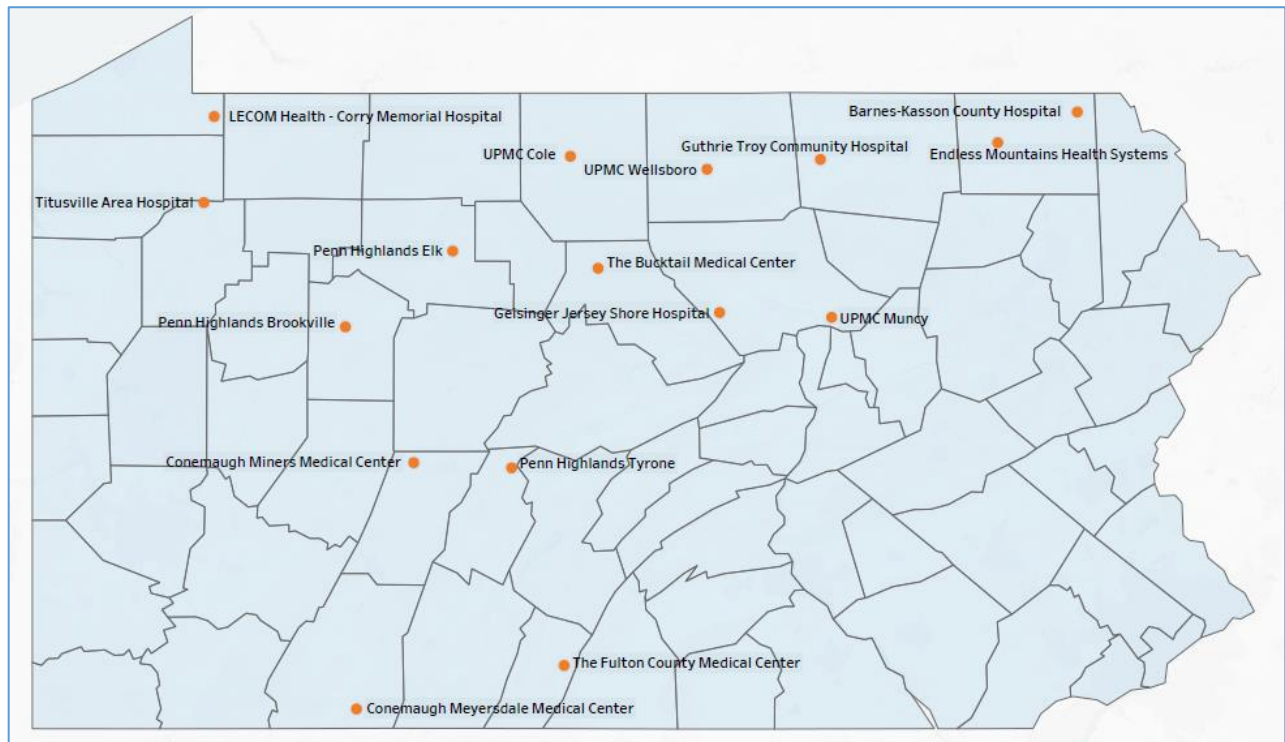




Facts about **PENNSYLVANIA'S CRITICAL ACCESS HOSPITALS**

Critical Access Hospitals: Key to Rural Health Care

As of January 2022, Pennsylvania had 16 federally designated Critical Access Hospitals (CAH), ranking the commonwealth's CAH infrastructure the thirteenth smallest nationally.¹ This limited infrastructure is particularly important given that 21 percent of Pennsylvania's population is rural, ranking it the third largest rural state in the United States by size.²



Hospitals are the key provider of health care in rural areas throughout Pennsylvania, where they act as anchors for a broad range of health and human services in their communities. These hospitals also are major contributors to the local economy and most are among the largest employers in their counties.³

Furthermore, during 2019, the Federal Office of Rural Health Policy (FORHP) recognized the commonwealth's CAHs for achieving the third highest quality ranking in the nation. During 2020, the Flex Monitoring team and FORHP ranked the Pennsylvania Flex Program as #1 in the country in recognition of the state's consistent 100 percent CAH reporting rate for the care transitions measure.^{4,5}



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Federally Defined Critical Access Hospitals

The federal CAH program was created by Congress in the Balanced Budget Act of 1997 to help improve the health care delivery system in rural areas of the United States and to reduce hospital closures. CAHs receive Medicare reimbursement at 101 percent of cost for inpatient, outpatient, and swing bed care.⁶ To be eligible for the program, hospitals must:

- Be a rural hospital participating in the Medicare program
- Be located more than 35 miles from another hospital or have been designated a "necessary provider" by the state
- Have an average daily census of no greater than 25
- Provide 24-hour emergency care services⁷

Rural Hospitals Face Unique Challenges

The economic and demographic characteristics of CAH catchment areas make them more vulnerable than their urban or suburban counterparts for several reasons:

- Rural areas experience significant health professional shortages while caring for populations who are generally older⁸ and poorer⁹
- A greater proportion of the CAH workforce is comprised of contracted personnel. For example, in 2019, CAHs within the commonwealth contract with 10 percent of their workforce while, on average, Pennsylvania hospitals contracted with 4 percent of its labor force¹⁰
- Pennsylvania's smaller rural hospitals face significant fiscal challenges as they strive to preserve access to health care in their communities
- Even with federal implementation of the CAH program, **CAHs generally have lower financial margins** than other Pennsylvania hospitals historically, driven by chronic underpayment for services to patients covered by Pennsylvania's Medical Assistance (MA) program. While CAHs are entitled to receive cost-based reimbursement for Medicare claims, there is no such guarantee for Medicaid reimbursement¹¹





