Frequently Asked Questions About Critical Access Hospital Designation

1. What is a critical access hospital (CAH)?

A critical access hospital (CAH) is a hospital designation made possible by the Medicare Rural Hospital Flexibility Program created by the federal government in the Balanced Budget Act of 1997. The program is available to any state that chooses to meet the HCFA requirements and establish such a program. Tennessee has received approval from HCFA to create the Tennessee Medicare Rural Hospital Flexibility Program.

A critical access hospital is an alternative for small, rural hospitals that creates the potential for enhanced reimbursement from Medicare, the opportunity to better match the local community's needs to the hospital's capabilities, and the foundation of a rural health network. The CAH designation only affects Part A (hospital services) Medicare reimbursement and does not affect other government or private reimbursement.

The bottom line goal of the CAH designation is improved financial viability and stability for the hospital in order to assure access to quality medical care in rural areas.

2. What are the criteria in Tennessee for becoming a CAH?

Tennessee has established the following criteria to make a hospital eligible to change its designation from acute care to critical access. The hospital must:

- Be a licensed, not-for-profit or public hospital located in a rural area;
- Be certified by the State as a Necessary Provider of Health Care Services;
- Be a member of a rural health network with at least one other hospital that is not a CAH;
- Have a maximum of 15 acute care beds or 25, if 10 are swing beds;
- Limit inpatient length of stay to no more than 96-hours;
- Have emergency care services available 24-hours a day, seven days a week; and
- Have credentialing and quality assurance arrangements with a member of the rural health network or with a Peer Review Organization.

3. To whom does the 96-hour length of stay apply? How does it work?

The 96-hour rule applies to all acute care patients, regardless of the payment source.

Exceptions to the 96-hour rule are allowed when:

- Inclement weather prohibits the transfer of a patient;
- Emergency conditions prohibit the patient's transfer; or
- Prior approval has been received from the Peer Review Organization.

4. What is a "rural health network"?

A "rural health network" must consist of at least one critical access hospital and at least one full-service acute care hospital.

The two hospitals must have agreements in place to address patient transfer and referral, communication systems, emergency and non-emergency transportation, credentialing, and quality assurance.

Both partners should benefit from the network arrangement. The critical access hospital has the opportunity to gain clinical and administrative support from its network partner while the partner can gain enhanced market presence and increased referrals through the critical access hospital.

5. What is the role of the State in CAHs?

The State of Tennessee recognizes that small, rural hospitals are both an indispensable part of their communities and keys to providing quality, accessible health care for all Tennesseans.

Therefore, the state created the Tennessee Medicare Rural Hospital Flexibility Program (see #1) and embarked on the development of a State Rural Health Plan. These two efforts are being driven by the State Office of Rural Health (SORH) of the Tennessee Department of Health and the Tennessee Hospital Association (THA). The Department of Health has also appointed an advisory committee, made up of various state and health care officials, to oversee the State's efforts in making the critical access program successful.

6. Will the federal government have more control over the hospital after the conversion?

No. While the rules under which a CAH operates are different from an acute care hospital, the new designation does not give the federal government any greater control over the hospital.

The State is the primary entity that will oversee the operation of the CAH designation program, but they are not granted a higher level of control either.

7. Why would a hospital consider conversion to a CAH?

The main goal of the program is to improve the financial viability and stability for the hospital. If the hospital is in need of improved financial status to assure success and viability and if conversion appears to be a logical move based on the criteria (see #2), then the hospital should strongly consider conversion.

A proper financial feasibility study (see #8) will identify all of the benefits and issues for a hospital as well as help guide the hospital to a proper decision.

The main benefit of converting to a critical access hospital is the opportunity for higher Medicare reimbursement. Currently, hospitals receive inpatient reimbursement based on Diagnosis Related Groups (DRGs). Critical access hospitals will receive Medicare reimbursement for inpatient and outpatient hospital expenses on a cost basis which for most small, rural hospitals should be far higher.

