

# American Hospital Association SECTION FOR SMALL OR RURAL HOSPITALS 2006 Annual Report

As the national advocate for small or rural hospitals, the American Hospital Association (AHA) makes recommendations to Congress and regulatory agencies on issues that affect the ability of our members to deliver care and improve the health status of their community. Through its Section for Small or Rural Hospitals, the AHA serves over 1600 members. The rural constituency includes PPS hospitals, sole community providers, Medicare Dependent Hospitals, rural referral centers, and critical access hospitals (CAHs).

During 2006, the AHA supported a number of legislative proposals to improve rural health, and provided comments and recommendations to regulatory agencies, such as the Centers for Medicare & Medicaid Services (CMS) and the Department of Housing and Urban Development (HUD) on issues that would have adverse effects on hospitals. We are pleased to report our successes on behalf of our members.

## REPRESENTATION AND ADVOCACY

With the federal deficit continuing to grow, the administration targeted Medicare and Medicaid funding for proposed cuts in the fiscal year 2007 budget. However, through strong grassroots efforts, we defeated the administration's proposed \$36 billion Medicare reductions and \$12.2 billion Medicaid cuts in the Senate and House budget resolutions.

## Legislation

Before adjourning, the 109<sup>th</sup> Congress passed the *Tax Relief and Health Care Act of 2006*, which included several AHA-supported provisions.

★ ***Tax Relief and Health Care Act of 2006, includes the following provisions:***

- Reduces the maximum Medicaid provider tax rate to 5.5% of gross revenue thereby blocking the Administration's proposal to reduce the tax rate to 3%.
- Extends for one year direct payment by Medicare to labs for the technical component of physician pathology services furnished to hospital patients.
- Continues reasonable cost reimbursement for outpatient lab payments for select hospitals under 50 beds in eligible rural areas.
- Extends for 6 months Section 508 of the *Medicare Modernization Act (MMA)*, allowing for geographic reclassification for certain hospitals currently receiving 508 funding.
- Requires CMS to develop consensus-based measures of outpatient quality of care for implementation by 2009.
- Extends for two years the State 30/J-1 Visa Waiver program.
- Requires CMS to propose area wage index changes for FY 2009 inpatient PPS, based on a MedPAC report due June 30, 2007.
- Provides a 1.6% update to end stage renal disease (ESRD) composite rate for 2007.

In addition, the AHA advocated successfully in two other areas important to small or rural hospitals.

- ★ ***The Rural Health Care Capital Access Act (P.L. 109-240).*** This law provides a five-year extension of the mortgage insurance program for CAHs under Section 242 of the National Housing Act, which insures loans lenders make for the construction and renovation of hospitals
- ★ ***The Physicians for Underserved Areas Act. (P.L. 109-477).*** This law permanently authorizes amendments made by the Immigration and Nationality Technical Corrections Act of 1994 for the purpose of permitting waivers of the foreign country residence requirement with respect to certain international medical graduates.

### **Rural Regulatory Advocacy**

The AHA pressed for fair regulations before numerous federal agencies and accrediting bodies. Of particular concern were CMS' proposed rules for inpatient PPS, outpatient PPS and notice of discharge. The AHA's accomplishments in the regulatory arena included the following:

- ★ Convinced CMS to rescind its proposal to link inpatient quality reporting to the outpatient payment update in 2007.
- ★ Convinced HUD to withdraw its proposed increase to mortgage insurance premiums under the 242 program while achieving a 5-year extension of FHA 242 mortgage insurance for CAHs under the *Rural Health Care Capital Access Act*.
- ★ Convinced CMS to alter its Medicare discharge notice policy proposed rule. The final rule is significantly less burdensome and recognizes the unique circumstances of the hospital setting.
- ★ CMS will permit hospitals and other health care facilities to place alcohol-based hand-rub dispensers in exit hallways as long as certain safety precautions are met. The AHA and its American Society for Healthcare Engineering worked for nearly four years to amend fire safety regulations to allow more widespread use of hand-rub dispensers, which can improve health care practitioners' hand hygiene and reduce infections.

### **MedPAC**

In the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), the Congress mandated that MedPAC study the effect of certain MMA provisions on rural hospital payments, capital expenditures, and overall costs. The report was released in December.

- ★ The AHA succeeded in preventing a recommendation from MedPAC to eliminate the outpatient hold harmless payments and the outpatient SCH add-on for rural hospitals, and replace them with an outpatient low-volume adjustment.

