Rural Hospital Services Strategic Plan Progress Report

As Required by

Senate Bill 1621, 86th Legislature,

Regular Session, 2019

Health and Human Services

Commission

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TEXAS
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1. Executive Summary

The Rural Hospital Services Strategic Plan Progress Report is submitted in accordance with Senate Bill (S.B.) 1621, 86th Legislature, Regular Session, 2019. S.B. 1621 requires the Texas Health and Human Services Commission (HHSC) to provide updates on the strategies and operational milestones set forth in the Rural Hospital Services Strategic Plan that was initially published on January 1, 2020. This is the first update and outlines key activities undertaken in support of the strategies within the plan. Future reports, due by November 1 of each even-numbered year, will continue to provide details regarding the activities undertaken in support of the strategies identified herein. The update provides measures taken by HHSC to identify key strategies to further the goal of ensuring access to hospital services. The strategies focused on in the past year include:

1. Ensure Medicaid reimbursements are adequate and appropriate;
2. Increase access to established revenue opportunities to maximize reimbursement for hospitals; and
3. Identify challenges that hospitals experience in providing services to persons covered by Medicare and other payors.

The Texas Legislature has provided meaningful financial support for rural hospitals through increased appropriations targeted to increase Medicaid reimbursement rates. Most recently, the 86th Texas Legislature appropriated funds to increase rates for inpatient services and create a $500 add-on payment for labor and delivery services. S.B. 1621 and S.B. 170, 86th Legislature, Regular Session, 2019, directed HHSC to implement improved reimbursement methods and establish a directed payment program, such as a minimum fee schedule, to ensure Medicaid reimbursements are adequate and appropriate.

While HHSC administers the Texas Medicaid program, the challenges facing rural hospitals are not exclusively related to Medicaid reimbursement. Therefore, a successful plan must consider the impact of each payor.

For all three strategies, the progress report outlines specific operational milestones accomplished or underway to maintain access to rural hospitals. The operational plans each have target implementation dates. Finally, the progress report describes efforts HHSC made since the initial report to strategically improve the relations and education for rural hospitals related to the Medicaid program.

2. Introduction and Background

S.B. 1621 required HHSC to create a strategic plan to ensure Texans residing in rural areas have access to hospital services. There are many definitions of what constitutes an area and hospital as rural. Many definitions rely on population-based information within defined geographic boundaries that may or may not align with a political jurisdiction (Economic Research Service, 2019).

S.B. 1, 86th Legislature, Regular Session, 2019 (Article II, Health and Human Services Commission, Rider 11, Hospital Payments) defines rural hospitals as:

1. Hospitals located in a county with 60,000 or fewer persons according to the 2010 U.S. Census; or
2. A hospital designated by Medicare as a Critical Access Hospital (CAH), a Sole Community Hospital (SCH), or a Rural Referral Center (RRC) that is not located in a Metropolitan Statistical Area (MSA); or
3. A hospital that has 100 or fewer beds is designated by Medicare as a CAH, a SCH, or a RRC, and is located in an MSA.

For the purposes of this plan, HHSC used the S.B. 1 definition of a rural hospital as the prevailing definition as it is the definition used for most Medicaid reimbursement policies.

According to the state fiscal year 2017 Medicaid data, rural hospitals were paid approximately 83 percent of their cost for inpatient services and 53 percent for general outpatient services. The 86th Legislature appropriated additional funds, allowing HHSC to increase inpatient reimbursement to approximately 95 percent of the cost estimated in 2017. With these increased reimbursement rates, we now estimate that 99 percent of inpatient costs and 67 percent of outpatient services are covered. HHSC previously implemented reporting requirements for Medicaid managed care organizations (MCOs) to monitor the timeliness of payments to rural hospitals and identify improvements in encounter data (Health and Human Services Commission, 2019).

The Texas Organization of Rural & Community Hospitals (TORCH) reports the following:

