

# POTENTIAL CHANGES TO RURAL HEALTHCARE 2017

---

## WHAT'S DIFFERENT ABOUT RURAL HEALTH CARE?

### *For Patients*

- Rural residents are less likely to have employer-sponsored health insurance
- Provider shortages limit timely and regular access to care
- Rural residents travel long distances to see doctors and specialists
- Lack of public transit, extreme weather conditions and challenging roads further limit access
- Emergency services are limited as they are often staffed by volunteers

### *For Healthcare Providers*

- Due to a poorer health status, providers see more complex patients
- Many rural communities have Health Professional Shortage Area designations for primary, dental and mental health providers
- Staffing for performance improvement and health information technology is limited
- Providers are financially fragile due to low patient volume

## RURAL VS. URBAN HEALTH STATUS

Rural areas are still poorer and sicker, on average, as compared to their urban counterparts. This reality gets compounded if we consider that services and access to them may dwindle.

The rural-urban health divide is worsening as more Americans living in rural areas are dying in greater numbers.

- A new CDC study shows that Americans living in rural areas are more likely to die from the five leading causes of death— heart disease, cancer, unintentional injuries, chronic lower respiratory disease, and stroke —compared to their urban counterparts.
  - Without access to the necessary preventive services to combat this gap in mortality rate, the health of rural Americans will only get worse.
- A recent California Endowment report found that there is an unprecedented surge in the death rate for middle-aged whites living in California's Central Valley region.
  - Over the past 20 years across California, death rates among Black, Hispanic, and Asian adults ages 40-64 years have fallen by 16-20%.
  - Among California Whites, however, they have decreased by only 5 percent. In this same 20-year period throughout the Central Valley region of the Southern San Joaquin Valley, white death rates have actually increased by 11%.

***A repeal of the Affordable Care Act (ACA) without a replacement would be devastating to the health of rural California communities.***

## COVERAGE

***Priority must be given to preserving coverage for the 3.7 million Californians and 21 million Americans who gained coverage under the ACA through the Medicaid expansion and millions more who purchased insurance because of the premium subsidy. Existing coverage should be kept for millions of Californians until a viable replacement is passed by Congress into law.***

Rural residents are more likely than their urban counterparts to be uninsured (24 percent of people living in rural areas lack insurance, compared to 18 percent in urban areas) and also are more likely to rely on Medicaid for health coverage (16 percent compared to 11 percent). This is largely because small businesses and agricultural employers, which often do not offer private insurance to their employees, make up a bigger share of the economy in rural areas and because rural areas have higher rates of poverty.

### ***Medi-Cal***

If the Medi-Cal expansion were to be repealed, Counties with high Medi-Cal enrollment, like those in the central valley and other rural areas would be particularly hard hit.

- For example, In Tulare County, 55% of the population is enrolled in MediCal, according to the California Budget and Policy Center. Other rural California counties have similarly high MediCal populations
- Among 36 rural California counties, an estimated 37% of the total population (or 1.4 million people) is enrolled in Medi-Cal, according to California Budget and Policy Center data

### ***Medicare***

California's rural counties are home to higher percentages of Medicare enrollees than the state's urban centers, according to the California Health Care Foundation. Destabilizing the rural health care delivery system will compromise rural providers' abilities to maintain access to the state's Medicare population.

- Of the 14 counties in California whose Medicare enrollees are the highest as a percent of population (>18%), most of those counties are the least populated and most rural in the state.

***California's rural communities have a lot to lose if healthcare coverage programs are rolled back or eliminated. Congress cannot allow that to happen without an adequate replacement.***

### ***Tax Credit Subsidies***

Republican replacement plans also call for tax credit subsidies to fund the purchase of insurance. Some replacement plans call for repeal of the ACA's requirements that plans offer comprehensive coverage of essential health benefits, which may be a major issue for rural communities.

- It is critical that these tax subsidies adequately cover the total cost of care, including out of pocket costs as well as premiums. In rural areas health insurance and out of pocket costs are often very high due to lack of competition.

### ***Health Savings Accounts***

- High deductible health plans (HDHPs) with tax free health savings accounts have been touted as a viable option. However, HDHPs assume the insured's ability to pay all out of pocket costs until the deductible is reached. This will cause low income families in rural areas to forgo needed primary and preventive care.
- While Health Savings Accounts may incentivize some individuals to save to pay their out of pocket costs, this kind of saving for low income families will be difficult, if not

impossible. Furthermore, many low income individuals do not carry enough tax liability to take advantage of the tax free nature of the Health Savings Account.

## **PROVIDER REIMBURSEMENT**

Future policy should mandate design and implementation of health care delivery and financing that is appropriate for rural communities.

