

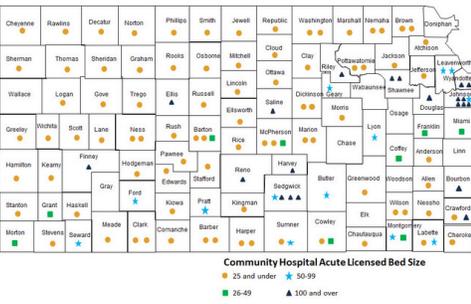


Kansas Community Hospitals

Chad Austin
Senior Vice President, Government Relations

Melissa Hungerford
Executive Vice President

OUR MISSION | To be the voice and resource for community-based hospitals.



**127 Kansas Community Hospitals
- Including 84 CAHs**

Community Hospital Acute Licensed Bed Size
 ● 25 and under ▲ 50-99
 ■ 26-49 ▲ 100 and over

OUR MISSION | To be the voice and resource for community-based hospitals.

Kansas Hospital's "At a Glance"

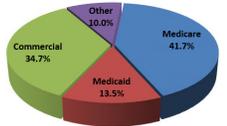
ORGANIZATIONAL STRUCTURE & UTILIZATION | 2012

TOTAL BEDS AND UTILIZATION		TOTAL-MEDICARE/MEDICAID UTILIZATION	
→ LICENSED ACUTE BEDS	12,407	MEDICARE INPATIENT DISCHARGES-HOSPITAL	138,841
→ STAFFED BEDS-HOSPITAL	9,584	MEDICARE INPATIENT DISCHARGES-NURSING HOME UNIT	1,436
→ STAFFED BEDS-NURSING HOME UNIT	1,642	MEDICARE INPATIENT DAYS-HOSPITAL	759,847
→ BIRTHS	39,050	MEDICARE INPATIENT DAYS-NURSING HOME UNIT	23,924
→ ADMISSIONS-NURSING HOME UNIT	2,442	MEDICAID INPATIENT DISCHARGES-HOSPITAL	44,545
→ INPATIENT DAYS-HOSPITAL	1,753,092	MEDICAID INPATIENT DISCHARGES-NURSING HOME UNIT	348
→ INPATIENT DAYS-NURSING HOME UNIT	485,205	MEDICAID INPATIENT DAYS-HOSPITAL	201,940
→ TOTAL OUTPATIENT VISITS	4,191,439	MEDICAID INPATIENT DAYS-NURSING HOME UNIT	224,549
→ INPATIENT SURGICAL OPERATIONS	80,914		
→ OUTPATIENT SURGICAL OPERATIONS	202,459		
→ EMERGENCY ROOM VISITS	1,128,698		

SOURCE: 2012 AHA/KHA License Survey Data Verification collected January 2013

OUR MISSION | To be the voice and resource for community-based hospitals.

DISTRIBUTION OF DISCHARGES AND INPATIENT DAYS BY PAYER | 2013



DISTRIBUTION OF KANSAS DISCHARGES BY PAYER

SOURCE: Kansas Hospital Association FFY 2013, Kansas Inpatient Database

	PERCENT DISTRIBUTION OF DISCHARGES BY PAYER						
	2013	2012	2011	2010	2009	2008	2007
Medicare	41.7	41.5	41.4	41.5	41.7	41.7	41.7
Medicaid	13.5	14.0	14.5	14.2	13.7	13.8	13.6
Commercial	34.7	34.4	34.3	34.8	35.7	35.9	35.1
Other	10.0	10.1	9.8	11.4	11.1	10.6	10.7

	PERCENT DISTRIBUTION OF INPATIENT DAYS BY PAYER						
	2013	2012	2011	2010	2009	2008	2007
Medicare	48.6	49.1	47.2	47.9	48.5	49.0	49.7
Medicaid	13.1	12.6	14.2	12.7	12.1	12.2	11.8
Commercial	28.4	28.4	29.2	29.1	29.3	29.4	28.4
Other	9.9	9.8	9.4	10.3	9.9	9.4	9.2

SOURCE: Kansas Hospital Association FFY 2013, Kansas Inpatient Database

OUR MISSION | To be the voice and resource for community-based hospitals.