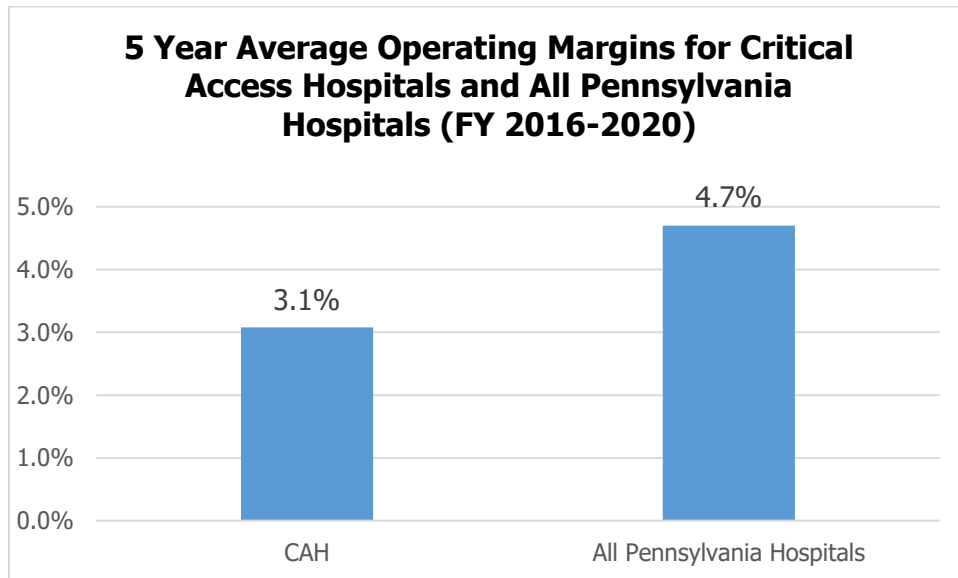
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- The **financial profiles of CAHs are often more tenuous** than other hospitals: over the five year time period between 2016 and 2020 the average operating margin for Pennsylvania's CAHs was 3.1 percent, compared with 4.7 percent at hospitals across the state¹²



Source: HAP Analysis of financial data from PHC4's 2016-2020 Financial Reports for General and Non-General Acute Care Hospitals.

Payment Policy Needed to Protect Patient Access to Care in Rural Communities

- Compared with other hospitals, CAHs have a greater reliance on—and vulnerability to—government programs, such as Medicare and Medicaid (MA). The Pennsylvania CAH disproportionate share hospital payment helps ensure that vital health care services are available to MA patients and other low-income persons in Pennsylvania's most rural areas
- Rural hospitals were especially hard-hit by the COVID-19 pandemic which threatened health care access even further in their communities. Between 2019 and 2021, rural hospitals saw an increase in vacancy rates in several nursing professions at least two times more than hospitals statewide experienced¹³

What Needs to be Done

- Rural CAHs currently are supported through an annual supplemental appropriation for MA, which is subject to state budgetary pressures
- HAP supports changing the Pennsylvania Human Services Code to ensure payments to CAHs for treating MA and uninsured patients are more stable and not subject to the yearly appropriation process



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¹ [Critical Access Hospitals \(CAH\)](#). Rural Health Information Hub, Rural Assistance Center for Federal Office of Rural Health Policy; list updated by the Flex Monitoring Team on July 19, 2021. Last accessed 01/26/2022.

² HAP's January 2022 analysis of 2010 Census Urban and Rural Classification data, [Percent Urban and Rural In 2010 by State and County](#). Last accessed 01/26/2022.

³ Majority CAHs are among the top 15 employers in their county during 2nd quarter 2021. Source: Pennsylvania Department of Labor & Industry. [Pennsylvania Top 50 Employers & Industries](#). Last accessed 01/27/2022.

⁴ [HRSA Recognizes 10 States for Top Performance at Critical Access Hospitals](#). Health Resources and Services Administration. Released: July 11, 2019. Last accessed: 01/27/2022.

⁵ [MBQIP Quality Measures Annual Report-Pennsylvania 2020](#). Flex Monitoring Team. Page 16. Last accessed: 01/27/2022.

⁶ [What are the benefits of CAH status?](#) Rural Health Information Hub, Rural Assistance Center for Federal Office of Rural Health Policy. Last accessed 01/27/2022.

⁷ [Critical Access Hospitals Fact Sheet](#). Centers for Medicare & Medicaid Services. Last modified: 12/01/2021. Last accessed: 01/27/2022.

⁸ Based on HAP's January 2022 analysis of 2019 American Community Survey, 5-Year Estimates from the [Census Bureau. Table S1901 Income in the Past 12 Months](#) by PA Counties. Last accessed: 01/27/2022.

⁹ Based on HAP's January 2022 analysis of 2019 American Community Survey, 5-Year Estimates from the [Census Bureau. Table S0101 Age and Sex](#) by PA Counties. Last accessed: 01/27/2022.

¹⁰ Based on HAP's January 2022 analysis of Pennsylvania Department of Health's 2019 Hospital Reports, [Full-time and part-time personnel on payroll](#) dataset.

¹¹ Based on HAP's March 2022 analysis of hospital financial data from [PHC4's 2016-2020 Financial Reports for General and Non-General Acute Care Hospitals](#). Data last updated: 01/27/2022. Last accessed: 01/27/2022.

¹² Ibid.

¹³ HAP's Workforce Survey "Addressing member Hospital Workforce Needs." January 2022.