



The Pennsylvania Rural Health Program

**Pennsylvania's solution to the rural
hospital crisis**

Pennsylvania's rural hospitals* are in crisis

REPUBLICAN HERALD

April 22, 2012

Saint Catherine's demise ends 130 years of health care legacy



"The closing ... leaves a gap in local health care in the northern Schuylkill County"

"The bankruptcy and closure left about **160 employees out of a job**, with many still owed for up to six weeks in back pay."

REPUBLICAN HERALD

April 30, 2014

Mid Valley Hospital to stop acute care and emergency room services

It's a tremendous blow," [said Lori Williams, M.D., president of the Lackawanna County Medical Society.] The Scranton hospitals are fantastic, but in an emergency, it's right here. ... People always chose to go there, instead of waiting an hour or two at one of the Scranton hospitals."

"Chet Potoski, 60, ... was concerned with the longer drive to an ER now, but said the closing was a sign of the times, based on "economics.""

JAMA
The Journal of the American Medical Association

March 27, 2018

A Path to Sustain Rural Hospitals

"Launch of the Pennsylvania Rural Health Model...provides rural hospitals an opportunity to transition from a fee-for-service reimbursement system based on volume to a multi-payer global budget payment method that is intended to improve population health outcomes and quality of care while lowering costs."

"The financial challenges of rural hospitals today are the result of a changing health care industry."

Outreach from ~12 other states interested in learning about the PA Rural Health Program

* A rural hospital is an acute care or critical access hospital located in a county designated as rural by the Center for Rural Pennsylvania.

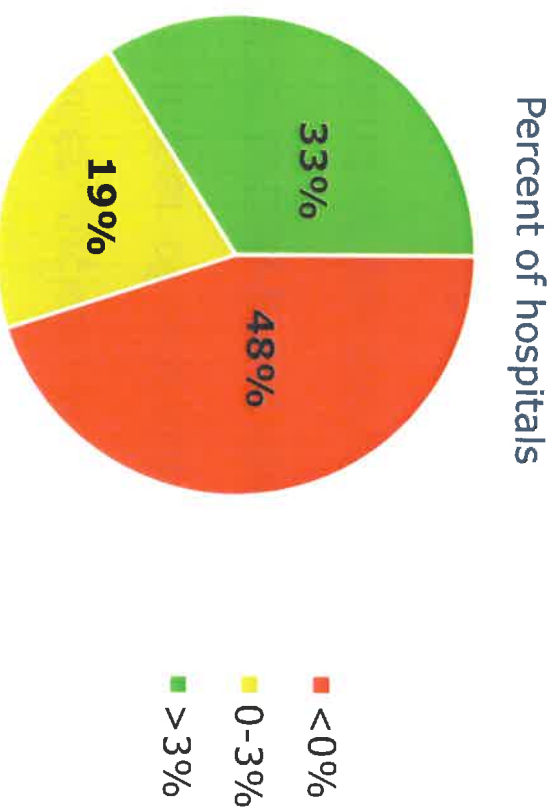
Rural hospitals are challenged for many reasons

1. Patients tend to be older, sicker, and have more chronic diseases.
2. There are a larger number of uninsured patients.
3. Patients may travel to urban areas for health care services.
4. There is a national trend of declining inpatient admissions.
5. There are significant physician shortages.
6. Specialists are difficult to recruit.
7. Equipment is very expensive.
8. Operating expenses continue to increase.

Pennsylvania's rural hospitals face poor operating margins

Most rural hospitals in Pennsylvania report low and declining operating margins.

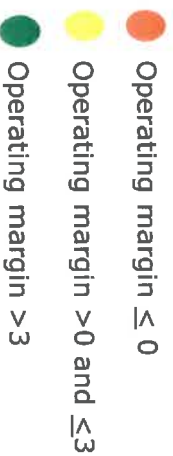
Rural hospitals operating margin breakdown: 2016