TOP 30 DIAGNOSTIC-RELATED GROUPS (DRGs) | 2013

Kansas Community Hospitals

DRG CODE	DESCRIPTION	PERCENT OF TOTAL DISCHARGES	PERCENT OF INPATIENT DAYS	PERCENT OF REVENUE
1	Normal newborn	8.79	1.9	0.8
175	Normal newborn	8.80	2.0	0.8
180	Preterm	4.90	5.9	2.1
4	Major joint replacement or reattachment of lower extremity w/o MCC	2.83	3.2	58.7
136	Esophageal section w/o MCC	2.19	2.8	0.6
4	Restorative w/o MCC hours w/o MCC	2.11	6.4	0.1
7	Esophageal gastrotomy & misc digest disorders w/o MCC	2.09	3.0	41.2
9	Resection or other significant procedure	1.90	2.9	0.8
9	Simple pneumonia & pleurisy w/o MCC	1.85	4.3	0.2
105	Esophageal section w/o MCC	1.84	4.2	0.6
11	Resection of intestine w/o MCC	1.77	11.5	60.4
141	Multiorgan & misc metabolic disorders w/o MCC	1.19	2.9	30.2
11	Cellulitis w/o MCC	1.19	3.8	36.4
14	Septicemia & other sepsis infections w/o MCC	1.10	5.9	66.1
15	Simple pneumonia & pleurisy w/o MCC	1.09	3.7	38.0
174	Major delivery w/o MCC	1.06	2.8	1.6
17	Restorative w/o MCC hours w/o MCC	0.96	4.2	22.4
183	Renal failure w/o MCC	0.87	4.0	62.8
183	Primary stroke & respiratory failure	0.85	4.2	24.2
10	Simple pneumonia & pleurisy w/o MCC	0.85	5.7	68.2
21	Heart failure & shock w/o MCC	0.84	4.3	77.6
21	Heart failure & shock w/o MCC	0.83	2.9	11.0
18	Heart failure w/o MCC	0.77	3.5	70.3
11	Cellulitis & abscesses & collection disorders w/o MCC	0.73	2.7	66.4
187	Resection of intestine or operations with intestinal perforation w/o MCC	0.72	3.9	7.8
26	Heart failure & shock w/o MCC	0.71	5.8	77.9
247	Percutaneous aortic or aortic arch w/o MCC	0.66	2.0	49.2
187	Resection of intestine or operations with intestinal perforation w/o MCC	0.66	2.9	46.2
19	Chronic obstructive pulmonary disease w/o MCC	0.64	4.1	67.4
11	Cellulitis & abscesses & collection disorders w/o MCC	0.62	1.8	1.4

SOURCE: 2013 Kansas Hospital Association

OUR MISSION | To be the voice and resource for community-based hospitals.

Classification of Hospitals

Urban

- Kansas City
- Lawrence
- Manhattan
- Topeka
- Wichita

Rural

- Statewide Rural
- Sole Community Hospitals (11)
- Medicare Dependent Hospitals (5)
- Rural Referral Center
- Critical Access Hospitals (84)

OUR MISSION | To be the voice and resource for community-based hospitals.

Hospital Contributions to the Economy

Hospital's contribution to the local economy is critical to economic viability of communities:

- As a major source of employment
- As a purchaser of goods and services
- As a provider of health care services

Kansas hospitals and health care services:

- **4th** largest aggregate employer in Kansas
- **5th** largest producer of total income and total sales in Kansas



OUR MISSION | To be the voice and resource for community-based hospitals.

Major Employers in Kansas

Kansas hospitals:

- Employ approximately **84,210** people
- Support an additional **68,000+** jobs in other business and industry
 - Employment multiplier of 1.81
- Total employment impact of more than **152,000 jobs**



OUR MISSION | To be the voice and resource for community-based hospitals.

