

Rural hospitals feel financial pressure as Medicaid reimbursement uncertainty rises

Posted on Thursday, Aug 20, 2020

Wisconsin's rural hospitals are feeling financial pressure as both COVID-19 in rural communities and uncertainty around Medicaid reimbursements are rising.

Most, but certainly not all, rural hospitals in the state are nearly back to pre-COVID service levels, according to Rural Wisconsin Health Cooperative Executive Director Tim Size. However, those hospitals have incurred major financial losses that still linger on the balance sheets.

"Compared to earlier in the pandemic, rural hospitals are now seeing more of the virus, which means they are spending more time and resources to keep their patients and communities safe," Size told WisBusiness.com in an interview.

This goes against national reporting that hospital systems are doing well — even posting profits above historic norms. According to an Axios report, HCA Healthcare, Universal Health Services and Community Health Systems all posted profits well above expectations, even after halting elective procedures at the start of the pandemic.

"On average, rural hospitals, rural communities have less access to testing, longer delays at getting testing results," Size said. "This translates into higher use of personal protective equipment, inefficiencies in staff and a higher burn rate for equipment. I would refute the assumption things are sweet and good."

Black River Memorial Hospital already had a shaky start to the year financially. After shutting down non-emergent elective care for about three months, the hospital's bottom line was bleak.

"We were fortunate, however, to apply for and receive the Paycheck Protection Program money, which we used to continue to keep our people working," said Mary Beth White-Jacobs, CEO of Black River Memorial Hospital. "We did not do any layoffs or furloughs and used that money that we received to pay their salaries."

The Black River hospital is still not completely back to its pre-COVID volumes of care, but after receiving the federal CARES Act money and the PPP dollars, the health system is in a "more positive place" financially.

However, rural hospitals around the state are unsure if the good news from federal funds will continue. There is a fear that while the PPP will be forgiven, the Center for Medicaid and Medicare Services will factor it into the payment rate that hospitals get from Medicare in order to recoup its own losses, dropping the reimbursement rate for uninsured and underinsured patients that hospitals care for through the rest of the year.

"Even though we have a positive line now, it will start to erode away at that as we take care of patients throughout the rest of the year..." White-Jacobs said. "The money that we have now, we're not sure by the end of the year if it's going to carry us through at the lower volumes of patients we have if there's also a lower volume of reimbursements."

White-Jacobs noted that patients are reluctant to come in for preventative care or less immediate services. So, patients are waiting until they are really sick or even needing to go to the emergency room before seeking a doctor, resulting in a higher cost of care.

Additionally, rural Jackson County's poverty level is 12 percent — higher than the state's 11 percent poverty rate based on July 2019 census data. Add the recent hike in unemployment into the mix, and there is concern that many people have lost their health insurance and rely on BadgerCare.

"We may get more uninsured or underinsured individuals that will be written off as community care or become a part of that debt," White-Jacobs said.

Jackson County is also labeled as having moderately high COVID-19 activity levels, according to the Department of Health Services. Some of the surrounding counties are seeing high COVID-19 activity, such as Trempealeau and La Crosse counties to the west, Eau Claire County to the north, Monroe County to the south and Wood County to the east.

"We are basically running the county drive-thru testing, so the expense of staffing that is falling onto the hospital," White-Jacobs said. "We are using the money that we got from the federal government to pay for that. I don't know what the rest of the year is going to bring. The fact that we have a positive bottom line right now, part of that is in large part due to the federal funding that we've received, but I don't know if we're going to have to shut things down again before the end of the year."

Reedsburg Area Medical Center suffered a \$11 million loss from March 16 to the end of May, according to the hospital's CEO Robert Van Meeteren.

After starting elective services back up just before June — at a much reduced rate — June and July have been "okay" months, achieving budgeted numbers, but not quite making up from the previous three months.

“We were fortunate to receive a PPP loan,” Van Meeteren said, adding that the campus used the loan to cover payroll expenses during the current pandemic.

While he anticipates most of the PPP will be forgiven, he said he’s “greatly concerned” that CMS is contemplating offsetting the cost report negatively because of the PPP loan.

“We have received estimates from our auditors that this offset could cost our hospital between \$2.5 and \$4 million,” Van Meeteren said. “We would not be able to bear this negative offset.”

This uncertainty comes as the Reedsburg Area in Sauk County — labeled as having high COVID-19 activity — is also seeing increases in the number of cases. Sauk County saw spikes in cases for the month of July and early August.

Black River Memorial Hospital and Reedsburg Area Medical Center are two of about 10 RWHC members who took advantage of the PPP loans.

“That was huge in helping reduce their losses,” Size said. He also expressed his concern about CMS reducing what hospitals are paid. “What they thought was an assist from fed for a couple million or more dollars is going to go away.”

White-Jacobs said that she’d like to see state and federal support for local health departments who currently bear the responsibility of contact tracing and testing COVID-19 cases and preventative education.

“We right now have the front of our hospital shut down so that we can do drive-thru

testing, eventually we're going to need to open up our lobby and finding a location for that and finding the staffing for the ongoing testing has been a challenge," she said. "I'd like to see some funding going to our public health departments so that they can start having more support and more leadership around that drive-thru COVID testing."

-By Stephanie Hoff

WisBusiness.com