

IOWA HOSPITAL ASSOCIATION SUSTAINING CRITICAL HEALTH CARE

BACKGROUND

Over the past several months, hospitals have been true testaments to their missions to serve. They have demonstrated the vital importance of access to health care. They have served as safe havens, providing vital care to patients and communities affected by COVID-19. Hospital staff have put their lives on the line to ensure care for their patients and placed the community needs before theirs.

Now more than ever, Iowa hospitals need help. Iowans, regardless of where they live, need access to health care and vital services. The Legislature needs to support hospitals to ensure they will always be there for Iowa communities.

The Legislature should pass policies that help hospitals sustain services and access to care statewide by providing reimbursements and relief funds designed to help address the pandemic.

FISCAL FAST FACTS

- **41 hospitals had negative operating margins** as of July 2020.
- **Critical access hospitals in rural communities continue to be vulnerable to closing.** Nationwide, 174 rural hospitals have closed since 2005. In Iowa, much like the rest of the country, Iowa's 82 critical access hospitals are struggling to maintain vital health care services and keep doors open in their communities.
- **Hospitals have been hit hard by the pandemic** and have faced a variety of complex challenges including developing new response systems to address COVID-19, eliminating elective procedures for several months and facing significant labor shortages that are aggravated by a post-COVID-19 environment.
- **Hospitals have not returned to normal capacity.** From March to July 2020, inpatient surgeries decreased by 28.7%, ambulatory surgery visits decreased by 30.2% and emergency department visits decreased by 26.8% when compared to the same time in 2019.

RECENT POLICY CHANGES

- **Critical access hospitals:** In 2019, IHA advocated to restore cost-based reimbursement to critical access hospitals. This policy exists in Medicare and existed in Medicaid before the introduction of managed care. The Iowa General Assembly declined to provide costs-based reimbursement, but instead established a cost-adjustment factor. The cost-adjustment factor was provided a \$1.5 million state allocation and includes a federal match. This totals approximately \$3.8 million total for Iowa's 82 critical access hospitals.

RECENT POLICY CHANGES CONT.

- **Federal relief:** Hospitals have been afforded federal fiscal relief with funding acts and agencies, but the amounts vary substantially as do the requirements for repayment. Some of the funding received by hospitals are advance or accelerated payments. If these funds are not repaid in established timeframes, hospitals could face interest rates of 10.25%.
- **State relief:** Since the COVID-19 pandemic, there has not been specific state funding allocated to Iowa hospitals.

LEGISLATIVE REQUEST

The Legislature should pass policies that help hospitals sustain services and access to care statewide by providing reimbursement and relief funds to help address the pandemic.

These policies include:

- ***Establishing a hospital-relief trust fund.** The general assembly should create a \$150 million trust fund for distressed hospitals to access to sustain operations during emergencies. Although these funds may not be necessary, the future of the virus and its impact remain uncertain.*
- ***Increasing reimbursement for hospitals.** The cost-adjustment factor for critical access hospitals should be increased from \$1.5 million to \$6.5 million. With a federal match, this will generate \$17 million to Iowa's critical access hospitals. In addition, the general assembly should increase rates to urban prospective payment systems hospitals to ensure fiscal viability of large hospitals that cannot benefit from the cost-adjustment factor.*

¹ University of North Carolina Cecil G. Sheps Center for Health Services Research. 174 Rural Hospital Closures: January 2005-present. Website: <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>