Other potential benefits from converting to CAH status include:

- possible cost reductions as a result of the operating guidelines for a CAH,
- expansion of services and support through the relationship with the network hospital,
- increased focus and presence in addressing the county's health issues, and
- potential access to grant dollars from the Tennessee Medicare Rural Hospital Flexibility Program to facilitate the transition.

8. What are the steps in becoming a CAH?

There are basically five steps, outlined below, in becoming a critical access hospital. The entire process, from initial consideration of the idea to notification of HCFA that the designation has been changed, will take at least 6-7 months under the best scenario.

- The hospital completes a financial feasibility study application to be submitted to the State. Approval of the application means that the State will pay for the financial feasibility study.
- The State determines that the hospital does or will meet the eligibility requirements and agrees to fund the financial feasibility study.
- The hospital completes the financial feasibility study.

- Pending a positive outcome of the financial feasibility study, the hospital completes the necessary network agreements and the CAH application which are then submitted to the State Office of Rural Health.

- The State approves the application, surveys the facility, and notifies HCFA of the new designation.

9. Who should be involved in the transition process?

Proper communication and involvement are key elements in a successful transition process. A variety of resources are available from the Tennessee Hospital Association (see #15) to hospitals in this area.

Key audiences that should be considered in each transition are the hospital board, medical staff, local physicians, hospital employees, elected community officials, the local county health council overseeing the Community Diagnosis Process, primary users of the hospital, the community at large, and the media. While there is some overlap in these audiences, each of them will have a unique perspective on the transition that must be addressed on a timely basis to assure success.

10. What are the key issues that a hospital needs to be aware of in making the transition?

The key issues for each hospital can be thought of in three areas - operational, financial, and community acceptance of the change. Consideration of proper timing and communication are critical to all three**.**

Operationally, the hospital must understand what changes must or will occur in order to be a critical access hospital. In many cases, the conversion will require little or no real change while in other hospitals some substantial change will be desired or required. In either case, the community may perceive it as a major change. These changes must then be communicated to all of the necessary audiences in a way that generates both understanding and support of the changes.

The financial feasibility study, if done properly, will address all of the key financial issues. Again, the timing and communication of the decision to do the feasibility study, the process, and its conclusions are critical to a successful transition.

11. How will the conversion affect the quality of the hospital?

No elements of the conversion process should negatively affect the quality of the hospital. The credentialing and quality assurance aspects of the rural health network are in place to maintain a focus on the quality of the critical access hospital.

It also is important to note that the regulations governing critical access hospitals

allow for an operating standard that is appropriate for rural communities. These different standards do not mean a lower level of quality.

12. How will the conversion affect the community? The patients?

While the specific answer to this question is very hospital dependent, driven to a great degree by the amount of change the hospital chooses to go through, it is critical to remember that the CAH designation and the Tennessee Medicare Rural Hospital Flexibility Program are both focused on the goal of providing quality, accessible health care for the rural communities of Tennessee.

From the community's perspective, the goal is to keep the hospital as a vibrant community player focusing on the health needs of the service area.

From the patients' perspective, the goal is to meet their needs in the best way possible, especially in regard to emergency and acute care services.

13. How will the services offered by the hospital be affected?

The overall goal of each conversion is to create a stronger hospital over the long term.

In reviewing changes to existing services (either reductions or expansions), the main factors that will be considered are the 96-hour length of stay limitation, the financial viability of the hospital, and the relationship with the network hospital.

Services most likely to be discontinued are those that consistently have an average length of stay much greater than 96-hours or that are highly unprofitable for the hospital.

Services most likely to be expanded are outpatient services, Medicare reimbursable services, and clinic services.

14. How will physicians be affected by the conversion?

Reimbursement levels for physicians are not affected by the change to a critical access hospital under the federal rules and regulations currently in place. Compensation of a physician or referral patterns may be affected by changes in services.

What is known concerning the hospital's medical staff and physician community is that they need to be involved in and supportive of the transition if it stands a chance of success. Opposition by the medical community can prove disastrous both for the transition and the hospital.

15. Who do I contact to get more information?

In order to learn more or ask additional questions about the Tennessee Medicare Rural Hospital Flexibility Program and the critical access hospital designation, please contact:

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