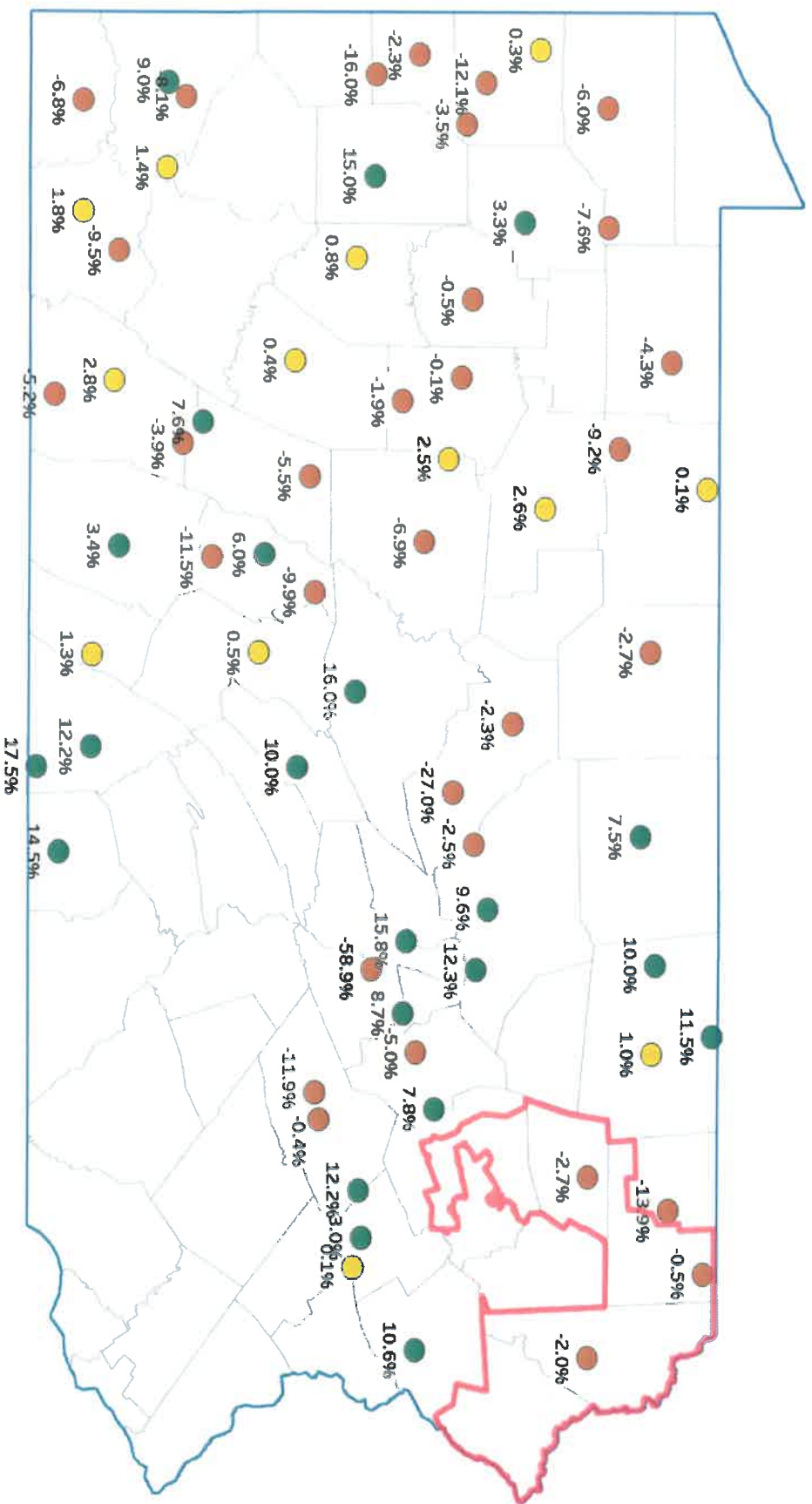
Nearly half of rural hospitals reported negative operating margins in 2016,
with 67 percent reporting operating margins of 3 percent or less.