Critical Access Hospitals

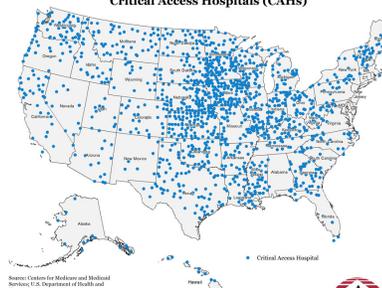
- Eligibility:
 - Located in a federal or state defined rural area
 - **More than 35 road miles from a similar hospital (15 miles in certain conditions)**
 - **Necessary provider designation by Governor**
 - Provides 24-hour emergency services
 - No more than 25 inpatient beds
 - Annual average length-of-stay of no more than 96 hours
- Reimbursement
 - 101% of allowable costs (as defined by Medicare)
 - Optional methods for reimbursement for outpatient services



OUR MISSION | To be the voice and resource for community-based hospitals.

The OIG Report

Critical Access Hospitals (CAHs)



OUR MISSION | To be the voice and resource for community-based hospitals.

Challenges Facing Kansas Rural Hospitals



OUR MISSION | To be the voice and resource for community-based hospitals.

Financing and Reimbursement Challenges

The Facts:

- Negative Medicare margins - 69% of rural hospitals
- Local tax subsidies - 74 hospitals receive = \$40 million
- Rural Ks Medicare cuts - \$196M over 10 years + \$430M more proposed

Assumptions:

- Federal and state reductions will continue
- Continued pressure to justify the CAH model
- More local responsibility for funding
- Pressure from consumers to reduce their costs
- Move to value as basis of payment



Implications:

- Current reimbursement does not cover the cost of hospital-based health services.
- Change in the focus of services will be required unless local subsidies are available
- Payor pressure for change will increase faster than \$ for new models



OUR MISSION | To be the voice and resource for community-based hospitals.

Reliance on Acute Services



The Facts:

- High number of Acute Staffed Beds for our population - Kansas 9th highest
 - 2000 more beds than the national norm
- Low admissions for our population and high number of days
- Small hospitals less than 35 miles apart
 - Secondary and tertiary care farther

Assumptions:

- Outpatient services will continue to grow
- Prevention and population health initiatives will impact acute volumes

Implications:

- Reliance on acute models will not prepare us for future payment incentives



OUR MISSION | To be the voice and resource for community-based hospitals.

Small, Rural Markets



The Facts:

- 85 of 105 counties are rural
 - 56 counties with 10 or fewer people/ sq. mi., 35 counties have 6 or less
- 76 counties lost population since 2000. All but one is rural.
- Population needed to support 1 Primary Care Physician = 2,450

Assumptions:

- Continued shift of population away from rural
- At least 3 Primary Care Providers needed to support a 24/7 hospital

Implications:

- Collaboration among communities is necessary to achieve sufficient population to support some services



OUR MISSION | To be the voice and resource for community-based hospitals.

Population Is Older and Aging

The Facts:

- 40 counties have over 29% age 65 and older
- 26 counties aged >4 years since 2000 census
- Diversity growing - 5 of 7 counties with the highest non-white population are rural

Assumptions:

- Younger populations are mobile, technology savvy with broader definition of community
- Less mobile populations will rely more heavily on local services
- Patient diversity will impact language and social services



Implications:

- Rural Kansas will need to investment in chronic disease management



OUR MISSION | To be the voice and resource for community-based hospitals.

Workforce Challenges



The Facts:

- Hospitals/health services are the 4th largest employer– 348,000 jobs
- Fewer physicians and more nurses than national average
- A national shortage of 52,000 primary care physicians is projected by 2025
- Vacancies and turnover in key positions

Assumptions:

- Availability of physicians will not increase
- Aging of the workforce and retirements will outpace new entrants

Implications:

- Recruitment and retention will remain difficult and costly
- Alternative delivery options like telemedicine will become more important
- Small Kansas communities will become more reliant on midlevel practitioners



OUR MISSION | To be the voice and resource for community-based hospitals.

Community Expectations are High

The Facts:

- Hospitals/health services 5th largest producer of income and sales in Kansas - \$23 Bil
- Patients leave for care – 64 counties see outmigration of >50% (all rural)
- Patients use information – 1.2M hits on Hospital Compare in 6mo

Assumptions:

- Many rural residents will continue to seek care outside of their local communities
- Consumers will research and choose where they seek medical care
- Hospitals will continue to be an integral part of the rural economy



Implications:

- Rural residents will continue to expect local access to emergency services even though they use other health care services outside their home community
- Local discussions about future health service needs and sustainability will be difficult
- The numbers of patients leaving their community for hospital care implies an opportunity for improvement in the health care system.



