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Brief Report

Operational and financial performance of Georgia's Critical Access Hospitals

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ABSTRACT

Background: Georgia's Critical Access Hospitals (CAHs) face increasingly complex threats to financial sustainability, as demonstrated by the disproportionally high number of closures in comparison to other states in the nation.

Methods: Financial performance measures (including profitability, revenue, liquidity, debt, utilization, and productivity), site visits, key personnel interviews, and a revenue cycle management assessment were used to assess the strategic landscape of CAHs in Georgia, analyze financial and operational performance, and provide recommendations.

Results: For CAHs in Georgia, financial and operating performance indicators, interviews, and assessments depict a challenging operating environment, but opportunities for improvement exist through implementation of a Lean Six Sigma program and improved benchmarking processes.

Conclusions: Georgia's CAHs operate in a challenging environment, but operational improvement strategies (such as a Lean Six Sigma program) and benchmarking directed towards business processes, including revenue cycle management, provide opportunities for sustainability in the future.

Key words: Critical Access Hospital, financial performance, Process Improvement, LEAN Six Sigma, rural hospital

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INTRODUCTION

The 1997 Medicare Rural Hospital Flexibility Program created the Critical Access Hospital (CAH) designation. Its aim was to protect small rural hospitals providing essential healthcare services in their community by allowing them to continue receiving reasonable cost-based Medicare and Medicaid reimbursement (NRHRC, 2017). In 2016, CAHs continued to face a challenging operating environment that threatened patient care. The goal of the 2016-2018 Flex Financial and Operational Improvement Grant of the Georgia Department of Community Health, State Office of Rural Health (SORH) is to analyze performance of and assist Georgia CAHs. Georgia Southern University was commissioned by SORH to execute this initiative.

METHODS

Institutional Review Board (IRB) approval was obtained through the Georgia Southern University IRB (H16338). Retrospective quantitative analysis of FY2012 to 2014 financial and performance indicators using Medicare Hospital Cost Reports retrieved in 2016 and Program for Evaluating Payment Patterns Electronic Reports was completed for 14 Georgia CAHs participating in the Flex grant. A comprehensive assessment of revenue cycle management (RCM) practices was created and fielded to pertinent frontline and leadership personnel at the 14 participating CAHs. Site visits and key personnel interviews were conducted. Based on the data acquired, descriptive and trend analyses, survey analyses, and SWOT (strengths, weaknesses, opportunities, threats) analyses were performed.

RESULTS

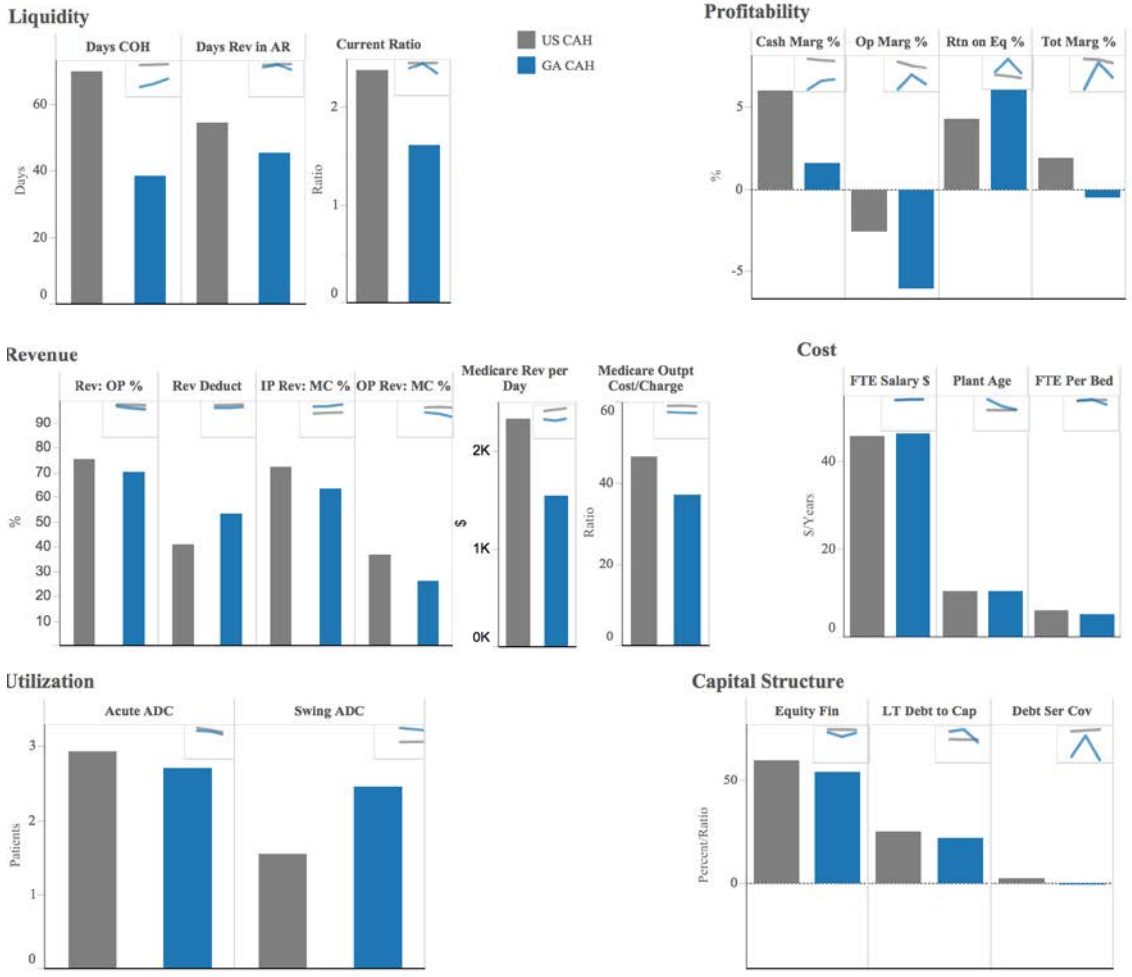
Strategic, financial, and RCM results are discussed below.

