



K A N S A S

RODERICK L. BREMBY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

DEPARTMENT OF HEALTH AND ENVIRONMENT

Testimony on HB2760, Concerning Critical Access Hospitals

To

House Committee on Health and Human Services

By Richard Morrissey
Interim Director, Division of Health

February 24, 2004

Chairman Morrison and members of the House Committee on Health and Human Services, I am pleased to appear before you today to discuss House Bill 2760. House Bill 2760 amends the Kansas Critical Access Hospital/Rural Health Network Statute (K.S.A. 65-468) to reflect recent changes in the federal Medicare Conditions of Participation for Critical Access Hospitals. Specifically, this legislation would amend K.S.A. 65-468 (f) to allow Critical Access Hospitals to use up to 25 beds in any mix of acute and skilled (or swing) level care, providing more flexibility than the current statute that allows up to 25 beds, but only 15 for acute care. In addition, a Critical Access Hospital now could have a psychiatric unit, a rehabilitation unit or both. These units could not exceed 10 beds and would not count towards the 25-bed limit; nor would these units contribute to the average 96-hour length of stay that applies to acute care beds. This amendment would make state statute consistent with Medicare Conditions of Participation that were amended by the Medicare Prescription Drug Improvement and Modernization Act of 2003 signed into law late last year.

I would like to note that Page 1 Line 42 should be amended so that the number "15" is struck and replaced with "25." This is necessary to make the statute consistent with the new Medicare Law.

Kansas has 71 designated Critical Access Hospitals that are part of 18 designated health care networks that work together to enhance efficiency and improve health care quality. The 71 Critical Access Hospitals in Kansas are more than any other state in the nation. Conversion to Critical Access status has been crucial in stabilizing the financial viability of many of these facilities. The primary benefit of converting to CAH status is that these facilities receive cost-based payments (rather than prospective payments) from Medicare. Critical Access Hospitals participating in a recent study experienced an average increase of 36% in Medicare inpatient and outpatient payments that resulted in increased annual revenues of approximately \$500,000 a year. Even with these improvements in reimbursement, many facilities continue to experience operating losses, but the program has certainly stabilized the financial condition of nearly every hospital that has made the conversion.



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Ensuring the stability of these rural hospitals is essential to maintaining access to health care services in rural areas in our state.

We expect the number of conversions of rural hospitals to Critical Access status to decline in Kansas, given that the 71 designated facilities already represent a clear majority of the state's 93 rural hospitals. In addition, in 2006 provision in the federal Critical Access Hospital statute will eliminate state flexibility in determining eligibility for the program. At that time no hospital within 35 miles of another hospital facility will be eligible for conversion to Critical Access status.

The federal regulation allowing for the changes I have discussed went into effect on January 1 of this year, so we support passage of House Bill 2760 and recommend that Section 3 also be amended to make it effective upon publication in the Kansas Register. I thank you for the opportunity to appear before the House Health and Human Services committee and will gladly stand for questions the committee may have on the topic.