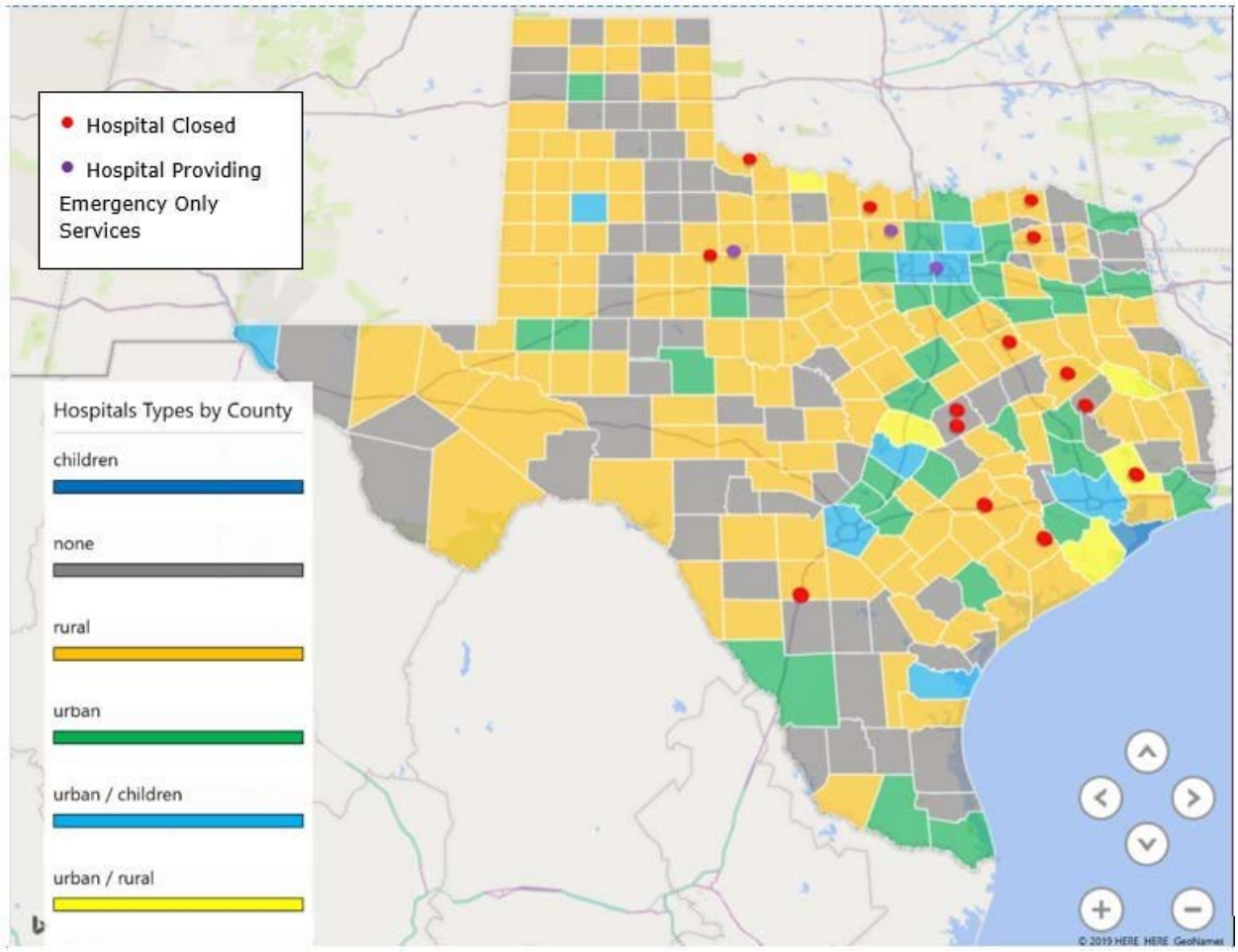
- Texas leads the nation in rural hospital closures.
- 27 Texas rural hospital closures (permanently or temporarily) have occurred in 22 communities since the beginning of 2010.

- Nationally, more than 70 rural hospitals have closed in the same time frame since the beginning of 2010.
- Texas had approximately 300 rural hospitals in the 1960s and is down to 158 rural hospitals currently.
- Closures have a ripple effect in the community, reducing sales tax revenue to local governments, reducing school student numbers driving down state payments to local school systems, and hurting local businesses across the community (Texas Organization of Rural & Community Hospitals, 2019).

As of January 15, 2020, 20 rural hospitals in Texas no longer provide inpatient community care, according to Becker's Hospital CFO Report. (Figure 1.)(Ellison, 2020) HHSC data shows 15 closures since 2014 in 14 counties. Additionally, at least three rural hospitals are providing emergency-only services. (Figure 1)

With each hospital closure or reduction of services, Texans face increased challenges and barriers to access hospital services. This plan seeks solutions that will support Texans and rural communities to prevent the closure of additional hospitals. The plan also seeks to increase access to hospital services in communities where closures have already occurred.

Figure 1: Hospital type by County



3. Strategies

The Rural Hospital Services Strategic Plan Progress Report is submitted in accordance with S.B. 1621, 86th Legislature, Regular Session, 2019. HHSC is required by S.B. 1621 to report on the progress towards the implementation of the strategic plan. This report updates operational milestones towards achieving the reduction of rural hospital closures and details activities undertaken in support of the strategies within the plan.

