WISCONSIN HOSPITAL ASSOCIATION, INC.

June 29, 2016

Andy Slavitt,
Acting Administrator, Centers for Medicare and Medicaid Services
Department of Health and Human Services
Hubert H. Humphrey Building
200 Independence Ave SW
Washington, DC 20201
Submitted Electronically

Re: Rural Open Door Forum – Comments on Critical Access Hospital Payments

Dear Mr. Slavitt,

On behalf of our more than 140 member hospitals and health systems, including many small and rural hospitals, the Wisconsin Hospital Association (WHA) appreciates the opportunity to provide comments on rural Critical Access Hospitals (CAH) and the impact reducing CAH reimbursements would have on CAHs, rural communities and access to healthcare for Medicare beneficiaries in Wisconsin.

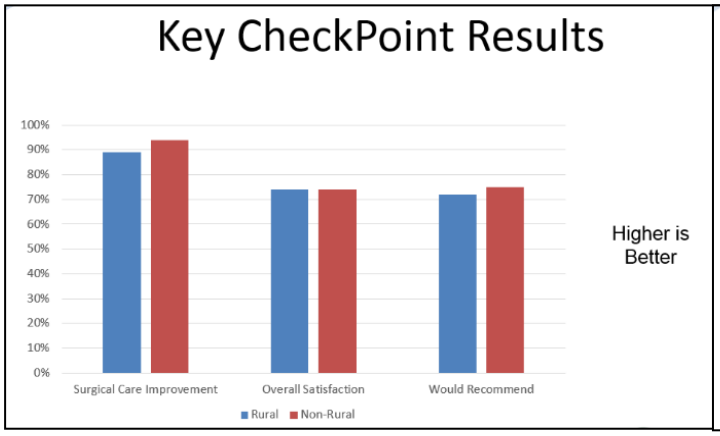
Wisconsin's Critical Access Hospital Efforts on Quality, Value

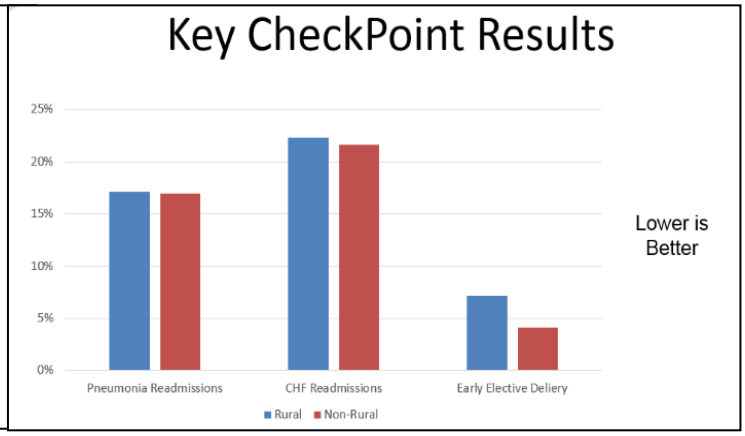
By way of background, Wisconsin hospitals and health systems are nationally known as innovators and deliverers of high "value" care – high quality, cost efficient care. In fact, Wisconsin was ranked the second most highly-rated state in the country based on the quality of its health care according to the federal Agency for Healthcare Research and Quality (AHRQ). Wisconsin had the second best overall health care quality measure score among all 50 states based on more than 200 measures that AHRQ used to evaluate health care performance. The rankings are posted here: http://nhqrnet.ahrq.gov/inhqrdr/state/select. Results like these have been confirmed by others including the Dartmouth Atlas, Kaiser Family Foundation and The Commonwealth Fund and equate to benefits for both the Medicare program and Medicare beneficiaries. Wisconsin's Critical Access Hospitals are an integral part of Wisconsin's accessible health care delivery system and key contributors to our continued recognition as a high value health care state.

A few examples of the proactive work of Wisconsin hospitals are CheckPoint, PricePoint and Wisconsin's Partners for Patients initiatives. These are projects in which virtually all Wisconsin hospitals, including rural prospective payment system and Wisconsin's Critical Access Hospitals, participate.

