



**Kentucky
Hospital
Association**

Representing Kentucky Health Care Organizations

November 30, 2019

Representative Danny Davis
Co-Chair
Rural and Underserved Communities
Health Task Force
Ways and Means Committee
1102 Longworth House Office Bldg.
Washington, DC 20515

Representative Terri Sewell
Co-Chair
Rural and Underserved Communities
Health Task Force
Ways and Means Committee
1102 Longworth House Office Bldg.
Washington, DC 20515

Representative Brad Wenstrup
Co-Chair
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Health Task Force
Ways and Means Committee
1102 Longworth House Office Bldg.
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Representative Jodey Arrington
Co-Chair
Rural and Underserved Communities
Health Task Force
Ways and Means Committee
1102 Longworth House Office Bldg.
Washington, DC 20515

Dear Co-Chairs Davis, Sewell, Wenstrup, and Arrington:

The Kentucky Hospital Association (KHA) represents all 128 hospitals in the Commonwealth of Kentucky. We appreciate your interest in evaluating the challenges facing rural health care delivery and exploring policy changes to assure access to services in rural and underserved areas.

Kentucky is the tenth most rural state in the nation, with more than sixty percent of the population residing in a rural area. Our population is also the fourth poorest in the country, which compounds the pressures being faced by rural Kentucky hospitals.

While one-half of Kentuckians have commercial insurance, eighty percent, on average, of Kentucky hospital patients are covered by governmental payors – Medicare and Medicaid – which pay below cost. Rural hospitals as a group have ten percent fewer commercial patients and eleven percent more Medicare patients than urban hospitals, which causes a greater financial strain on these facilities.

National studies indicate a significant number of rural hospitals are at risk of closure if their financial situation does not improve. Navigant found nearly 25 percent of rural Kentucky hospitals are at high financial risk of closure, ten of which were considered “essential”. The SHEPS Center at the University of

North Carolina tracks hospital closures nationally and has developed an early warning system to identify hospitals at risk. They have identified eight Kentucky rural hospitals at high risk.

In 2015, Kentucky's state auditor released a report on the financial stability of rural hospitals, using the Financial Strength Index and data from 44 rural hospitals. When KHA updated this analysis with 2018 data, we found the financial strength of rural Kentucky hospitals is deteriorating. The number of hospitals in the excellent, good and fair categories of financial strength declined while the number in poor condition rose from 15 to 23, and two of the original "poor" rated hospitals had closed.

KHA recently combined indicators used by the SHEPS Center our updated financial strength analysis and we identified thirteen hospitals which are most vulnerable to closure. The loss of these hospitals would result in 2,500 fewer jobs, creating an adverse impact to local communities, and nearly 1,000 inpatients each day would have to find hospital care elsewhere, since often, when a rural hospital closes, no facility is left to provide health care services.

On October 29, three rural health related bills were introduced which we believe would be helpful to assure continued access in rural communities. These bills are part of the bipartisan Rural Health Agenda, and we encourage your Task Force to support their passage:

- ✓ R. 4898, the Rural Health Innovation Act, seeks to create two five-year grant programs administered by HRSA. One program would expand FQHCs and Rural Health Clinics (RHCs) ability to provide urgent care and triage while awaiting EMS emergency transport in areas where residents are more than 30 minutes from the nearest emergency department. Grants would be available to existing clinics but could also be awarded to an existing hospital that desires to convert to an FQHC. Communities that have lost a hospital in the last seven years would receive priority in funding. Kentucky has lost four rural hospitals over the last five years.
- ✓ R. 4899, the Rural America Health Corps Act, creates a new loan repayment program that would offer loan repayment to physicians who do residencies in rural areas and potentially attract physicians to stay in these areas. KHA supports this legislation because our rural hospitals have difficulty recruiting physicians and loan repayment would help entice practice in rural areas.
- ✓ R. 4900, the Telehealth Across State Lines Act, seeks to create a grant program to incentivize the expansion of effective telehealth programs to reach rural communities. The Secretary would issue guidance on uniform best practices for the provision of telehealth across state lines and entities operating effective telehealth programs according to the best practices could receive grants to expand those programs to rural areas.

KHA also encourages your Task Force to support the following additional legislation and policy changes that are needed to support rural hospitals:

- ✓ Support the bipartisan CONNECT for Health Act that expands payment for telehealth services and allows Medicare Advantage plans to offer telehealth coverage as a basic

benefit. This bill would remove geographic restrictions on payment for various services, including for virtual mental health treatment; it would also allow patients to get coverage for treatment they receive at home. The bill would also remove the Medicare geographic originating site restriction. The bill is supported by the American Medical Association, the American Hospital Association, Federation of American Hospitals, the American Telemedicine Association, the Alliance for Connected Care, and the Health Innovation Alliance.

- ✓ Preserve Medicare rural hospital designations including the critical access hospital, Medicare dependent hospital and low volume hospital designations.
- ✓ Support legislation to establish a new Rural Emergency Hospital (REH) designation under the Medicare program to allow rural hospitals to continue providing necessary emergency, observation, and outpatient services at enhanced reimbursement rates but cease inpatient services.
- ✓ Repeal the Medicaid DSH cuts and support legislation, as recommended by MACPAC, to restructure state DSH allotments in relation to a state's poverty population which is needed to provide equitable funding to those safety net rural hospitals which are treating a large proportion of uninsured and underinsured low income people.
- ✓ Reform the Medicare Wage Index to eliminate the growing disparity between high and low wage index areas across the country which perpetuate low payments to Kentucky's hospitals. This is critical to Kentucky's rural hospitals which have a higher proportion of Medicare patients.

We appreciate this opportunity to provide comments on policies that would benefit rural hospitals and rural communities. We urge your task force to communicate to both HHS and CMS your support of the Rural Health agenda.

Please let us know if we can provide any further information as you continue your work.

Sincerely,



Nancy C. Galvagni
President