Table 1: Strategy 1, Ensure Medicaid reimbursements are adequate and appropriate

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Increase rural hospital inpatient rates	Increased reimbursements to rural hospitals to more adequately reimburse their costs of delivering services to Medicaid clients	September 1, 2019	Fully Implemented
Re-align hospital rates to reflect current costs	More appropriately reimburse hospitals according to their hospital-specific costs	September 1, 2020 (publish recalculated rates for public comment); implement new rates September 1, 2021	Step 1 – implemented. Proposed Rates are published, and the public comment period is through November 30, 2020; In Progress - Step 2 – Implement new rates September 1, 2021

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Implement a minimum fee schedule for Medicaid managed care organizations	Ensure that MCOs reimburse rural hospitals in the same manner and at the same rate that they would be paid in FFS	September 1, 2020	Fully Implemented

Effective September 1, 2019, HHSC implemented increased inpatient rates for rural hospitals through targeted appropriations provided in H.B. 1, General Appropriations Act, 86th Legislature, 2019, Rider 11 sections (d) and (e) and Rider 28. An add-on for labor and delivery services was created to support rural hospitals in continuing to provide these services. Additionally, base rates were inflated from 2014 to 2020 (House Bill 1, 86th Legislature, Regular Session, 2019).

Senate Bill 170 of the 86th Legislature required HHSC to develop rates that more closely align with the rural hospital's cost of providing Medicaid services. A realignment of rural hospital inpatient Standard Dollar Amounts was published for public comment on September 1, 2020; the proposed rates have a potential effective date of September 1, 2021. HHSC is accepting public comment on the proposed rates through November 30, 2020, and will begin the rulemaking process after that point. The rulemaking process includes a second 30-day comment period. The extended comment period allows for a thorough review of public comments as some hospitals may see a decrease in the proposed rates based on currently available appropriations.

HHSC submitted a preprint to CMS, allowing for the implementation of a minimum fee schedule for the Managed Care Organizations (MCO) to reimburse rural providers. The preprint was approved on March 10, 2020, for implementation on September 1, 2020. Based on the preprint, the MCO contracts with HHSC require the MCOs to pay a rural hospital no less than the rates posted by HHSC.

Table 2: Strategy 2, Increase access to established revenue opportunities to maximize reimbursement for hospitals.

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Targeted outreach to rural hospitals during enrollment periods for DSH/UC/UHRIP*	Increased participation of rural hospitals in DSH/UC/UHRIP	September 1, 2020	Fully Implemented
Establish education and training program for rural hospital administrators on Medicaid policies and reimbursement programs, in collaboration with the Office of Rural Health	Increased awareness of Medicaid program requirements to increase revenue maximization	March 1, 2021	Fully Implemented
Work with cross-agency staff to identify federal grant opportunities for rural hospitals and healthcare providers	Increased communication from Texas state agencies regarding established funding opportunities	September 1, 2021	Ongoing

*Disproportionate Share Hospital (DSH)/Uncompensated Care (UC)/Uniform Hospital Rate Increase Program (UHRIP)

Beginning with the application process for the 2021 Disproportionate Share Hospital (DSH) Program and Uncompensated Care (UC) demonstration year ten (DY10) combined application, HHSC assigned liaisons to each rural hospital who have not participated in supplemental payment programs in the past to encourage participation. HHSC continues ongoing outreach efforts, including liaison assignments, as a permanent dedicated connection for rural hospitals. Through their liaison, the hospitals may seek technical guidance on various Medicaid financial program applications.

HHSC, in partnership with the Texas Organization for Rural and Community Hospitals and the Texas Department of Agriculture (TDA) Office of Rural Health, began an educational webinar series for rural hospitals in the fall of 2020. The webinar series covers topics like supplemental payments, grants, rate setting, and policy changes related to rural hospitals.

HHSC staff continue to work with cross-agency staff to identify federal grant opportunities for rural hospitals and health care providers. In August 2020, the Centers for Medicare and Medicaid Services (CMS) announced a new funding opportunity called the Community Health Access and Rural Transformation (CHART) (Centers for Medicare and Medicaid Services, 2020). This is a voluntary payment model designed to meet the needs of rural communities. CHART is designed to test whether aligned financial incentives, increased operational flexibility, and robust technical support promote rural healthcare providers to implement effective healthcare delivery on a broad scale. The model's goal is to increase financial stability for rural providers, remove regulatory burdens by providing waivers, and enhance beneficiaries' access to healthcare services.HHSC convened a cross-agency group of academic health institutions, TDA, Texas Department of State Health Services (DSHS), and HHSC to coordinate applications statewide. We anticipate that similar cross-agency approaches will be used as new grant opportunities are made available.