OUR MISSION | To be the voice and resource for community-based hospitals.

What do the facts tell us?

- Pressure to reduce costs will drive change
- Reliance on an acute model will not help prepare for new payment incentives
- Shrinking populations will threaten the sustainability of small, rural acute care facilities
- Small Kansas communities will become more reliant on midlevel practitioners
- Collaboration will become more important to achieve necessary market base
- Use rates and expectations for care may not be sufficient to sustain all CAHS



Incremental changes may be practical; creating a vision for rural health services is critical



OUR MISSION | To be the voice and resource for community-based hospitals.



SO, WHAT DO WE NEED?



OUR MISSION | To be the voice and resource for community-based hospitals.

Sustainable Rural Health Delivery

- Rural communities are critical to Kansas
- Hospitals are critical piece of the economic engine
- No “one size fits all” model of health care delivery
- New options must be developed and tested




OUR MISSION | To be the voice and resource for community-based hospitals.



PRINCIPLES FOR A SUSTAINABLE RURAL HEALTH DELIVERY SYSTEM

A sustainable system should ...



OUR MISSION | To be the voice and resource for community-based hospitals.

... Improve Health



- *Focus on Primary Care to improve the health of the population served*
 - prevention
 - primary care
 - chronic disease management
 - emergency services
 - and other essential services



OUR MISSION | To be the voice and resource for community-based hospitals.

... Provide Access

- *Provide access to essential health services*
 - within a reasonable distance
 - Within a reasonable timeframe




OUR MISSION | To be the voice and resource for community-based hospitals.

... Encourage Collaboration

- *Encourage collaborative solutions*
 - local and regional
 - service provision and governance




OUR MISSION | To be the voice and resource for community-based hospitals.

... Pursue Quality

- Continue to pursue the highest standards of quality and patient safety



OUR MISSION | To be the voice and resource for community-based hospitals.

... Promote Efficiency and Value

- Promote cost and operational efficiencies and provide value in the provision of local and regional services



OUR MISSION | To be the voice and resource for community-based hospitals.

... Embrace Technology

- Embrace the use of technology
 - to expand access
 - to encourage patient participation in his/her care



OUR MISSION | To be the voice and resource for community-based hospitals.

... Reimburse Fairly

- Be reimbursed and financed fairly by
 - federal government
 - state government
 - local governments
 - private payors
 - patients
- such that the health of the population can be improved



OUR MISSION | To be the voice and resource for community-based hospitals.

Neosho Memorial Regional Medical Center

Chanute, KS
January 2015

About Neosho County



- ▶ 16,439 residents
- ▶ 6.7% unemployed
- ▶ 12.5% uninsured
- ▶ 18.3% age 65+
- ▶ 20.7% below poverty level
- ▶ 22.6% families earn < \$24K
- ▶ 32.8% kids in poverty KS = 18.7%



NEOSHO MEMORIAL
REGIONAL MEDICAL CENTER

About Neosho Memorial



- › Provides care to 42,000 residents in four counties
- › Largest Critical Access Hospital in Kansas
- › County-owned
- › Largest employer in the area (397)
- › Provides \$1.42 million in charity care in 2014



Regional Leader



- › 19.7 Average daily census
- › 330 Babies delivered
- › 1,816 Inpatients
- › 2,417 Surgeries
- › 10,214 Emergency visits
- › 26,500 Outpatient visits
- › 36 Industry awards



Additional Services



- › Rural Health Clinic
- › Women's Health Clinic
- › Orthopedic Clinic
- › Visiting Specialty Clinics
- › Rehab & Fitness Center
- › Home Health/Hospice
- › Ambulance Service for Neosho County



Economic Driver

- › Hospital payroll \$18.5 million
- › Hospital capital investments \$40.9 million (over 10 yrs.)

Entire Healthcare Sector in Neosho County

Including physicians, clinics, dentists, pharmacies, & other non-hospital businesses

- › Accounts for 10.5% labor force
- › Generates \$64 million (in direct income, retail sales plus county wide multiplier effect)