SOURCE: Pennsylvania Health Care Cost Containment Council

Rural hospitals across the state are in trouble



There are three rural hospitals at risk in your district



▶ The PA Rural Health Program is a creative solution

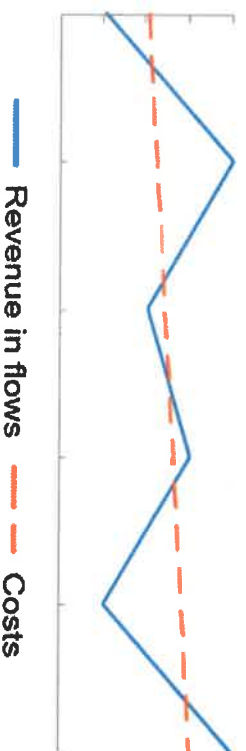
The **PA Rural Health Program (the Program)** is our **revenue-neutral** strategy to strengthen rural hospitals, keep jobs local, and sustain access to health care.

The Program helps rural hospitals and communities

The approach: Rural hospitals are currently paid in an unpredictable manner that leaves many suffering financially. Through the Program, rural hospitals will transition to a payment model that provides a stable and steady stream of revenue. This will allow hospitals to better plan the types of health services their communities need.

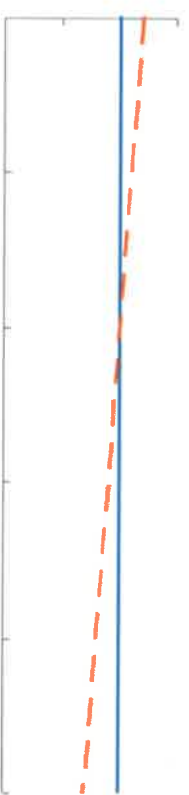
Current volume-based reimbursement

Unstable and unpredictable financials



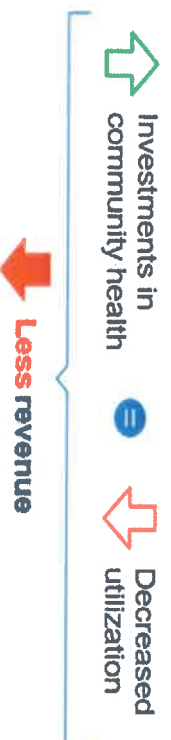
Future value-based reimbursement

Predictable and stable cash flows

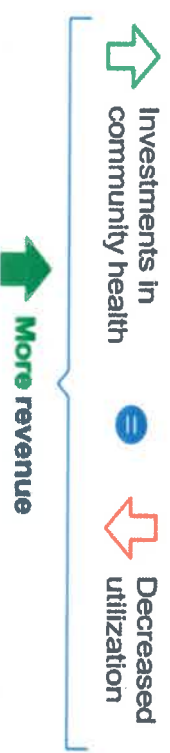


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Healthier communities hurt bottom line



Incentives to invest in community health



Global budget methodology provides stable revenue



- The budget is fixed annually and paid out to hospitals monthly by payers, providing a stable stream of revenue.



- The budget is calculated based on historic revenue data and adjusted for inflation and for any changes in the way services are delivered to patients.



- The commonwealth will not come in between the flow of money from payers and providers.

The Program lets hospitals invest in the communities

This program **allows hospitals to...**

- Better plan the types of services that the communities need
- Make key local investments in community health
- Invest in lower-cost, higher-quality care

This program **does not...**

- Impose any more regulations
- Interfere with private business
- Negatively impact patients

The Program allows hospitals to create new visions

Rural hospital CEO goals for transformation

- "I want to create a hospital without walls"
- "We want to see more nights patients sleep in their own beds"
- "Our hospital will manage community health rather than just provide health care services"

Specific goals hospitals want to pursue

- Expand behavioral health and substance use disorder services
- Offer community health worker education programs
- Combine emergency medical services with neighboring areas to increase coverage when needs arise

The Rural Health Redesign Center
(RHRC) is critical to support the
PA Rural Health Program.

