Earlier this year, IHA developed a proposal for rural health care reform through the association’s Rural Health Care Innovation Task Force with input from Iowa’s health systems. It presents policies designed to create a bill that would address the growing financial stability problem for rural hospitals.

The proposal is a three-pronged approach to help hospitals maintain critical services in their communities and provide adequate payment for those essential services. The three primary aspects of the proposal are:

• Creation of a rural emergency hospital (REH) designation
• Modification of the existing critical access hospital (CAH) program
• Provision of infrastructure funding

This document reviews the proposal and why it is critically important for the future of rural hospitals.

### Rural Emergency Hospital (REH) Designation

**What is an REH?**

REH is a new hospital designation proposed by IHA’s Rural Health Care Innovation Task Force. This proposed designation would provide rural hospitals with an option of closing their underused inpatient units while retaining all other services. REHs would receive enhanced payments from Medicare to stabilize and retain access to vital emergency department, outpatient and physician clinic services.

**Which hospitals would qualify for REH status?**

Several criteria would apply to facilities seeking REH status. Potential REH hospitals must:

• Have either less than 50 licensed beds (includes all CAHs), less than 50 staffed beds in a rural area (or treated as being in a rural area) or had closed within five years of the bill’s enactment.

• Provide 24-hour emergency-medical and observation care that does not exceed an annual per-patient average of 24 hours or span more than one midnight.

• Be able to transport patients who require acute inpatient care from the REH to another hospital, either by the REH’s ambulance service or another ambulance service.

• Have an REH network agreement with a non-REH hospital.

**Can other non-hospital services be included in the REH status?**

Yes, the REH status can include a unit of the hospital licensed as a distinct skilled nursing facility.

**If a CAH is considering the REH status, what existing services are eligible to continue under the REH designation?**

REHs can provide all CAH services, except acute inpatient care. REHs also must have protocols in place for the timely transfer of patients who require acute inpatient care.

**How will REHs be reimbursed for their care?**

REHs will receive payment for:

• Outpatient services, which includes 120% of allowable cost reimbursement for all facility services included in the CAH program, except acute inpatient care.

• EMS/transportation services, equal to 120% of cost reimbursement.

• Covered home health services, equal to 120% of cost reimbursement.

• Extended care services, equal to 120% of cost reimbursement.

REHs that do not meet certain performance thresholds based on quality will be subject to financial penalties.
How would the proposed REH designations affect the CAH distance requirements?
When a CAH certifies as an REH, the state has the option to waive the distance requirement for another facility in the state seeking CAH designation.

Can an REH return to CAH status?
Yes, an REH that was designated as a CAH may elect to be redesignated as a CAH at any time.

Are there other financial provisions proposed for the REH status?
Yes, the following provisions would apply:

- For payment of telehealth services, an REH will be treated as a telehealth “originating site” generally and a telehealth “distant site” when the originating site is the patient’s home.
- An REH will be treated as a CAH for the 340B Drug Discount Program, and the REH’s provider-based clinics and departments will continue their eligibility as child sites.

Financial assistance will be available to REHs for:

- Altering the REH’s cost structure and facilitating lower cost-based spending for Medicare.
- Reconfiguring existing facilities to REHs using capital/infrastructure funding.

CAH Program Modifications

How would changes to the existing program benefit hospitals?
Proposed changes to the program would stabilize the financial viability of CAHs by:

- Establishing an 18-month window for rural hospitals to apply for CAH designation using the same process previously used to determine CAH eligibility.
- Including home health and emergency medical services in CAH cost plus reimbursement.
- Allowing the location of rural health clinics and provider-based and specialty physicians in the same place or close together for greater efficiency.

Infrastructure Funding

What is the intent of providing infrastructure funding to hospitals?
Many rural hospitals have outdated facilities and equipment and lack funds to “right size” their facilities to meet community needs. With this proposal, eligible rural hospitals could apply for one-time capital and infrastructure funding for a construction or modernization project.

Are there limits or restrictions placed on the funding?
Yes. This funding would be limited to hospitals that are converting to an REH or CAH designation or hospitals that are significantly reducing their inpatient footprint. In addition, construction or modernization projects must be for the purposes of eliminating safety hazards or avoiding noncompliance with state licensure or accreditation standards.