- **Wisconsin's CheckPoint: First Voluntary Quality Public Reporting Site in Nation** – health care quality work in Wisconsin is grounded in measurement and transparency. WHA launched CheckPoint (www.WiCheckPoint.org) in 2004, the first voluntary

hospital quality public reporting site in the nation. For over a decade, CheckPoint has promoted health care transparency by collecting and reporting information to help consumers make informed decisions about their hospital care. The mission of CheckPoint is to develop consumer-focused initiatives that provide reliable, valid measures of health care in Wisconsin to aid the selection of quality health care and quality improvement activities within the hospital field. Virtually every hospital in Wisconsin participates in CheckPoint, including reporting on over 50 outcome (eg: readmissions, infections, mortality), process and satisfaction (HCAPS) measures. Unlike quality reporting efforts in other states and even at the national level, **Wisconsin's CAHs participate in CheckPoint. Below are several examples of rural and urban outcomes on CheckPoint measures.**





- **Wisconsin Partners for Patients** – the vast majority of Wisconsin hospitals have participated through WHA's "hospital engagement network" (HEN) in this national initiative. This means Wisconsin's hospitals have been working collaboratively to address key quality and patient safety issues, including reducing readmissions, preventing hospital-associated infections, decreasing adverse events and reducing the number of babies delivered before 39 weeks. Our hospitals, including CAHs, had the following outcomes between 2011-2014 from their work:

    - 98% of Wisconsin CAHs participated in these collaborative initiatives
    - 20% reduction of readmissions
    - 40% reduction of patient harm
    - Wisconsin health system cost savings for Medicare program totaled **$87,094,000**
    - Potential patient harm reduced for **9,304 Wisconsin patients**

  Access information on these impressive efforts at: http://www.wha.org/quality.aspx

- **Wisconsin's PricePoint** – PricePoint is Wisconsin's price transparency website supported by the work of the WHA Information Center (WHAIC). WHAIC is dedicated to collecting and disseminating complete, accurate and timely data about charges and services provided by Wisconsin hospitals and ambulatory surgery centers. WHAIC has

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been collecting and reporting data since 2003. An updated, more consumer-friendly version of the website was launched in 2015. All of Wisconsin's hospitals, including our CAHs, participate in PricePoint, another testament to their proactive efforts to providing meaningful information to the public. Access the website at http://www.wipricepoint.org

Medicare Reimbursement For Critical Access Hospitals

The above represent several examples of our hospitals' ongoing commitment to increasing value to patients, employers and payers, including Medicare. Wisconsin's CAHs are just as dedicated to these efforts as any other of Wisconsin's facilities.

WHA believes within the context of Medicare payments, it is important to stress that rural populations tend to be older, sicker and poorer, and that outmigration of rural areas has been much larger than in-migration. In fact, the U.S. Department of Health and Human Services itself has stated, "rural areas have higher rates of poverty, chronic disease, and un-insurance, and millions of rural Americans have limited access to a primary care provider." Further, while 20 percent of the population lives in rural America, only nine percent of physicians practice in rural areas, resulting in 77 percent of the 2,050 rural counties in the U.S. designated as primary care Health Professional Shortage Areas.

With this in mind and in addition to providing high quality care, Wisconsin's CAHs also provide cost-effective care for the Medicare program. Studies have shown that Medicare spending in Wisconsin is as cost efficient in rural areas as any other. Finally, there are approximately 1,300 CAHs, which are less than 30% of the nation's hospitals; yet CAHs account for approximately five percent of Medicare costs. In sum, we believe that even in light of the unique needs of rural communities, CAHs as a part of the rural health care infrastructure of the nation and in Wisconsin are either providing affordable and efficient care and/or are excellent utilizers of Medicare services—either is a win for the Medicare program.

It was because of all these unique rural hospital needs that Congress initially created the **Critical Access Hospital designation when some 400 small, rural hospitals** closed due to their inability to financially survive under Medicare's prospective payment system. Due to their small size and fluctuating patient mix, CAHs needed more stability in payments in order to survive. **The alternative payment model created by Congress and now used by Medicare for CAHs has allowed stability and access to care for some 60 million rural residents who are scattered over 90 percent of the nation's landmass.**

The payment model as originally created by Congress reimbursed CAHs at 101 percent of *allowable* costs. However, there are two key things to keep in mind with respect to CAH's "cost-based" reimbursement. First, CAHs no longer receive 101 percent of allowable costs. They currently receive 99 percent due to the automatic two percent sequester cut enacted by Congress several years ago which continues to remain in effect. Therefore, CAHs are receiving less than the cost of care for every Medicare patient they see. Second, CAHs are reimbursed for allowable, reasonable costs. In other words, not everything is reimbursed under CAH's current reimbursement structure.