Table 3: Strategy 3, Identify challenges that hospitals experience in providing services to persons covered by Medicare and other payers.

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Establish a Rural Hospital Advisory Committee	Increase public input to identify opportunities and barriers for rural hospitals; provide oversight of strategic plan implementation	March 1, 2020	Fully Implemented

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Analyze federal rules and regulations to identify barriers to rural hospital services	Provide information to determine if any federal flexibility can be sought to support Texas hospitals	September 1, 2021	In Progress
Analyze state regulatory requirements to determine if cost reductions can be achieved	TBD	September 1, 2021	In Progress

HHSC developed a sub-committee of the Hospital Payment Advisory Committee (HPAC). The committee enables more fluid information transfer and a dedicated group to focus specifically on concerns of the rural hospitals. The first meeting of this committee is scheduled for November 5, 2020.

HHSC is performing ongoing research to analyze federal and state regulatory requirements to determine if cost reductions can be achieved.

4. Recent Developments

As a result of the COVID-19 pandemic, rural hospitals have been negatively financially impacted due to the lack of elective procedures. These procedures account for a significant amount of annual revenue. Outpatient services account for a median of 71 percent of the hospital's revenue. The loss of elective surgeries added an additional strain to hospitals already operating with a limited budget. Rural hospitals have limited resources, such as personal protective equipment (PPE), bed capacity, and equipment. As the need to treat more critically ill patients increases, these hospitals may have to transfer patients that are stable to other hospitals.

Although several waivers were put into place to allow utilization of telemedicine, the communication infrastructure in many rural areas is not as robust as in urban or suburban markets, and IT systems may not be able to be altered quickly to provide additional data points. The telehealth option is further complicated because rural healthcare facilities in many areas lack the broadband internet or wireless broadband to support video capabilities. Many individuals residing in these rural areas still do not have the technology available to support such measures.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was signed into law on March 27, 2020, provided some relief funding to assist rural hospitals with the financial impact of COVID-19. The CARES Act established the Provider Relief Fund, which has made general and targeted allocations for healthcare providers, including rural hospitals. Rural hospitals or clinics in Texas received approximately $634 million in relief funding.

Other funds were distributed by other federal relief agencies, which are intended to be available on a rolling basis. The funds will assist rural hospitals in their COVID-related patient care costs, reparations for patient surges, and lost revenues from discontinuing elective services. Additional funds included $200 million awarded to the Federal Communications Commission to allow provisions for telehealth services. The legislation designates Rural Health Clinics (RHCs) and Federally Qualified Health Centers (FQHCs) as distant sites to provide telehealth services to patients in their homes or other eligible locations during the Section 1135 emergency (Texas Organization of Rural and Community Hospitals, 2020).

HHSC has observed that federal relief funding received by rural hospitals to help support their services during the public health emergency had an immediate and stabilizing impact on many rural providers.

HHSC anticipates that there may be lessons learned about how a direct infusion of grant funding can serve to stabilize rural hospitals even when utilization declines, whether as a result of population declines in the area or in response to a public health emergency. It may be beneficial to study the short- and long-term impacts of receipt of stabilizing grants that are not associated with specific delivery of services to Medicaid clients. HHSC has observed that increased reimbursements for Medicaid beneficiaries receiving care in rural communities has limited impacts if utilization of services from Medicaid beneficiaries reduces, even as the hospitals' fixed operational costs do not reduce proportionally. While HHSC continues to support investing in rural hospital rates in Medicaid, HHSC believes that long-term stabilization of rural hospitals may require exploration and study of other dedicated non-Medicaid revenue sources and the federal relief funding received by rural hospitals during COVID-19 may provide an interesting and effective case study.

5. Future Strategies

Over the next two years, HHSC will continue collaboration efforts with the rural hospital community, related hospital associations, and other state agencies to provide continued consideration of potential difficulties that impact the rural hospitals.

New Goals:

HHSC believes that there are additional operational goals that fall under the umbrellas of the three original strategies.

Strategy 1: Ensure Medicaid reimbursements are adequate and appropriate

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Identify Needed Appropriation Amounts for Cost Growth in Rural Hospital Rates	Enable the Legislature to consider maintaining positive impact of past appropriations that increased reimbursement rates	By November 1, 2022	NEW GOAL

Strategy 2, Increase access to established revenue opportunities to maximize reimbursement for hospitals.

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Preserve access to DSH funds	Monitor for negative financial impacts to rural hospitals that participate in DSH if federally mandated DSH allotment reductions occur	Contingent upon federal action to reduce DSH funds	NEW GOAL

Strategy 3, Identify challenges that hospitals experience in providing services to persons covered by Medicare and other payers.