Strategic: Site visits and key personnel interviews of 14 CAHs revealed various recurrent themes. Strengths included: 1) committed, capable staff, 2) highly dedicated leadership, 3) delivery of quality care, and 4) high patient satisfaction. Weaknesses included: 1) limited use of data to guide decision-making, 2) overstressed staff, and 3) a crisis mode of daily operations. Opportunities included: 1) implementing formal operational/performance improvement strategies, 2) creating strategic partnerships, and 3) defining a niche in the health care ecosystem. Threats included: 1) difficult and uncertain regulatory and economic environment, and 2) competition from nearby larger markets

that drives community members to other facilities.

Financial: The dashboard in Figure 1 compares US and Georgia FY14 medians for 21 key financial and operational measures and illustrates, for each, trend lines for FY12 through FY14. Georgia and US CAH cohorts were comparable with respect to cost and equity structure. For utilization, Georgia CAHs had more swing bed patients in average daily census than US CAHs. Struggles with liquidity, profitability, and revenue were apparent. Lower Medicare proportions of both inpatient and outpatient revenue, combined with greater patient deductions, appeared to be reducing revenue and, in turn, profitability. For Georgia CAHs, only return on equity appeared better.

Figure 1: Summary of Key Indicators for Georgia and US CAHs



RCM: For the RCM assessment, responses were received from 82 individuals representing 13 of the 14 participating CAHs. Key findings are depicted in Figure 2

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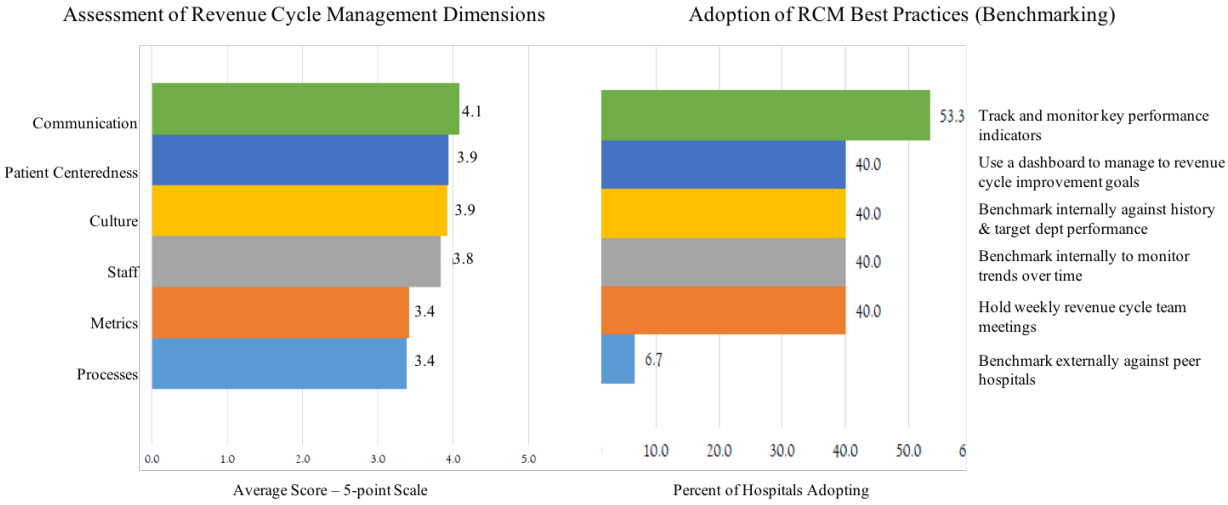
Figure 2: Revenue Cycle Management Assessment Key Findings from Flex Cohort



The RCM assessment revealed limited use of peer benchmarking. Even internal tracking of key performance measures could be improved, since slightly more than half of the respondents indicated that this was occurring. Greater use of industry processes to improve efficiency and effectiveness was another area for possible improvement.

DISCUSSION/CONCLUSIONS

All CAHs face financial challenges. Since 2010, 81 rural hospitals have closed; 34 of those were CAHs (NCRHRP, 2017). These challenges appear to be heightened for Georgia (and more specifically, Flex) CAHs. In Georgia, six rural hospitals have closed since 2010, and four of those were CAHs (NCRHRP, 2017). In about half of these closures, all provision of healthcare services ceased (Kaufman et al., 2016). These statistics, combined with the results discussed above, paint a picture of the harsh operating environment in which Georgia CAHs operate. Patient write-offs and contractual deductions associated with self-pay patients and possibly reduced negotiating power with commercial payers appear to be contributors. Low inpatient utilization, although not appreciably different from US CAHs, is also a factor. However, a concerted move to increase utilization of swing beds is underway and appears to be improving their financial state. Compared to CAHs nationally, staffing levels seem to be efficient. Many are Hill-Burton facilities, built in the 1950s. Implementation of industry RCM processes to improve efficiency and effectiveness and use of performance measurement and benchmarking represent possible areas for improvement. These strategies could serve dual purposes: improving efficiency and providing documentation of outstanding performance for marketing purposes.

An ongoing analysis is underway as the work of this initiative continues. Its focus is shifting to analyses of service-level (hospital-owned rural health clinics, skilled nursing facilities, and physician practices) and training for key staff members in Lean Six Sigma, a methodology to improve business processes by utilizing statistical analysis (Georgia DCH, 2016). Given current tight staffing levels, maximizing productivity by driving waste in current processes out of the system is essential.

Acknowledgements

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