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With all of this in mind – that rural areas tend to poorer, older and sicker and that Medicare already pays CAHs less than the cost of care for treating Medicare beneficiaries – WHA is very concerned with the continued focus on reducing CAH reimbursement even further, including recent proposals by the Administration to reduce CAH reimbursement from 101 percent to 100 percent. [As indicated above, in actuality, moving in this direction would bring CAH reimbursement down to 98 percent of allowable costs.]

Impact of Reducing CAH Reimbursement on Wisconsin

WHA is opposed to continued focus on reducing CAH reimbursement, especially when we see no connection to improving access or value to the Medicare program. We are not certain what outcome CMS seeks to achieve with continued proposals to reduce CAH reimbursement because data support the fact that CAHs already provide *access* to care across rural communities in our state and in the nation *in an affordable manner*. **These are the two main concerns CMS should have with any changes in Medicare reimbursement policy—does it help maintain or increase access to care and does it do so in an affordable, value-based manner. WHA believes the recent CAH reimbursement reduction proposal from 101 percent to 100 percent of allowable costs fails on both accounts.**

In Wisconsin, CAHs form the rural health care infrastructure for our state yet, on average, have lower total and operating margins than their prospective payment system counterparts and have higher debt to capitalization ratios. Studies have shown, including in Wisconsin, that Medicare spending is low in rural areas and, therefore, is already providing value to the Medicare program. In Wisconsin, over 60 percent of rural hospital revenue comes from government programs like Medicare. In other words, they do not have flexibility in their revenue streams.

With respect to CMS's most recent request for comments on reducing CAH reimbursement from 101 to 100 percent, WHA queried our CAH members about the financial impacts and impacts on services this reduction would have on their hospitals and patients. Here is what they told us:

- Financially, in Wisconsin CAHs indicated they would lose anywhere from $50,000 to hundreds of thousands of dollars due to a reduction in reimbursement of one percent. This translates into millions and millions of dollars for Wisconsin's CAHs. While a one percent reduction may seem small to CMS, these are not insignificant amounts of reimbursement for entities that serve disproportionately more Medicare beneficiaries who are older and sicker.

- When CAH financial stability is undercut, we know it will have an impact on the types of services available in rural communities to Medicare beneficiaries. We cannot believe CMS wants to reduce access to services in rural communities but our membership tells us those are the very decisions they will need to make. **Our CAHs indicated in order to make up for these losses, they may have to reduce or eliminate services like: obstetrics, hospitalists, behavioral health, urgent care, wound care, pathology,**

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radiology, respiratory therapy or outpatient therapeutic services and more. Further, we even heard this could mean reductions in employees at these facilities.

- Additionally, since many CAHs are already lean and operating efficiently, reduced financial resources from any source, especially Medicare beneficiaries which CAHs serve disproportionately more of, **will also mean their ability to maintain necessary infrastructure needs – such as key technologies, diagnostics and/or making capital improvements – would also be impacted.**

- Finally, CAHs also **indicated other services and community supports they provide would be affected. Those include home health, skilled nursing facilities among others.**

What are the downstream impacts of decreased access to these types of services? Not only will it impact access to care but it will then require sending patients outside of their local communities, which could potentially increase costs due to transport needs or duplication of services, for example. In other words, the result of cuts to CAHs may also very well be higher costs to Medicare.

In closing, CAH designation was created and strongly supported because hundreds of CAHs closed under Medicare's prospective payment system. **Since that time the Wisconsin Hospital Association and our Critical Access Hospitals believe the CAH program has been working well and providing excellent care to Medicare beneficiaries and the Medicare program. The data supports this, including that Wisconsin continues to rank among the leading states nationally in providing high quality health care.**

Wisconsin hospitals have a strong and long-standing commitment to collaboration and the pursuit of the very type of value-based care that CMS desires – high quality, cost efficient care. This pursuit is shared by all of Wisconsin's facilities, regardless of size. WHA and our CAHs stand at the ready to assist CMS in developing approaches that continue moving Medicare further along the health care value continuum while still recognizing the unique roles Critical Access Hospitals play throughout our state and much of the country.

WHA appreciates the opportunity to provide comments on the CAH program. If you have further questions, please feel free to contact Jenny Boese at 608-268-1816 or jboese@wha.org or me at 608-274-1820.

Sincerely,

Eric Borgerding
President & CEO

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