## **SMALL OR RURAL GOVERNING COUNCIL**

### *Shaping policy through member dialogue*

The Section's Governing Council advises the AHA on numerous policy issues. Governing council members are the elected representatives of the small or rural hospital constituency section and serve as an important channel of communication. The council is active in many ways, including:

- ★ Meeting directly with members of Congress;
- ★ Working with state association representatives and their small or rural hospital members to join in governing council meetings;
- ★ Nominating rural hospital leaders who are appointed or elected to the AHA Board of Trustees, Section Governing Council, and Regional Policy Boards; and
- ★ Selecting a recipient for the Shirley Ann Munroe Leadership Award. This award provides educational opportunities to outstanding small or rural hospital CEOs. Brian T. Shockney, CEO of Memorial Hospital in Logansport, IN, was the 2006 recipient of the award. He developed and implemented model programs to promote health and extend services throughout the community.

The governing council met three times in 2006. At each meeting, governing council members were updated on policy, federal legislative and regulatory issues, as well as other key issues. Policy and other issues discussed at the meetings included:

- ★ Unified health care policy
- ★ The Hospital Accountability Act Initiative
- ★ Alternative to liability reform
- ★ Price transparency
- ★ Physician-owned ambulatory care settings
- ★ The Hospital Quality Alliance
- ★ State level health care reform
- ★ Youth obesity in rural communities
- ★ *Community Connections*
- ★ The Coalition to Protect America's Health

Governing council members were encouraged to share highlights of the meetings with colleagues within their region through informal conversations and the dissemination of the Section's formal meeting highlights.

## **INTER- ORGANIZATIONAL RELATIONSHIPS**

### *Expanding our sphere of influence*

The AHA and the Section collaborate with other national organizations and the federal government in support of rural hospitals. These relationships include:

- ★ American Academy of Family Physicians;
- ★ Joint Commission on Accreditation of Healthcare Organizations Work Group on Accreditation Issues for Small and Rural Hospitals;
- ★ HRSA Office of Rural Health Policy
  - Rural Health Issues Group
  - FLEX Program Advisory Committee
  - Delta Rural Hospital Performance Improvement Project Advisory Committee, and
- ★ NRHA's Annual National Conference and CAH conference planning committees.

## STATE ASSOCIATION RELATIONS

*Building consensus  
through stronger  
relationships*

The Section works closely with its rural hospital liaisons at the state hospital associations in many ways, including:

- ★ Bimonthly calls featuring federal legislative and regulatory updates;
- ★ State-sponsored federal updates with local hospital executives;
- ★ Education programs at state association conferences and meetings; and
- ★ Routine communication on breaking issues and advocacy priorities

## COMMUNICATION, EDUCATION AND MANAGEMENT STRATEGIES

*Expanding our  
knowledge through  
tools and technical  
assistance*

The AHA and the Section assist their hospital members through communication, education and management strategy tools and resources, and services such as:

- ★ AHA News and AHA News Now;
- ★ The Section's Update newsletter;
- ★ The Section's CAH Update newsletter;
- ★ The Section's Web site at [www.aha.org/aha/key\\_issues/rural/index.html](http://www.aha.org/aha/key_issues/rural/index.html);
- ★ The Section's CAH Web site at [www.aha.org/aha/key\\_issues/rural/focus/cah.html](http://www.aha.org/aha/key_issues/rural/focus/cah.html);
- ★ The AHA and Health Forum's Annual Rural Health Care Leadership Conference;
- ★ Education on federal legislation, federal regulations and rural health programs and policy at National Rural Health Association's (NRHA) Annual National Conference, NRHA's CAH Conference, and HRSA's Rural Health Performance Program; and
- ★ Regular teleconferencing with CAHs, as well as at-large small or rural member hospitals

This is a brief summary of how the AHA and the Section for Small or Rural Hospitals added value in 2006. Throughout the year, the AHA worked collaboratively with its state association partners, and we will continue to work hard to earn your trust and support throughout 2007.

For additional information, contact John Supplitt, senior director, AHA Section for Small or Rural Hospitals, at (312) 422-3306 or [jssupplitt@aha.org](mailto:jssupplitt@aha.org).

### Shirley Ann Munroe Leadership Award



The Shirley Ann Munroe Leadership Award provides an educational stipend to a small or rural hospital administrator or CEO who has displayed outstanding leadership commitment to meet the challenges faced by small/rural hospitals. Applications for the award are due **June 8, 2007**.

Visit the web site at <http://www.aha.org/aha/news-center/awards/rural-leadership/index.html>. If you have any questions about the award, please contact Hilda Fisher, staff specialist, AHA Section for Small or Rural Hospitals, 312-422-3334 or at [hfisher@aha.org](mailto:hfisher@aha.org).