REPRINT JANUARY 2013

hfm
healthcare financial management association hfma.org

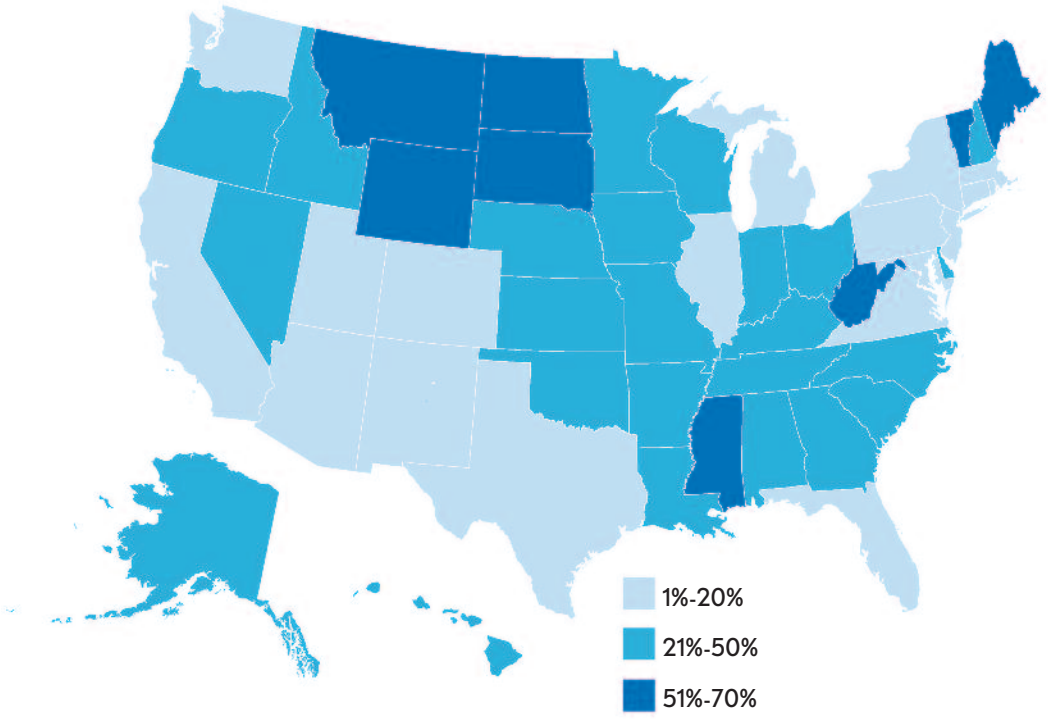
solving the rural healthcare revenue conundrum

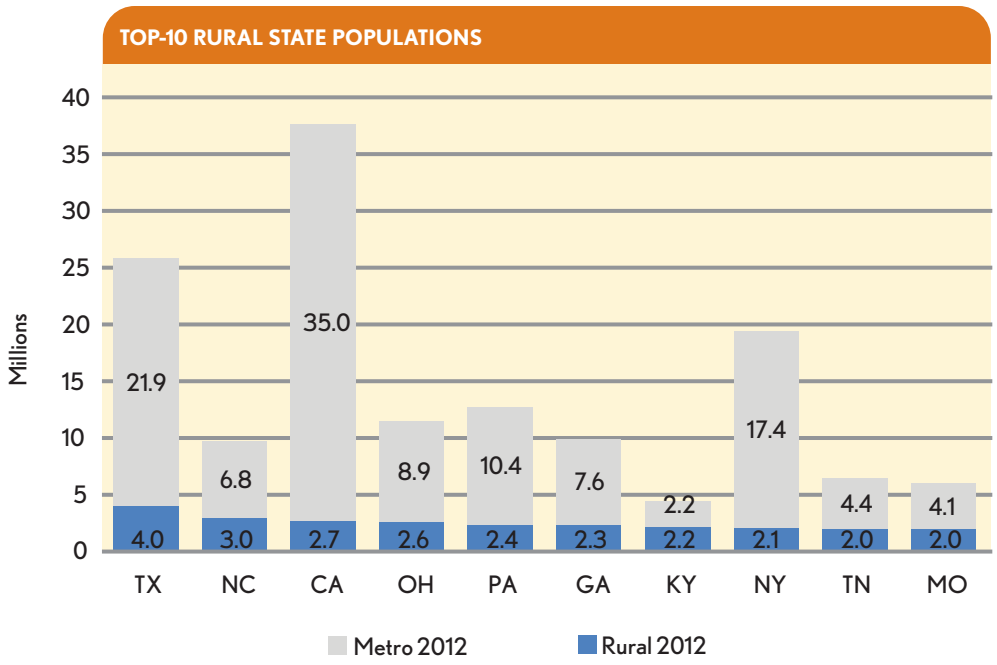
Rural critical access hospitals (CAHs) and short-term acute care (STAC) hospitals are a critical component of the nation's healthcare infrastructure. Based on service area populations, more than 61 million people, or nearly 20 percent of our population, will use these hospitals in 2012.[a]

a. Rural area is defined as any ZIP code that has a U.S. Census Rural-Urban Commuting Area (RUCA 2.0) code of 4 or higher.

Unfortunately, individual rural hospitals do not typically serve populations that are actuarially large enough to take advantage of new, population-based revenue models that reward providers for improving quality of care and reducing per-capita cost, and that are increasingly being adopted by urban hospitals. Yet these revenue models are essential for rural hospitals

RURAL PERCENTAGE OF POPULATION (BY STATE)





to survive and thrive in the emerging era of health transformation. Shared-savings accountable care organizations, capitation arrangements, provider-sponsored health plans, and similar models have the potential to insulate providers against declining fee-for-service payments, reward high-quality and low-cost care delivery, and create incentives for providers to replace costly and avoidable acute care with coordinated treatment and prevention.

Fortunately, most states have total rural hospital populations that far exceed minimum requirements for actuarial confidence. Kentucky, for example, has one of the top-10 rural hospital populations in the United States, with 2.2 million (49 percent) of the state's population residing in rural service areas.[b]

b. Volume estimates presented in this analysis are based on U.S. Census Data and Truven Health Analytics projections.

Thus, rural hospitals in most states have an opportunity to achieve critical population mass through multihospital relationships (independently or in alliance with urban referral systems) that would enable them to pursue sustainable, population-based payment arrangements with all their major payers. Properly implemented, these care delivery systems could enable rural providers to transition from dependence on increasingly unstable fee-for-service and cost-based revenue models, to sustainable population-based approaches that will ensure future financial viability. ●

This analysis was developed by Stroudwater Associates, Portland, Maine. For more information, contact Steve Hyde, principal, at shyde@stroudwater.com, or Troy Trejo, consultant, at ttrejo@stroudwater.com.