Critical Access Hospitals Threatened

Issue Overview
For several years Critical Access Hospitals (CAHs) – small, rural hospitals who are the backbone of rural health care in Wisconsin – have been targeted by a number of deleterious proposals, including:

- Reducing payments to CAHs from the current 101% of reasonable costs to 100%; and,
- Eliminating CAH designation for hospitals less than 10 miles from the next nearest hospital.

The Wisconsin Hospital Association opposes proposals that seek to roll-back or outright eliminate CAH designation and continues to be opposed to proposals reducing CAH reimbursements.

Background: Critical Access Hospital Designation
With enactment of the Balanced Budget Act of 1997, several rural hospital demonstration programs were merged together to create a new designation called the “Critical Access Hospital.” Under this program, CAHs that met certain requirements were to receive cost-based reimbursement. That reimbursement covers outpatient, inpatient, laboratory and therapy services, as well as post-acute care in the hospital’s swing beds.

To qualify and receive CAH designation, a hospital must be less than 25 beds and a certain distance (15 miles by secondary road or 35 miles by primary road) from another hospital unless determined to be a “necessary provider” by the state. Currently there are 1,300 CAHs nationwide, including 58 in Wisconsin.

Impact On Wisconsin CAHs
Provision #1: Reducing Cost-Based Reimbursement From 101% to 100%
- Nationally going from 101 to 100 percent reimbursement is estimated at $800 million per year.
- Wisconsin’s 58 CAHs are estimated to lose approximately $56 million over 10 years if CAH reimbursement is reduced from the current 101% to 100% of reasonable costs.

Provision #2: Eliminating CAH Designation For Certain Hospitals
- Eliminating CAH designation for hospitals that are less than 10 miles from the next nearest hospital could have profound impacts on facilities and on access to health care for most vulnerable citizens.

- Eight Wisconsin hospitals could potentially lose CAH status under a 10 mile restriction. Those hospitals are:
  - Hudson Hospital & Clinics
  - Indianhead Medical Center (Shell Lake)
  - Mercy Walworth Hospital & Medical Center (Lake Geneva)
  - Osceola Medical Center
  - River Falls Area Hospital
  - Spooner Health System
  - St. Croix Regional Medical Center (St. Croix Falls)
  - St. Mary’s Hospital of Superior

(over)
Key Points

- **Jobs Lost:** At the eight Wisconsin hospitals impacted under a proposed 10 mile rule, hundreds of good paying jobs could be at stake. See list below for the number of full-time and part-time jobs at these eight facilities.

<table>
<thead>
<tr>
<th>2011 Hospitals/Jobs</th>
<th>Full-Time</th>
<th>Part-Time</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hudson Hospital &amp; Clinics</td>
<td>260</td>
<td>125</td>
<td>385</td>
</tr>
<tr>
<td>Osceola Medical Center</td>
<td>166</td>
<td>94</td>
<td>260</td>
</tr>
<tr>
<td>River Falls Area Hospital</td>
<td>70</td>
<td>188</td>
<td>258</td>
</tr>
<tr>
<td>Spooner Health System</td>
<td>74</td>
<td>60</td>
<td>134</td>
</tr>
<tr>
<td>St. Croix Regional Medical Center</td>
<td>287</td>
<td>222</td>
<td>509</td>
</tr>
<tr>
<td>St. Mary’s Hospital of Superior</td>
<td>120</td>
<td>150</td>
<td>270</td>
</tr>
<tr>
<td>Indianhead Medical Center/Shell Lake</td>
<td>56</td>
<td>25</td>
<td>81</td>
</tr>
<tr>
<td>Mercy Walworth Hospital &amp; Medical Center</td>
<td>147</td>
<td>145</td>
<td>292</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1180</strong></td>
<td><strong>1009</strong></td>
<td><strong>2189</strong></td>
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</tbody>
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- **Rural Communities Will Be Harmed:** Rural hospitals are often one of, if not the largest, local employers, providing family-supporting wages that ripple throughout rural communities and that generate tax revenue to support state and local services.

- **CAH Designation Preserves Access To Care:** Congress created the special CAH designation in 1997 to prevent rural hospitals from closing. CAH designation is critical to keeping the doors open for many rural hospitals, which provide vital care for many of our most vulnerable citizens – rural seniors who are on average, poorer and sicker than urban or suburban seniors.

- **Changing CAH Rules Poses Financing Problems:** After meeting CMS approved necessary provider criteria as part of the critical access hospital program application, CAHs have taken the enhanced reimbursement from this Medicare payment designation to help solidify operations and to reinvest in their community health system through updating plant and equipment. These needed investments and others were possible due to debt financing that was obtained with the expectation that the critical access designation would continue to be honored into the future.

**Key Message**

The Wisconsin Hospital Association strongly opposes changes to CAHs, particularly arbitrarily changing mileage requirements years after hospitals have legitimately qualified for CAH designation or outright eliminating CAH designation. Those who advocate the “ten mile” provision will soon be advocating for a fifteen or twenty mile requirement and then elimination altogether, further destroying a program that has well served Wisconsin's rural communities for 15 years. WHA urges Congress to oppose these provisions.

*Updated July 2013*