The RHRC will administer the Program

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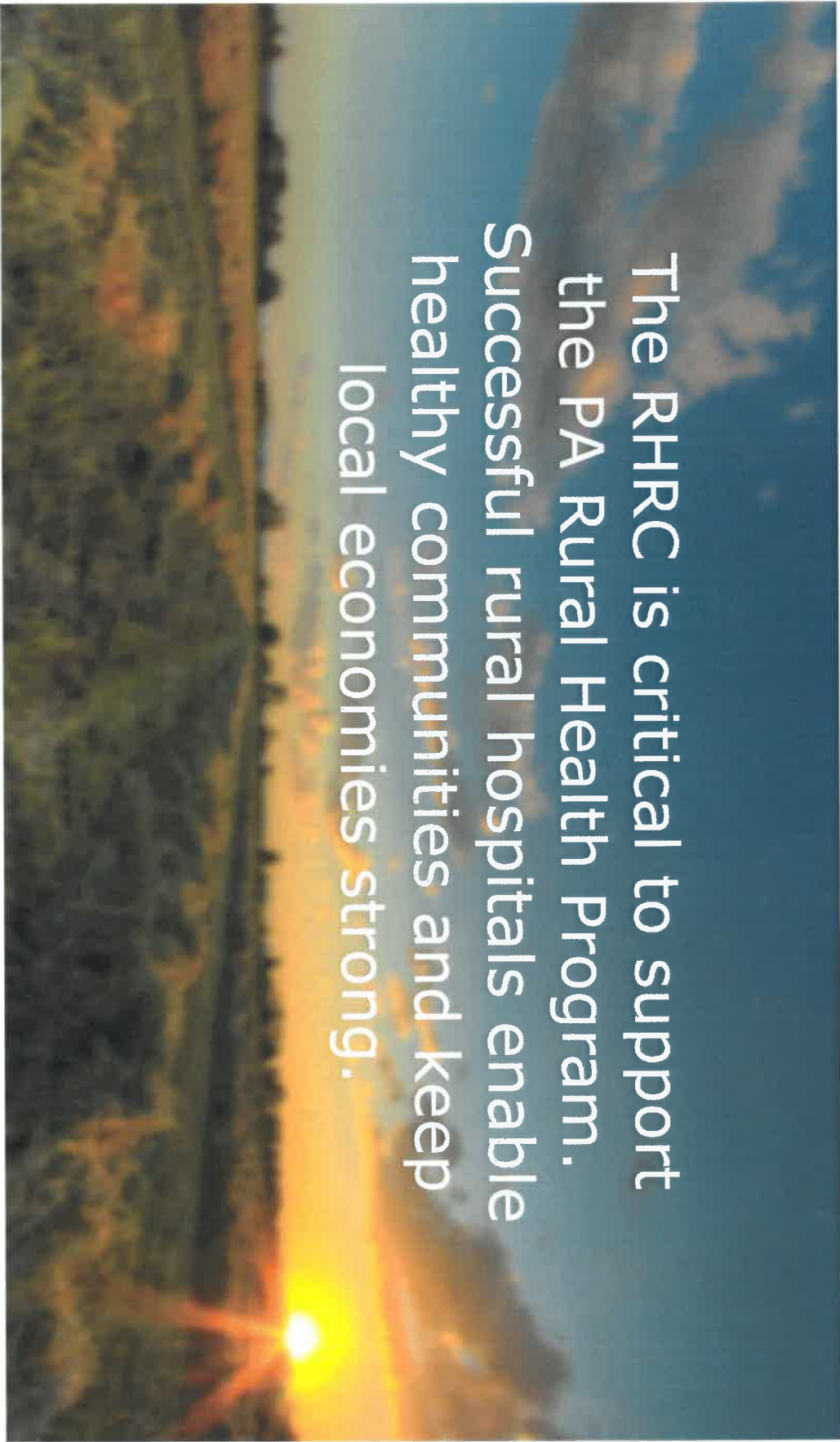
- Provide financial and practice transformation technical assistance to rural hospitals as they participate in the Program
- Offer support for hospitals to engage and work with rural community partners (i.e., employers) to improve local health status



