

What is a Critical Access Hospital (CAH)?

A critical access hospital (CAH) is a hospital designation made possible by the Medicare Rural Hospital Flexibility (Flex) 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 Centers for Medicare and Medicaid Services (CMS) requirements and establish such a program. Oregon has received approval from CMS to create the Oregon Medicare Rural Hospital Flexibility (Flex) Program. A critical access hospital is an alternative for small, rural hospitals that creates the potential for enhanced reimbursement, 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 receives cost-based Medicare (and, in Oregon, Medicaid) 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.

What are the criteria in Oregon for becoming a CAH?

In order to satisfy Oregon State requirements for designation as a CAH, a hospital must first agree to meet all [Federal requirements](#) for designation. Additionally, the facility must agree to the following state-specific criteria:

1. The hospital must be able to demonstrate that a thorough fiscal assessment has determined that conversion to a CAH will be fiscally appropriate.
2. The hospital must demonstrate that a community needs assessment has occurred, and indicated that conversion to a CAH is in the best interests of the community.
3. The hospital must demonstrate that public notice of the intent to convert to a CAH has occurred, and that the community substantially agrees with the plan.

What is a "rural health network"?

A rural health network is defined as an organization consisting of at least one CAH and at least one non-CAH hospital where participants have entered into specific agreements regarding patient referral and transfer, communication, and patient transportation. 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.

What is the role of the State in CAHs?

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

Therefore the Oregon Office of Rural Health developed the State Rural Health Plan and embarked on the creation of the Oregon Medicare Rural Hospital Flexibility Program. The Oregon Office of Rural Health also utilizes an advisory committee, made up of hospital administrators and officials, to oversee the State's efforts in making the critical access program successful.

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.

Why would a hospital consider conversion to a CAH?

The main goal of the program is to improve the financial viability and stability of the hospital. If the hospital is in need of improved financial status to ensure success and if conversion appears to be a logical move based on the program requirements, then the hospital should strongly consider conversion. A proper financial feasibility study 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 and Medicaid reimbursement. Currently, hospitals receive reimbursement for services based on their costs which, for most small, rural hospitals, should be higher. Other potential benefits from converting the 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 community's health issues, and
- Potential access to grant dollars from the Oregon Medicare Rural Hospital Flexibility Program.

What are the steps in becoming a CAH?

Conversion to a Critical Access Hospital under the Medicare Rural Hospital Flexibility Program is a multi-step process with four key steps.

1. The interested hospital determines that CAH designation would be beneficial and submits an application to the Oregon Office of Rural Health.
2. The Oregon Office of Rural Health reviews the hospital's CAH application to ensure all necessary eligibility requirements have been met.

3. The state Department of Human Services - Public Health Service's Health Care Licensure and Certification program conducts a survey to ensure the hospital is in compliance with the Medicare Conditions of Participation for critical access hospitals.
4. The Centers for Medicare and Medicaid Services (CMS) acts on the state's designation recommendation and issues formal notice of CAH designation.

Only after successful completion of these four steps does the facility start receiving cost based reimbursement for Medicare and Medicaid patients.

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 is 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 will address all of the key financial issues. Again, the process and the conclusions of the financial feasibility study are critical to a successful transition.

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 is also 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.

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 Oregon Flex Program are both focused on the goal of providing quality, accessible health care for the rural communities of Oregon. 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.

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 average length of stay limitation, the financial viability of the hospital, and the relationship with the network hospital(s). Services most likely to be discontinued are those that consistently lead to a length of stay much greater than 96 hours or are highly unprofitable for the hospital. Enhanced reimbursement for services that heretofore had been a financial drain on hospitals would enable expansion of those services identified as needed by the community.

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 hospital-employed physician or referral patterns may be affected by changes in services.

Who do I contact to obtain more information?

In order to learn more or ask additional questions about the Oregon Medicare Rural Hospital Flexibility Program and the Critical Access Hospital designation, please contact Maeve McClellan | mcclerma@ohsu.edu | phone: (503) 494-4450 | toll-free 866-674-4376 | fax: (503) 494-4798.