Washington State Hospital Association

Washington Rural Health Access Preservation (WRHAP)

August 2015

The threat of rural hospital closure presents a serious challenge to the health and vitality of Washington's rural communities; especially within many of the state's most remote or rural areas. The current CAH model is based on the delivery of acute care services, but in practice, Washington's rural hospitals function much more like community health systems that have some combination of primary care, prevention, EMS/ambulance and long-term care services.

These rural communities need a new model of care. The ideal model would deemphasize acute care, ensure core health services for all residents, and be flexible enough to meet community needs within existing resources. This may not look exactly the same in every community; however, access to a baseline of essential health services must be available.

Table 1: Select Statistics on Washington's Smallest Critical Access Hospitals

65+	21% average, and 29% increase since 2000 census
Density/square mile	6
Total inpatients per day	1.1, and a 45% decline since 2006
ED visits	2,000 annually on average
Operating margins	-11% on average
Payer mix-% Medicaid and Medicare	84%
Services	Tend to not have surgery or OB, more likely to operate nursing home
Primary Care	Employed by hospital, very high percentage have no other primary care in service area.

The small size and volumes of remote communities makes it challenging to create and benefit from operating efficiencies. As a result many of the smallest hospitals operate with unsustainable negative margins.

Washington's Opportunity

In 2014 WSHA co-published the "The New Blue H Report" (http://www.wsha.org/newblueH.cfm) with the Washington State Department of Health (DOH). This report outlines specific steps to be taken by WSHA and DOH to create opportunities to restructure our rural health care system.

This report highlighted the need for a new model, and led to the formation of Washington Rural Health Access Preservation (WRHAP) group. This workgroup of critical access hospitals who are willing to explore new models. The participating hospitals were selected based on their location and financial performance criteria.

The project will model and pilot alternative payment and delivery systems in a number of Washington's smallest and more remote communities where critical access hospitals (CAH)—often the mainstay of all local health care services—are at risk of closing. The solution should simultaneously address how services are provided, and how they are paid for.

As part of the Washington's State Innovation Grant work (known as Healthier Washington), the WRHAP group will partner with the state's Medicaid agency, in a demonstration project. This demonstration will

involve Medicaid payments only, but the hospitals hope to expand this same model to Medicare payments, using either Medicare's waiver authority or new legislation.

The model discussed below represents the generally agreed upon framework, but more work is needed to refine both the delivery and payment mechanism before we can move to the testing and piloting phase.

Moving Toward a Flexible Delivery System

Every community in Washington requires essential health care services, initially defined as:

- Primary Care (including basic mental health and prevention)
- Emergency Care
- EMS (including prehospital and inter-facility transport)
- Pharmacy
- Lab and Diagnostics
- Observation Beds
- Care Coordination
- Long-term Care

Some services may be accessed or augmented in the local community through telehealth.

A set baseline of essential services may be the appropriate level of services needed in remote, extremely low volume communities. However, many rural communities need a broader set of services (e.g. labor and delivery or general surgery, long term care). The WRHAP group envisions the services as "Tier 2" services that could be provided according to community need and desire. This delivery model would ensure essential services while beginning to align local delivery with community need.

Payment Models

The WRHAP group proposes to explore the feasibility of multiple payment options and select those models that hold promise; WRHAP is an opportunity to use data to test payment models and see what works.

While the specific payment methodology is still to be developed, the WRHAP group has proposed general principles that provide a framework for the work ahead. WRHAP proposes a payment methodology with two components: 1) a base payment that incorporates the cost of delivering essential health services and associated infrastructure, and 2) a value component. The value component of the payment model could take a variety of forms, including such approaches as quality incentives or a per-member, per-month payment.

Need for Federal Action

In the coming months, we will be working with HCA and CMS to get the data necessary to model and test payment options. Once a payment model has been selected, we will move forward with a few recruit sites to pilot for Medicaid. We will also work with the state to provide a regulatory framework to allow for innovation in care delivery.

CMS must act to provide a pathway to design and test new models that will sustain our rural health care system. A federal demonstration program through CMMI would allow states to test ideas for a sustainable solution. WSHA is reaching out to our federal delegation and working with other state hospital associations to push CMS for action.