



## ALASKA RURAL HOSPITALS AT RISK - 2019

Every day, Alaska's rural hospitals provide access to essential health care services in their communities. Rural hospitals are vital to local economies, providing family-wage jobs and services that attract other businesses and visitors. Rural hospitals 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.

### **Rural health care 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. 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.

It is critical that policymakers recognize, preserve and strengthen the contributions of our state's rural hospitals and 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. Across the board Medicaid rate cuts destabilize the rural health system while having only a small impact on overall Medicaid expenditures.

Small, rural facilities operate with very small operating margins and some are already dependent on community support to keep the doors open. Erosion in Medicaid rates accelerates cost-shifting to commercial payers, which harms the private sector. Hospital financial challenges jeopardize both community health and the economy.

### **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 hospitals, however, CAHs tend to have a lower percentage of private insurance payers than urban hospitals. The rural payer mix generates insufficient revenue to cover high fixed operating expenses. 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, 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.

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

Critical Access Hospitals in Alaska						
Community	Hospital Name	Acute Beds	Long-Term Care Beds	Swing Beds	Tribally Operated	% acute Medicaid & Medicare
<b>Cordova</b>	Cordova Community Medical Center	13	10	13	No	82%
<b>Dillingham</b>	Kanakanak Hospital	16	0	4	Yes	NA
<b>Homer</b>	South Peninsula Hospital	22	28	22	No	73%
<b>Ketchikan</b>	PeaceHealth Ketchikan Medical Center	25	29	0	No	70%
<b>Kodiak</b>	Providence Kodiak Island Medical Ctr	25	22	25	No	55%
<b>Kotzebue</b>	Maniilaq Health Center	17	18	0	Yes	NA
<b>Nome</b>	Norton Sound Regional Hospital	19	15	0	Yes	69%
<b>Petersburg</b>	Petersburg Medical Center	12	15	5	No	55%
<b>Seward</b>	Providence Seward Medical Center	6	40	6	No	73%
<b>Sitka</b>	SEARHC/Mt Edgecumbe Hospital	25	0	20	Yes	NA
<b>Sitka</b>	Sitka Community Hospital	12	15	12	No	60%
<b>Utqiagvik</b>	Samuel Simmonds Memorial Hospital	14	0	0	Yes	NA
<b>Valdez</b>	Providence Valdez Medical Center	11	10	10	No	64%
<b>Wrangell</b>	Wrangell Medical Center	8	14	8	No	71%

Rural/Sole Community Hospitals in Alaska						
<b>Juneau</b>	Bartlett Regional Hospital	45	12 acute mental health	16 substance recovery	No	67%
<b>Soldotna</b>	Central Peninsula Hospital/Heritage Pl	49	60	39	No	61%
<b>Bethel</b>	Yukon-Kuskokwim Delta Reg Hospital	50	18	0	Yes	NA

### What's next for Alaska rural hospitals?

Rural communities have unique strengths, challenges, and needs – there is not a one-size-fits-all policy that will address all rural health challenges. Alaska policy leaders made an important decision for State FY 2019 when they restored previous cuts to Medicaid reimbursement rates and provided planned inflationary adjustments.

Current payment structure contributes to financial challenges of rural hospitals and impacts their ability to serve rural communities. Reimbursement is focused on inpatient care and not aligned with prevention, chronic care or population health needs. Hospitals are paid on a fee-for-service reimbursement that rewards greater service volume. Rural hospitals are unable to generate volume as population decreases and outmigration grows. Payment systems are changing for hospitals, with payers increasingly paying for value rather than volume, through quality incentives, risk-based contracting or other metrics.

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.

ASHNHA is committed to ensuring rural facilities have the resources they need to provide high quality care while fostering an appropriate climate for transitioning to new payment and care delivery models. This includes protecting and enhancing payments to Alaska's rural hospitals and ensuring federal and state programs account for the unique circumstances in rural communities.