

Access to Health Care in Rural Iowa: Preserving Rural Economies and Health

2020



We care about Iowa's health

Rural hospitals ensure that Iowans, regardless of where they live, have access to health care. They serve a vital role in assessing and meeting the health care needs of their communities. In addition to providing health care, they are also economic anchors – providing jobs, spurring economic development and helping to grow communities. Unfortunately, Iowa hospitals are struggling to sustain vital services and keep their doors open. In 2018, 56 of Iowa's rural hospitals were identified as having a negative operating margin – this is 68% of all rural hospitals.

The future of Iowa's economy and health depends on its health care infrastructure.

The General Assembly should continue to support the cost adjustment factor and policies that help sustain Critical Access Hospitals and the care they provide.

Issue Background - Talking Points

- A recent analysis of rural health care identified **17 Iowa hospitals at a high financial risk of closure.**¹ This is approximately 18% of all rural hospitals in Iowa.
- Across the United States, 102 rural hospitals have closed since 2010.²
- While there are several fiscal factors currently impacting hospitals, a significant issue that has led to deterioration of the financial bottom-line of Iowa's Critical Access Hospitals (CAHs)³ is the elimination of cost-based reimbursement⁴ under Medicaid managed care.
- Of 82 CAHs in Iowa, 56 show negative operating margins in 2018. This is 68% of all CAHs in the state.
- The resulting impact of negative operating margins is an inability to provide an array of health services. For example, there have been recent closures of obstetric services in some rural communities, with a total of 24 hospitals no longer offering this service.

Recent Policy Changes

- Last year, the General Assembly acknowledged the fragile state of Iowa's CAHs and the importance of access to care in rural communities by establishing a cost adjustment factor (CAF). The CAF was provided a state allocation of \$1.5 million and includes a federal match. This totals approximately \$3.8 million for rural health care.
- IHA applauds the inclusion of the CAF for CAHs within the state fiscal year 2020 budget as this policy will provide some assistance to sustain access to health care in rural communities, including front-line emergency care and other vital health care services.
- Unfortunately, this funding does not recognize the full need of Iowa's CAHs or restore funding to a level that creates sustainability.

Legislative Request

- There are 82 CAHs in Iowa that span the entire state. The CAF will help Iowa's CAHs, but with the increase in Medicaid as a percentage of their patient mix and the fact that the rate floors are still locked in at 2015 rates when cost-based reimbursement was still in effect to address shortages, the CAF funding does not address the full need of CAHs.
- The Legislature should consider increasing the rate floors for CAHs and pass an annual inflationary increase based on the Consumer Price Index – Health Care Rate – to ensure at least a minimal increase to meet the demands and increased costs of providing health care in rural communities.

Ensuring funding for rural communities can help stem the tide for closures of hospitals in rural communities and losses of high cost - but vital services - such as obstetrics and mental health care throughout the state.

1. Mosley, D. and DeBehnke, D. (2019). Rural Hospital Sustainability: New analysis shows worsening situation for rural hospitals, residents. Retrieved from Navigant Website: <https://www.navigant.com/-/media/www/site/insights/healthcare/2019/navigant-rural-hospital-analysis-22019.pdf%20>
2. Ellison, A. (2019). State-by-state breakdown of 102 rural hospitals closures. Retrieved from Becker's Hospital CFO Report website: <https://www.beckershospitalreview.com/finance/state-by-state-breakdown-of-102-rural-hospital-closures.html>
3. A critical access hospital (CAH) is a designation given by the Centers for Medicare and Medicaid Services (CMS) to hospitals in rural areas that meet certain requirements. A CAH must have 25 or fewer inpatient beds, be located more than 35 miles from another hospital, maintain an average acute care stay of 96 hours or less, and provide 24/7 emergency services. Because of their small size and rural locations, CAHs currently receive "cost-based" reimbursement within the Medicare program intended to improve their financial performance and maintain access to hospital inpatient and outpatient services in rural areas. Prior to managed care, CAHs in Iowa received "cost-based" reimbursement pursuant to the Medicaid program.
4. Cost-based reimbursement provides financial relief to CAHs by allowing full-cost of payment for allowable costs on inpatient, outpatient, and swing-bed services.