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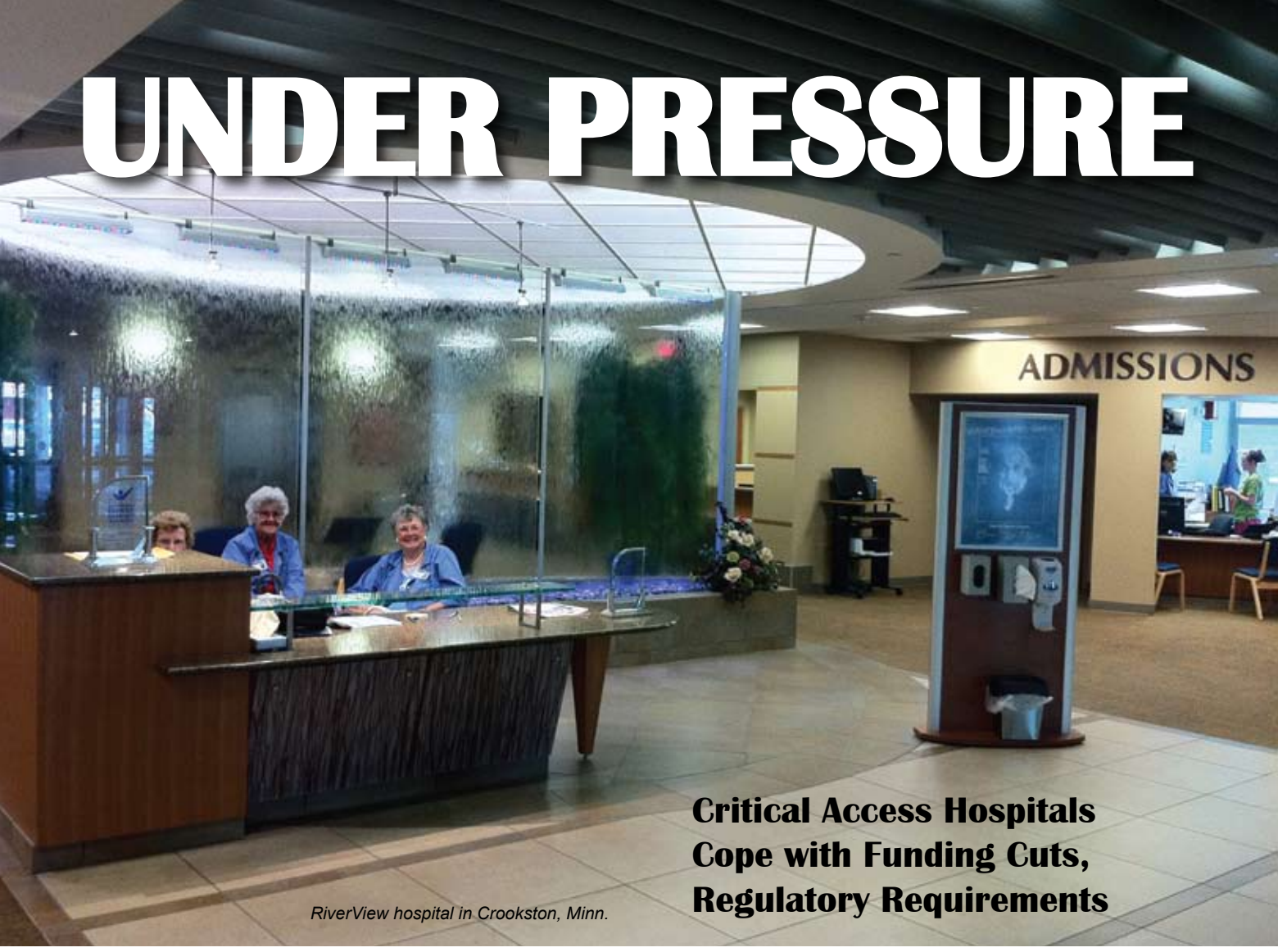


RiverView hospital in Crookston, Minn.

Critical Access Hospitals Cope with Funding Cuts, Regulatory Requirements

Almost one-sixth of all Americans depend on critical access hospitals. In the United States, 1,324 of these rural facilities serve nearly 54 million patients every year, according to the December 2010 report released by the Rural Assistance Center, an organization created in 2002 from the U.S. Department of Health and Human Services' Rural Initiative. But these first-line treatment centers are struggling.

As critical access hospitals continue to face funding cuts, they must find creative ways to stretch their dollars without sacrificing patient care.

Upgrading technology

For instance, Community Hospitals and Wellness Centers, which runs three hospitals in Ohio, realizes the importance of upgrading its health information system. But it hasn't been easy. The organization hopes to meet meaningful use standards to qualify for approximately $3.7 million in funding, set aside by the American Recovery and Reinvestment Act of 2009.

The law mandates that hospitals adopt an electronic medical records system by 2015. Although the hospitals recently converted to a new system, it will take several years to completely put it in place. Plus, to comply with regulatory standards, the facilities must meet certain milestones within extremely tight deadlines.