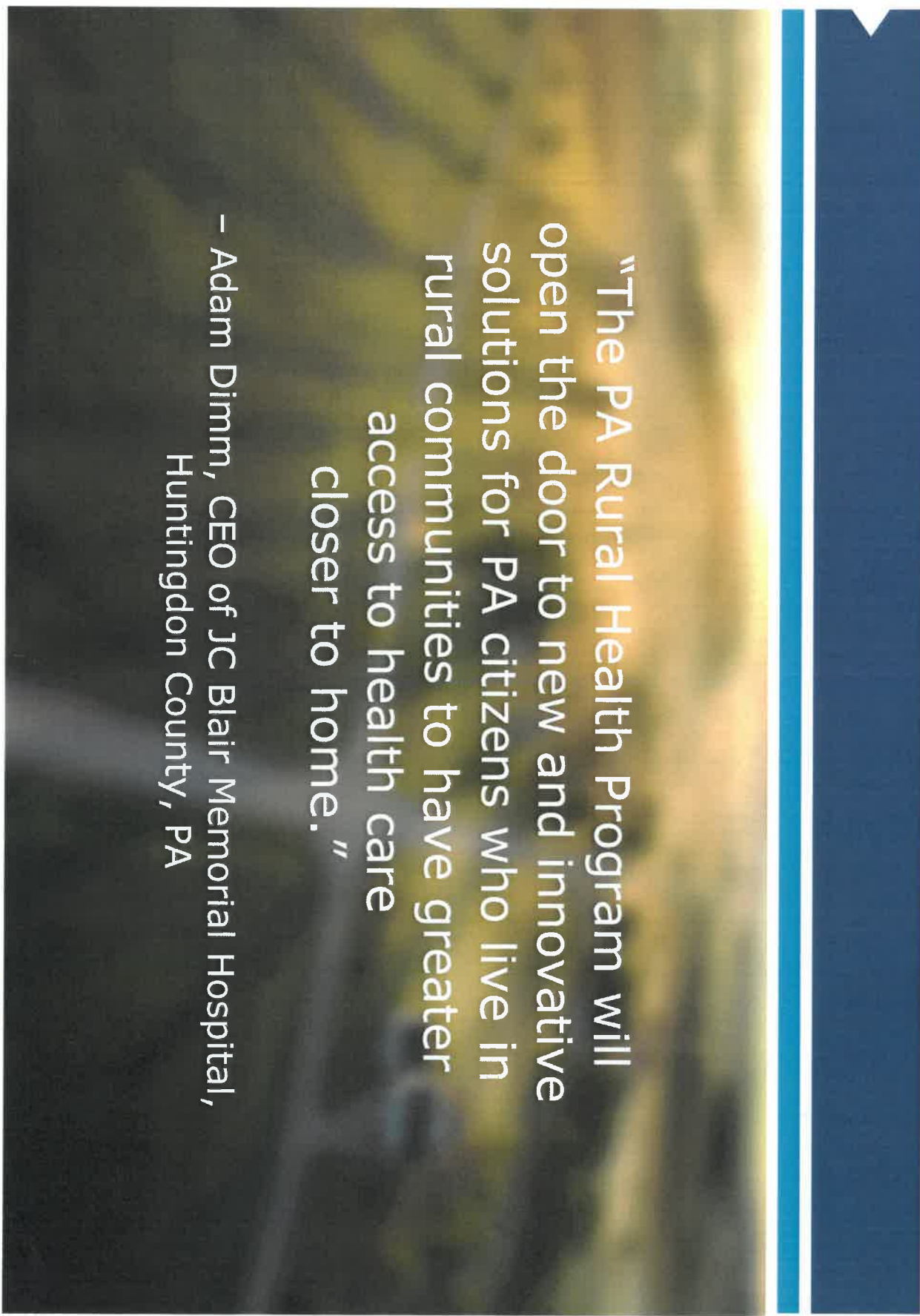
- Help rural hospitals identify solutions for critical challenges including access to broadband, tele-health services, and behavioral health services

With the RHRC, PA will be a rural health leader

- The RHRC will provide the opportunity to develop **concentrated expertise** in rural health care delivery including in areas of: financing, community health, research, rural health transformation, and economic vitality.
- The RHRC will provide **free technical assistance** and **consistent support** to participant rural hospitals that otherwise would be extremely difficult for these hospitals to access.
- PA is **on the cutting edge of health care delivery systems**
 - First state to administer the Rural Health Program
 - The Program could be expanded across the country
 - Other states are looking to PA for rural health care solutions



The RHRC is critical to support
the PA Rural Health Program.
Successful rural hospitals enable
healthy communities and keep
local economies strong.



"The PA Rural Health Program will open the door to new and innovative solutions for PA citizens who live in rural communities to have greater access to health care closer to home."

- Adam Dimm, CEO of JC Blair Memorial Hospital, Huntingdon County, PA