RURAL HOSPITALS AT RISK

Every day, Alaska's rural hospitals provide access to essential health care services in their communities. Rural hospitals are also vital to local economies, providing family-wage jobs and services that attract other businesses and visitors. Rural hospitals are more than traditional hospitals. They provide a community hub for local health care services, access to primary care and emergency services, and a bridge to specialized care outside the community. These hospitals, however, are at increasing financial risk. Between January 2005 and December 2016, 120 rural U.S. hospitals closed, with annual numbers of closures highest after 2012.[1]

Rural healthcare is not simply urban health care in miniature

Alaska's seventeen small and rural hospitals provide essential health care services to most of the state outside of the Anchorage/Fairbanks rail belt. These hospitals are cornerstones of the communities they serve. Fourteen of Alaska's rural hospitals are Critical Access Hospitals (CAH), a federal designation intended to support rural health care. Both Medicare and Alaska Medicaid reimburse most CAH inpatient and outpatient services (including emergency department) on the basis of reasonable costs. Many Alaska CAHs have co-located nursing home (long-term) beds, which are primarily paid for by Medicaid. Combining services under one roof helps to maximize resources and create a sustainable health system. The sustainability of the hospital is often directly linked to the financial health of the co-located skilled nursing facility.

Over the past decade, enhanced reimbursement from CAH designation has kept rural hospitals in Alaska open, improving and expanding services for aging rural populations in Alaska. It is critical that policymakers and elected officials recognize, preserve and strengthen the contributions of our state's rural hospitals and to keep rural health care local and to ensure that people living in rural communities maintain access to essential services. Alaska CAHs represent 52% of all Alaska hospitals, however, CAHs represent only 11% of the Medicaid hospital spend and only 3% of the total Medicaid budget.

Challenges for Alaska's rural hospitals

Changing policies in health care payment and regulation have put rural health care systems in a tenuous situation. Rural communities need support at the federal and state level to transform to the care systems that will meet community needs into the future.

Rural hospitals often have more obstacles to overcome than their urban counterparts. These include lower patient volumes and a lack of a balanced source of payer types. Commercial pay (private insurance) is typically the highest payer for urban hospitals. CAHs, however, tend to have a lower percentage of private insurance payers than urban hospitals. The rural payer mix generates insufficient revenue to pay for operating expenses and poses a tremendous challenge. Many rural hospitals lack the operating margins needed to access capital funding to replace or update facilities and purchase necessary health information technology or upgrades. Despite their small size, rural hospitals must also sustain a highly-trained workforce.

If a rural hospital closes, the severe economic decline in the rural community is the result. Health care providers seek employment elsewhere. Patients travel farther for care or delay receiving care, resulting in poorer health outcomes. Businesses, families, and retirees may not relocate to a rural area if hospital care is not available.

The limited size and short stay length encourage CAHs to focus on providing care for common conditions and outpatient care while referring other conditions to larger hospitals. The focus on keeping care close to home saves money for all payers.

Alaska's small and rural hospitals can be found in the following communities:

Community	Facility Name	Acute Beds	Long-Term Care Beds	Swing Beds	Tribally Operated
Critical Access Hospitals					
Cordova	Cordova Community Medical Center	13	10	13	No
Dillingham	Kanakanak Hospital	16	0	2	Yes
Homer	South Peninsula Hospital	21	28	21	No
Ketchikan	PeaceHealth Ketchikan Medical Center	25	29	0	No
Kodiak	Providence Kodiak Island Medical Center	25	22	25	No
Kotzebue	Maniilaq Health Center	17	18	0	Yes
Nome	Norton Sound Regional Hospital	18	18	18	Yes
Petersburg	Petersburg Medical Center	12	15	12	No
Seward	Providence Seward Medical & Care Center	6	40	6	No
Sitka	SEARHC/Mt Edgecumbe Hospital	25	0	15	Yes
Sitka	Sitka Community Hospital	10	15	10	No
Utqiaġvik	Samuel Simmonds Memorial Hospital	10	0	10	Yes
Valdez	Providence Valdez Medical Center	11	10	10	No
Wrangell	Wrangell Medical Center	8	14	8	No
Rural/Sole Community Hospitals					
Bethel	Yukon-Kuskokwim Delta Regional Hospital	50	18	0	Yes
Juneau	Bartlett Regional Hospital	45/73	0	0	No
Palmer	Mat Su Regional Medical Center	74	0	4	No
Soldotna	Central Peninsula Hospital/Heritage Place	49	60	34	No

What's next for rural hospitals?

Rural hospitals are uniquely positioned to provide patient-centered care. Many want to try new and innovative ways of providing their communities with efficient and convenient access to high-quality health care across the care continuum. Federal and state regulations are a barrier to this innovation and must be changed.

Payment systems are changing for hospitals, with payers increasingly paying for value rather than volume, through quality incentives, risk-based contracting or other metrics. How this transition impacts rural hospitals have yet to be determined. It is likely that the rural hospital model will look different in the coming years. The American Hospital Association has produced a report highlighting different models of care for at-risk rural hospitals.[2] It is critical to ensure that our small and rural hospitals can successfully navigate the transition to new payment and delivery system models.

[1] Pink GH, Thomas SR, Kaufman BG, Holmes, GM. Rural hospital closures and finance: some new research findings. Presentation at: AHA 30th Rural Health Care Leadership Conference; February 7, 2017; Phoenix, AZ.
[2] http://www.aha.org/advocacy-issues/accesscoverage/access-taskforce.shtml