### ***Medicaid Block Grants/Per Capita Cap***

One scenario currently being discussed is a Medicaid block grant or a per capita cap to states. In either of these cases, rural areas may be hit hard:

- Relatively low patient volume combined with lower levels of insurance coverage or reduced compensation to providers for rural patients would require many rural providers to walk an even tighter financial line than many already do.
- This may result in further site closures and healthcare staff layoffs. Rural providers currently have very slim margins. Rural hospitals, for example, are already closing. Eighty rural hospitals have closed since 2010, and 673 (fully one third of rural hospitals) are at risk of closure, according to the National Rural Health Association.
- If Medicaid reimbursement rates are cut substantially and coverage restricted under a block grant, many physicians and groups in rural areas will likely find it much more difficult to keep their practices economically viable.

***Efforts to shift the healthcare system from volume to value should include research on what changes would benefit health care access, delivery, and patient experience issues specific to residents of rural communities***

## **PROVIDER WORKFORCE**

Rural areas already have a long-standing challenge of attracting health professionals to serve their communities. This challenge has been somewhat mitigated by the increase in revenue to rural healthcare providers due to Medicaid expansion, and the certainty that the overall Medical revenue affords.

If these professionals were to leave for urban settings, the tax base and the overall economy of rural areas would suffer even more.

***The ACA made substitutional investments in the National Health Service Corps and Teaching Health Center Programs. Without the continuation of these programs, rural communities will struggle to train, recruit and retain an adequate provider workforce.***

## **COMMUNITY HEALTH CENTERS/RURAL HEALTH CLINICS**

Rural legislators view community health centers and clinics as efficient, cost effective vehicles for care delivery in rural communities. Efforts should be made to preserve the financial viability of these organizations.

In many rural communities in California, community health centers and rural health clinics are the sole providers of care. These organizations rely on their MediCal payor infrastructure to support the provision of care to Medicare and private pay community members, as well. If MediCal

reimbursement dwindles, these organizations' abilities to provide care to everyone will also be compromised.

- In California, community health centers have an \$8 billion economic impact, supporting 58 thousand direct and indirect jobs, and contributing \$1 billion in tax revenue. (Capital Link)

***Health centers/rural health clinics represent a model of care that offers a bipartisan solution to the primary care access problems that millions of people experience.***

## HOSPITALS

California hospitals have long supported affordable health coverage for all Californians. Key delivery system reforms, adequate payment rates and quality improvement efforts must be maintained.

- Following the ACA, payments in the Medicare and Medicaid Disproportionate Share Hospital (DSH) programs were reduced. With more people insured, hospitals could in theory absorb the reduction because the provision of uncompensated care would also be reduced.
  - With a repeal of the ACA, hospitals will still have the DSH payment reductions, but would be required to provide services to the uninsured, which will likely increase as a result of a repeal. Rural hospitals cannot absorb that loss.
- The ACA expanded 340B eligibility to rural hospitals—critical access hospitals, sole community hospitals and rural referral centers. This expansion has allowed many rural hospitals to better serve their communities at a time when far too many rural hospitals are closing.
  - Repeal and replace efforts must ensure that rural hospitals are able to continue to utilize the 340B program.

***If policymakers choose to repeal the ACA without offering a replacement bill, it is essential that they either put the savings from repeal into a reserve fund to be used for future replacement efforts, or eliminate the payment reductions for hospital services that were part of the ACA.***

## TELEHEALTH

Telehealth is an essential health services technology that increases access to care and education in underserved, rural communities.

In the 114<sup>th</sup> Congress several telehealth bills were introduced that had strong bipartisan support. These were:

- HR 2066 (Rep Harper) Telehealth Enhancement Act, HR 2066 (Rep Harper) Telehealth Enhancement Act, and CHRONIC CARE ACT OF 2016: S.3504 (HATCH R-UT).
- It is expected that these bills will be reintroduced in this 115<sup>th</sup> Congress and their passage is urged.

Of highest priority will be new legislation that will be introduced again to reform policies related to Medicare reimbursement.

Currently Medicare only reimburses live-video conferencing telehealth services under very specific circumstances; a patient must be located in a non-Metropolitan Statistical Area (MSA) or a Health Professional Shortage Area (HSPA) and limits sites eligible to receive services through telehealth to only a few facility types.

***We urge Congress to take action to eliminate the geographic limitations to originating sites and to expand the modalities reimbursed to include store and forward and remote monitoring.***

A repeal of the Affordable Care Act may mean a reduction in Medicaid funds to the states. This will likely increase the demand for telehealth services as it is one solution for increasing access to needed services.

- The Telehealth Resource Center Program should be expanded to more effectively respond to the increased demand over the next four years.
- The Agency for Healthcare Research and Quality (AHRQ) and National Institutes of Health (NIH) should be given increased priority to fund research on telehealth and its role in reducing costs to the healthcare system in order to meet the Triple Aim.
- Efforts are needed to have the Congressional Budget Office take a broader approach to scoring the telehealth bills to include evidence from commercial plans and consider cost avoidance in the analysis. This has been one of the biggest obstacles to any major legislation getting passed.