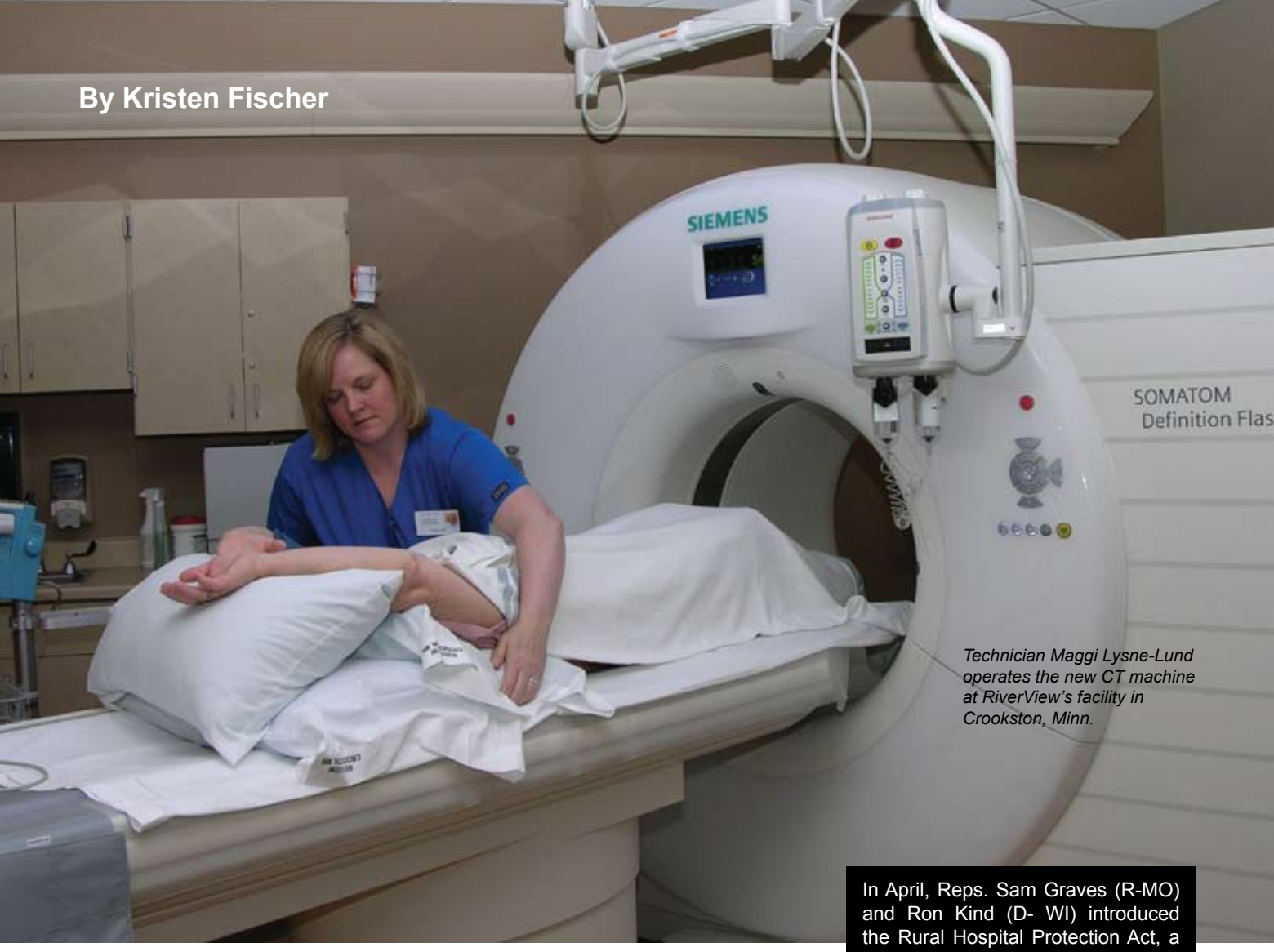
Greg Slattery, vice president and chief information officer, says the organization did not want to upgrade its HIS just to have the newest technology. Instead, the upgrade would help the hospital avoid reimbursement penalties, better manage patient information and comply with new federal standards.

"The whole challenge is that we're being asked to do more with less, and with a shorter timeline," Slattery says.

If all goes well, however, the hospitals will be able to increase their reimbursement because of the switch, Slattery says.

Still, just because medical data is on a computer doesn't mean entering, accessing or using it is any easier. Slattery has added personnel to his help desk and continues to train staff members on the new system. "Even with that, I feel that my IT staff is probably understaffed," he says, adding that the facilities now have more complex systems that are more difficult to operate and deploy. The IT staff contin-

By Kristen Fischer



Technician Maggi Lysne-Lund operates the new CT machine at RiverView's facility in Crookston, Minn.

ues to unveil the system to different departments and train personnel because it is a multi-step process. The federal standards have made it a more challenging process than it needs to be due to the demands for rapid integration as well as equipment and deployment costs, Slattery notes.

Exploring new avenues of funding and savings

At RiverView Health, a 25-bed critical access hospital, outpatient recovery center and long-term care facility based in Crookston, Minn., establishing a strong relationship with donors through its foundation has been key to secure funding and maintenance of a high-level of patient care.

