete a Medicare Cost report and “settle up” with Medicare (similar to an IRS form 1040 for taxes)
Cost Based vs. MS-DRG/APC Reimbursement

• Under cost based reimbursement, Medicare pays their portion of the reasonable expenses regardless of volume

• Under MS-DRG/APC, it requires significant volume, combined with efficient utilization to drive profitability
QUESTIONS ??
THANK YOU!!