RICE COMMUNITY HEALTHCARE
HOSPITAL DISTRICT NO. 1 OF RICE COUNTY

TO: Senate Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies

FROM: George Stover, CEO

DATE: May 7, 2015

RE: Challenges Facing Rural Health Care Providers

Mr. Chairman and Members of the Committee,

Thank you for the opportunity to speak to you today. My name is George Stover and I serve as the chief executive officer for the Hospital District #1 of Rice County in Lyons, Kansas. Lyons is a community in North Central Kansas that has a population of nearly 3,800. Our community hospital, which first opened in 1959, is a 25 bed critical access hospital that employs approximately 150 individuals.

Rural community hospitals have a long and distinguished commitment of providing care for all who seek it, 24/7/365. More than 36 percent of all Kansans live in rural areas and depend on the local hospital serving their community. Rural hospitals face a unique set of challenges because of their remote geographic location, small size, scarce workforce, physician shortages, higher percentage of Medicare and Medicaid patients, and constrained financial resources with limited access to capital. These challenges alone would make it difficult for many rural hospitals to survive. However, one disturbing challenge that is becoming ever-increasingly more prevalent is the added regulatory burdens that are being placed on health care providers. More specifically, I would like to briefly touch upon the challenges related to the Medicare policy on direct supervision of outpatient therapeutic services and the 96-hour physician certification requirement.

In 2009, the Centers for Medicare and Medicaid Services issued a new policy for "direct supervision" of outpatient therapeutic services that hospitals and physicians recognized as a burdensome and unnecessary policy change. In essence, the new policy requires that a supervising physician be physically present in the department at all times when Medicare beneficiaries receive outpatient therapeutic services. As a result, many hospitals have found themselves at increased risk for unwarranted enforcement actions. While the Congressional action last year to delay enforcement was applauded by rural hospitals like mine, the protections afforded under the legislation expired at the end of 2014. Rural hospitals are again at risk for exposure unless Congress takes further action.

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The 96-hour physician certification requirement relates to the Medicare condition of participation on the length of stay for critical access hospitals. The current Medicare condition of participation requires critical access hospitals to provide acute inpatient care for a period that does not exceed, on an annual average basis, 96 hours per patient. In contrast, the Medicare condition of payment for critical access hospitals requires a physician to certify that a beneficiary may reasonably be expected to be discharged within 96 hours after admission to the critical access hospital. As a rural hospital administrator, the discrepancies between the conditions of participation and conditions of payment has caused confusion and challenges.

Equally troubling, the President's Fiscal Year 2016 budget proposal calls for critical access hospitals' reimbursement to be reduced from 101 to 100 percent of allowable costs. This reduction, which would be on top of the two percent reduction associated with sequestration, would effectively eliminate any opportunity for a positive financial margin. Further, the recent consideration by Congress on the Trade Promotion Authority bill that extends sequestration cuts on Medicare providers potentially exacerbates our financial challenges. Towards that end, a recent analysis within our state showed that 69 percent of rural Kansas community hospitals had negative Medicare margins. The average rural Medicare margin was -9.3 percent. As a result of this trend, and the fact that many rural hospitals serve a higher percentage of Medicare beneficiaries, many rural community hospitals in Kansas must seek some form of direct tax support from their local communities.

In summary, it is critically important that our rural communities across the nation are able to access quality health care services. Therefore, steps should be taken to minimize the regulatory burdens that are placed on our rural health care providers. I strongly encourage this subcommittee to support solutions that address the aforementioned issues. Thank you again for the opportunity to appear before you. I would be happy to stand for any questions.