"It's always a challenge for us to have enough capital to meet all of our needs," says Vicky Korynta, the hospital's vice president of patient services and chief nursing officer.

But donations have helped a lot says Kent Bruun, the hospital's foundation director. In fact, for the last six years in a row the facility has relied on grants to purchase much-needed equipment. "We are a dollar-for-dollar organization," Bruun says.

For instance, recently, the hospital wanted to upgrade to a 64-slice CT to replace the older 32-slice machine, and the foundation came through with $200,000 towards the purchase. The contribution included grant money from the Otto Bremer Foundation.

The key to getting generous foundation support is to let donors know that their dollars are being well-spent. Making financial reporting transparent and communicating with donors

In April, Reps. Sam Graves (R-MO) and Ron Kind (D- WI) introduced the Rural Hospital Protection Act, a bill that would ensure critical access hospitals continue to be reimbursed for provider taxes they pay to states.

Currently, critical access hospitals can include provider taxes in their Medicare cost reports as long as they relate to expenses incurred to provide patient care. But a clarification in the 2011 final Hospital Inpatient Prospective Payment System rule wants Medicare contractors to determine on a case-by-case basis whether the provider taxes are allowable.

Although the Centers for Medicare and Medicaid Services says this clarification is part of a longstanding rule, many organizations including the American Hospital Association are backing the legislation because they say that reimbursements for provider taxes should always be allowed and the policy jeopardizes the financial sustainability of critical access hospitals.

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keeps them involved in the facility's operation. When they see the value of what's being done, they continue to contribute.

"Donors will step up to the plate so long as they know we're efficient," Bruun says, adding that he realizes donors trust the hospital with their hard-earned money.

"For this hospital here, the need for private support from donors will need to increase…that's just the reality of it," Bruun adds.

But when donor dollars don't stretch far enough, other ideas are considered. For example, RiverView Health has used refurbished equipment to cut costs in the past. Recently, the hospital replaced inpatient beds with refurbished models. The savings meant funds raised by the facility's foundation could be used to outfit them with new mattresses.

"Going the refurbished route was a great option for us," says Korynta.

Even employees are pitching in to help the facility. All the windows at the inpatient unit were recently replaced, but the work proceeded one window at a time as money was available from employee donations. "The employees have been involved in a lot of projects and it shows," Bruun says.

Expanding service offerings

Another way to secure funding and make up for dollars lost (all while forging community involvement) is to diversify services and offer outpatient offerings at facilities. Korynta says that smaller services, such as an outpatient orthopedics team, have been a useful complement to services offered at RiverView Hospital.

Additional services may not be huge money-makers, but they help to ensure that residents choose RiverView for their medical care and don't have to travel far for critical services. Once the public gets involved and sees the hospital as an integral part of the community, it's more likely to pitch in and advocate for the facility. The community may not be able to do much about what's going on in Washington, but the donor dollars can offset reimbursement cuts and make a difference.

At Rankin County Hospital in western Texas, the clinic has been integral to bringing in more people and providing much-needed services. The facility does not get a lot of admissions annually, so having outpatient services offered via an on-site keeps residents coming to the clinic for minor care and using hospital resources. While Rankin does not rely on donors as much as RiverView, the clinic has

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proved an effective financial model to boost income and better counterbalance cuts, enabling more cash flow into the system.

Getting creative with staffing

Rankin County Hospital has gotten resourceful with staffing to accommodate its patient flow while still being able to provide sufficient care. Wayne Ogburn, the hospital's administrator and CEO, says reorganizing the personnel has helped keep costs manageable, since salaries make up a huge chunk of hospital expenses.

"We are doing something that I've never seen done before," he says.

Part of the solution includes paying employees the IRS rate to commute to and from work within a 65-mile radius. Many staff members also work longer shifts so they do not need to commute as often. Employees with only short breaks between their scheduled shifts can also sleep in converted dorm rooms at the hospital to cut down on commuting costs, but must provide their own food.

"We've done some creative things like that," says Ogburn, explaining that the facility does not pay above market rate.

The 15-bed hospital is small but needs to have vital services, for example, two people run both the laboratory and X-ray department. There are two physicians on staff that also service the adjoining clinic and are paid hourly with on-call responsibilities. Flexible staffing has been imperative to ensure that the hospital has coverage for patients, as sporadic as their visits might be.

Ogburn says the next challenge for his hospital is trying to obtain accreditation as a swing bed facility, which means the hospital could use its beds to provide either acute or skilled nursing care. Medicare Part A would cover the post-hospital extended care services provided in this type of designated facility. In addition, Rankin County Hospital is trying to establish a telepsychiatry service in the clinic so local patients can get medical care with mental health professionals across the country using video technology, Ogburn adds.

Whether it's finding money to purchase medical equipment or health information systems, critical access hospitals adopt traditional business practices and nonconventional ideas to ensure that they can function. Challenges are ongoing, but savvy executives will continue to rise up to meet the needs of hospitals in rural areas.

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