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Raise awareness of Federal relief opportunities for Response and Recovery from the COVID-19 Public Health Emergency	Ensure Rural Hospitals are aware of all opportunities and receive appropriate federally available relief funds	Contingent upon federal funds being allocated for provider relief	NEW GOAL

The following is a list of ongoing strategies that HHSC continues to pursue:

Table 4: Ongoing Strategies

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Work with the newly created Rural Hospital Advisory Committee	Voices of the Rural Hospital Community are heard, and open lines of communication continue, and new rural strategies are considered.	Ongoing	Ongoing
Analyze federal rules and regulations to identify barriers to rural hospital services	Provide information to determine if any federal flexibility can be sought to support Texas hospitals	September 1, 2021	In Progress
Analyze state regulatory requirements to determine if cost reductions can be achieved	TBD	September 1, 2021	In Progress

Operational Goal	Anticipated Impact	Implementation Deadline	Status
Work with cross-agency staff to identify federal grant opportunities for rural hospitals and healthcare providers	Increased communication from Texas state agencies regarding established funding opportunities	September 1, 2021	Ongoing
Realign hospital rates to reflect current costs	More appropriately reimburse hospitals according to their hospital-specific costs	September 1, 2020 (published recalculated rates for public comment); implement new rates September 1, 2021	Public comment period is through November 30, 2020; – In Progress
Monitor federal and state statutory changes related to rural hospitals	Provide analysis and implementation plans for any statutory changes	Ongoing	Beginning in January 2021

6. Conclusion

S.B. 1621 requires HHSC to provide an update to the implementation of the strategic plan by November 1 in each even-numbered year. HHSC provides this progress report in accordance with these guidelines. This report includes information about the implementation of the strategies identified in the January 2020 Rural Hospital Services Strategic Plan. Future reports may include new strategies to maintain hospital services in rural communities as they are identified.

HHSC plans for the advisory committee, being established as part of this strategic plan, to gather feedback from the public to inform future reports and plans. HHSC continues to build upon current efforts for increasing reimbursement to rural hospitals while monitoring the status of rural reimbursement enhancements.

Finally, HHSC plans to include in future reports, initiatives, and requirements from CMS that create opportunities or barriers for rural hospital services. With Medicare as the major payor in many rural hospitals, it is important to ensure that any Texas-led solutions consider federal rules and regulations.

List of Acronyms

Acronym	Full Name
CAH	Critical Access Hospital
CARES	Coronavirus Aid, Relief, and Economic Security (CARES) Act
CFO	Chief Financial Office
CHART	Community Health Access and Rural Transformation
CMS	Centers for Medicare and Medicaid Services
DSH	Disproportionate Share Hospital
DSHS	Department of State Health Services
FQHC	Federally Qualified Health Center
HHSC	Health and Human Services Commission
HPAC	Hospital Payment Advisory Committee
MCO	Managed Care Organization
MSA	Metropolitan Statistical Area
PPE	Personal Protective Equipment
RHC	Rural Health Clinics
RRC	Rural Referral Center
SCH	Sole Community Hospital
TBD	To Be Determine
TDA	Texas Department of Agriculture
TORCH	Texas Organization of Rural & Community Hospitals
UC	Uncompensated Care
UHRIP	Uniform Hospital Rate Increase Program

Appendix A. References

1. Centers for Medicaid and Medicare Services. (2020, August 17). *CHART Model.* https://innovation.cms.gov/innovation-models/chart-model

2. Econmic Research Service. (2019). *Texas Census Summary*. https://www.ers.usda.gov/webdocs/DataFiles/53180/25598_TX.pdf?v=0

3. Ellison, A. (2020, January 15) *State-by-state breakdown of 120 rural hospital closures.* Becker's Hospital CFO Report. https://www.beckershospitalreview.com/finance/state-by-state-breakdown-of-120-rural-hospital-closures.html

4. Health and Human Services Commission. (2019). *Evaluation of Rural Hospital Funding Initiatives*. https://hhs.texas.gov/reports/2019/08/evaluation-rural-hospital-funding-initiatives

5. House Bill 1, 86th Legislature, Regular Session (Texas 2019). https://tlc.texas.gov/docs/sessions/86soe.pdf

6. Texas Organization of Rural & Community Hospitals. (2019, October 29). *Rural Hospital Closures.*https://www.torchnet.org/advocacy--rural-hospital-closure.html

7. Texas Association of Rural and Community Hospitals. (2020). *Newsletter Summer 2020.*